

Meeting of the Trustees of the CTA Retirement Plan
December 21, 2023
VIA MICROSOFT TEAMS

Regular Session
Meeting Minutes

The Board of Trustees of the Retirement Plan for Chicago Transit Authority Employees, by way of Microsoft Teams and physical presence, and in compliance with the Illinois COVID-19 Executive Order, convened a meeting on December 21, 2023, 55 West Monroe, Chicago, Illinois commencing at 9:30 a.m. and adjourned at 10:36 a.m. Participants in the meeting were:

Appearances in Person:

Mr. Keith Hill, Chairman
Mr. Thomas McKone, Vice-Chairman
Mr. Joseph Burke
Mr. John Burkard
Mr. Eric Dixon
Mr. Andrew Fuller
Mr. Tiant Gatewood
Ms. April Morgan

Alternate Trustees:

Mr. Marqueal Williams (for Woodrow Eiland)
Mr. Michael Bowen (for Ms. Theresa Fletcher-Brown)
Ms. Michelle Kerring (for Jeremy Fine)

Also Present:

Mr. Paul Sidrys, Executive Director
Mr. Mike Spychalski
Mr. Norman Buckwalter
Mr. Jason Gopaul

Also Participating Via Teams:

Richard W. Burke

Consideration of Minutes from prior Meeting

The Chairman inquired as to the presence of a quorum. Mr. Sidrys called the roll and reported that a quorum was present.

Mr. Burkard made a motion to reconsider the minutes of the November 21, 2023 meeting in light of Marquette's subsequent opinion that its view on emphasizing value was a nuanced opinion. He

also wanted clarification in the minutes that the meeting took place not at the offices of the Retirement Plan but at the Northern Trust Conference Center. The motion was seconded by Marqueal Williams. The roll was taken, and the motion passed.

Investment Committee

The Investment Committee Report was given by Mr. Spychalski of Marquette Associates. He stated that the market was on pace for real GDP growth. Economic growth for the year is in the range of 2.5 to 3 percent while the unemployment rate is around 3.7 percent. Inflation is ticking down. It is now around a 3 percent level on a year-to-year basis. We have had a soft landing. The Fed is projecting three rate cuts this year. The market is anticipating a re-acceleration of growth. He said that the month of November made the year in the fixed income markets. The year-to-date return is a positive 1.6 percent. He said that the broad bond market is up 4.5 percent in the month of November alone, which brings the year-to-date return to a positive 1.6 percent. He added that we have seen a significant retraction of interest rates again in the expectation of cooling inflation.

Insofar as the equity markets, they were up around 9.25 percent for the month of November. We observed strong returns from large cap, mid cap and small-cap. He observed that value stocks are catching up with growth stocks. He added that in the non-U.S., emerging markets continued to lag behind the developed markets. He stated that the market in China has been down over 50 percentage points for the past three years. He added that China has some challenges to work out before they're going to start participating in this broad-based rally.

He stated that inflation both in U.S. and outside shot up at about the same rate, but we are seeing it come down about the same rate. He added that there were some supply chain issues tied to COVID and some geopolitical issues, which was outside of monetary policy and fiscal policy. These outside forces had an impact. Another factor affecting China was the reshoring of supply chain products across the world and not just in China. Questions were raised in regard to whether China should still be considered a less developed country. The response was that it needs to first work out some challenges before it starts to participate in the broad bond market. There are certain factors driving this such as how well regulated China is and also some of the other market friendly measures. Their non-capitalist policies are slowing China. He stated that he is beginning to see some signs that small cap will have a growth.

He stated that the total market value as of December 21, 2023 is \$1,953,113,804, including a cash balance of \$8,676,000. The portfolio was up 5.1 percentage points net of investment expenses in the month of November. This brings the year-to-date return for the portfolio to 6.5 percent net of investment expenses. He added that the portfolio was down slightly less than the average fund last year and up a little less than the average fund this year. For the month of December to date, the portfolio has been up 2 to 2.5 percent. This number does not include any impact of the real estate portion of the portfolio or any of the private equity investments in the infrastructure. He anticipates a write down on some part of the real estate portfolio but also some upgrades in both infrastructure and private equity which may offset some of the real estate losses. He believes that the ultimate return is close to 8.5 percent target for the year. He believes the infrastructure should be positive and private equity should be positive. Real estate however may have another negative

quarter. The fixed income portfolio is up 4.3 percent year to date. The total equity portfolio is up at about 11.2 percent. He anticipates that the portfolio will show real estate being down about 9 percent. He pointed out that the private equity portfolio has not been marked down since the second quarter. So, this is still only about half a year of data for some of the portfolio. He is expecting the remainder of the year for the private equity portfolio to start catching up to where the public equity markets are.

Pursuant to the most recent authorization from the Trustees, Marquette did effectuate the additional investments in private equity by way of re-upping with both Mesirow and Aberdeen. The money to do so is coming from redemptions that are being placed with the Partners Group open-ended private equity funds. In order to accomplish that goal the Plan has a full redemption request with the Partners Group private equity fund. That should be paid out quite likely in 2024. The redemption will provide a little bit excess cash versus what would normally be carried to pay benefits and to redeploy the rest of the capital in line with the rest of the portfolio's targets.

Old Business

In response to an inquiry from the Chairman, Mr. Richard Burke reported that there was no litigation pending and there is no pending litigation report. He added that the court had approved the settlement in the Williams case.

The status report was then given by Mr. Buckwalter in regard to the software contract which has been in the process of being negotiated. He stated that all of the system scope and project scope that was determined by the personnel from the Retirement Plan Office working on the matter were included in the packet and the top scoring vendor for that process was Procentia. At this point, Mr. Jason Gopaul of Procentia participated in the meeting. Mr. Buckwalter reported that the original bid was reduced by \$1.238 millions or about 34 percent to the level where it is presently in the proposed contract. He stated that Segal had gone through all of the technical aspects of the system, and it believed the system is capable of meeting the Plan's needs today as well as in the future. The Plan is a system that is hosted in Microsoft's Azure's environment. This is a top-tier hosted environment in the world. The contract is for nine years and includes a package of insurance to help manage all risks. This is to replace an aging legacy system. The average bid responding to the RFP from six vendors was \$5.45 million. In the scoring process for bids the Procentia bid was scored by a cross-functional team which will use the application and others including Mr. Sidrys. Procentia basically scored the best and had the highest percentage of requirements right out of the box. A final draft of the contract is ready for signature, if the Board determines that is the best path forward. If the contract is approved Segal will begin project planning immediately, and also set up the technical environment and prepare the staff for the design work. Updates will be given to the Board as the work progresses. The contract provides for a termination basically for convenience. Mr. Buckwalter stated that the plan is to go live in January of 2025. He added that it is about a 12 month implementation.

Mr. McKone moved to authorize the execution of the contract, which motion was seconded by Mr. Burke. A roll call vote was taken. The motion passed unanimously. Mr. Sidrys said that he would

like to bring up at the January meeting of the Trustees for approval the allocation of the contact cost to 90 percent for the Retirement Plan and 10 percent to the Healthcare Trust.

General Administration Committee

The General Administration Committee report was then given by Mr. Dixon. Mr. McKone moved to approve the report including the items set forth in Section 7A through 7J. The motion was seconded by Mr. Williams. A roll call vote was taken. The motion passed unanimously. Mr. Dixon announced at this time there were no requests for educational conference attendance.

Mr. Sidrys gave the report in regard to the budget for 2024, a copy of which had been distributed to all of the attendees prior to the meeting. Mr. Dixon made a motion to defer consideration of the budget until the January Trustees' meeting. Mr. Williams seconded the motion. A roll call vote was taken. The motion approved on unanimous vote.

Mr. Richard Burke stated there was no need for an Executive Session. Mr. Dixon made a motion to adjourn which was seconded by Mr. Williams. The motion passed unanimously, and the meeting adjourned at 10:36 a.m.