

Meeting of the Trustees of the CTA Retirement Plan
July 25, 2024
VIA MICROSOFT TEAMS AND IN PERSON

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 July 25, 2024 at 50 South LaSalle Street, Chicago, Illinois commencing at 9:42 a.m. and adjourned at 10:45 a.m. Participants in the meeting were:

Appearances:

Mr. Keith Hill, Chairman
Mr. Thomas McKone, Vice-Chairman
Mr. Marqueal Williams (for Woodrow Eiland)
Mr. Tiant Gatewood
Ms. Theresa Fletcher-Brown (virtual)
Ms. Michelle Curran (for Jeremy Fine)
Ms. April Morgan
Mr. Joseph Burke (virtual)
Mr. Andrew Fuller (virtual)
Ms. Pennie McCoach (virtual)
Mr. John Burkard

Alternate Trustees:

Ms. Georgette Hampton (briefly in for April Morgan)
Mr. Michael Bowen
Mr. Mark Weems (virtual)
Ms. Michelle Townsend
Mr. Chris Kasmer

Also Present:

Mr. Paul Sidrys, Executive Director
Ms. Rachel Bossard, Plan Counsel
Mr. Jeff Bora
Mr. Ron Willis
Ms. Anita Tanay (virtual)
Mr. Hector Flores
Mr. Kweku Obed (virtual)
Mr. Norman Buckwalter (virtual)
Mr. Stanley Mui
Ms. Elsa Trejo

Ms. Angel Trevino
Mr. Steven Brown (virtual)
Ms. Eileen Boyle Parich (virtual)
Mr. Dan Salemi (virtual)
Mr. Kevin Spanier (virtual)

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. Gatewood made a motion to approve the minutes from the June 27, 2024 Board Meeting. The motion was seconded by Mr. Williams. The roll was taken, and the motion passed.

Mr. Gatewood made a motion to approve the minutes from the Executive Session of the June 27, 2024 meeting. The motion was seconded by Mr. Williams. The roll was taken, and the motion passed.

Investment Committee

The Investment Committee Report was given by Mr. Kweku Obed. Mr. Obed reported that the Plan's total market value through July 24, 2024 was \$2,007,262,682.41 with a cash balance of \$68.43m in cash. He reported that month to date is pretty positive.

Fixed income is improving with the prediction of one to two interest rate cuts before the end of the year. The fixed income portfolio has exposure to the Ag index and to bank loans, which are positive year to date. Emerging market debt is also positive year to date. U.S. equities have held up pretty well. Core is holding up pretty well, with value lagging on the year to date basis. Despite the volatility, the domestic market is holding up well and in positive territory. Large cap stocks have been the strongest contributor to the returns. International markets are currently lagging the U.S. markets, due to the relative weighting of technology, but still show a positive performance. The tech sector represents approximately one-third of the U.S. stock market and only around 13% of the non-U.S. stock market, which accounts for the differential. EAFE local is up 11.1%, compared to the regular EAFE index, which is up 5.3%, which is due to the strengthening of the U.S. dollar. Real estate has seen a lot of volatility, but we can expect more stabilization within the asset class. Infrastructure has lagged, but is a good diversifier. Private equity has continued to provide strong returns. We can expect a rally in the fixed income market.

For the one month period, the Plan is up 40 basis points and a little over 5%. Fixed income has been resilient with Symphony up 5.3%. On the emerging market debt front, we are seeing a positive 80 basis point return from MetLife. On the U.S. Equity front, we see Paradigm and Lomax are holding up well. On the mid-cap composite front, Denali is up 3.1% and the Exponents index is up 6.1% over the year to date period. We have seen some volatility with the small cap composite, which is very rate sensitive. With regard to global low vol, Fidelity is up 7.8% for the year to date, while Rhumblin has detracted over the short term. There are strong returns coming from certain managers in the non-U.S. equity composite. Since inception, ARGA is up 7.4%. LSV is up 12%

and Brown is up 14% over the one year period. With regard to real estate, Rreef and JP Morgan are positive, Heitman is slightly negative, PRISA is down 1.7% and UBS is down 1.1%. Infrastructure has been steady. Private markets, including Partners Group, have been a good diversifier. Overall, July is shaping up to be a good month for the Plan.

In response to a question from Mr. McKone, Mr. Obed explained that to get an accurate picture of the returns from private equity, we must look at both longer periods and shorter periods. In the longer term, private equity gave the Plan an annual return of 10.6%. Overall, it has been an amazing contributor to the performance of the portfolio.

In response to a question from Mr. Burkard, Mr. Obed explained that the private equity composite is both closed and open ended.

In response to a question from Mr. Sidrys, Mr. Obed explained that the returns are reflective of the most recent data that is coming in from the managers, but managers report at different times, so it can be an approximation. Longer term will be reflective of the actual numbers that have come through.

Old Business

In response to an inquiry from the Chairman, Mr. Bossard reported that there was no litigation summary to report.

Norm Buckwalter from Segal reported that the pension software project is in yellow light status and experiencing some challenges. The project is currently about 5% behind schedule due to the data conversion from the FoxPro system. He reported that there is about 30 years of records and they are working closely with Jerry Taylor and the team that managed the existing FoxPro System. This challenge was not unexpected, but it is taking longer than estimated. They are looking at other areas of the project that they can pull ahead to offset this delay like system interfaces with Northern Trust, the CTA payroll department and Group Administrators. The next walkthrough of the new system prototype is August 15th. Mr. Buckwalter reported that the project is still on budget and Procentia is not looking to charge more for the additional time.

In response to a question from Mr. Burkard, Mr. Buckwalter explained that the delay is due to Jerry trying to balance priorities and challenging nature of the conversion work. Again, these are not unexpected bumps.

In response to a question from Mr. McKone, Mr. Buckwalter explained that the challenge is dealing with 30 years of payroll history.

Kevin Spanier reported on the five-year experience study. He explained that it is necessary to set the assumptions every five years in order to determine the actuarial evaluation on a yearly basis and to determine the proper Plan contributions. They projected the actual accrued liability to be just under \$3.9 billion as of January 1, 2024. The impact of the proposed assumption changes would lower the accrued liability by about \$34 million. There is no impact on the contribution rate.

In response to a question from Mr. McKone, Mr. Spanier explained that the current rate of return at 8.25% is slightly high, but not outside the realm of reasonable.

Mr. McKone made a motion to adopt the assumptions as outlined by the actuary. The motion was seconded by Ms. Morgan. The roll was taken, and the motion passed.

General Administration Committee

The General Administration Committee report was then given by Ms. McCoach. Mr. Gatewood made a motion 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, and the motion passed. Ms. McCoach reported that under 7K, there was one request to attend an educational conference for Mr. Kasmer. Mr. Gatewood made a motion to approve. The motion was seconded by Mr. Williams. A roll call vote was taken, and the motion passed.

Ms. Bossard presented on the proposed draft appeal procedures that had been circulated to all Trustees and their counsel. Ms. McCoach made a motion to adopt the appeal procedures. The motion was seconded by Mr. Burke. A roll call vote was taken, and the motion passed.

Mr. Gatewood made a motion to adjourn. Mr. Williams seconded the motion. A roll call vote was taken. The motion passed unanimously.