

Meeting of the Trustees of the CTA Retirement Plan
August 22, 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 August 22, 2024 at 55 W. Monroe Street, Chicago, Illinois commencing at 9:38 a.m. and adjourned at 11:06 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 (virtual)
Ms. Theresa Fletcher-Brown
Mr. Mike Bowen (for Jeremy Fine)
Ms. April Morgan
Mr. Joseph Burke (virtual)
Mr. Andrew Fuller (virtual)
Ms. Pennie McCoach
Mr. John Burkard

Alternate Trustees:

Ms. Georgette Hampton (virtually and briefly in for April Morgan)
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 (virtual)
Mr. Ron Willis (virtual)
Ms. Anita Tanay
Mr. Hector Flores
Mr. Kweku Obed (virtual)
Mr. Norman Buckwalter (virtual)
Mr. Stanley Mui
Ms. Elsa Trejo
Ms. Angel Trevino

Ms. Lindsay Goodman (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. Williams made a motion to approve the minutes from the July 25, 2024 Board Meeting. The motion was seconded by Ms. McCoach. 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 August 21, 2024 was \$2,041,277,252.36 with a cash balance of \$63.6m in cash. He reported that this is slightly higher than we saw in July.

The key word for July is low quality rally. It was positive, but did lag the broader market. Early August showed extreme volatility. Fixed income was positive in July and interest rate expectations are leaning toward a rate cut in September. Any type of interest rate movement will have an impact on fixed income. Fixed income was up 2.3 percent. The small cap segment was up 10.2 percent for small cap core, 12.2 percent for small cap value, and 8.2 percent for small cap growth. Small cap is also more sensitive to interest rates. International markets were positive, with significantly less emphasis on technology than the U.S. market. We are seeing a more normalization of returns for real estate.

The Plan is a bit over 6 percent and trending nicely relative to the target rate of return. The Core managers are holding up in line with the index. The Symphony allocation has been pretty resilient. Emerging Market debt has been additive, and we've seen some nice results from U.S. equities. Ariel and Channing lagged the benchmark, but are still acceptable. The low vol composite has been a good diversifier and we've seen some good results on the non-U.S. side. The open end real estate composite is positive, and infrastructure has been a good diversifier. All in all, it was a good month for the portfolio on an absolute basis even if it lagged the broader market on a relative basis.

In response to a question from Mr. McKone, Mr. Obed explained that while the Plan is below the target rate of return, it is in line with the prudent investment strategy that has been laid forth. We should expect to be doing a lot better relative to the index by the end of the month.

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. The project is currently about 7% behind schedule due to the data conversion from the FoxPro system. The team is 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 pushed forward with the interface with Northern Trust and they met with the CTA payroll department that morning. They also met with Group Administrators this week and that is on track. The design and build for the new system is largely complete. Last week, the team was logged in and trained on how to navigate through it. They are testing new system transactions and workflows and providing feedback to Procentia. They expect the data conversion to be complete in November. They are looking at having a third party perform an audit to verify the successful conversion. The project is on budget.

Mr. Sidrys reported that he was working on obtaining quotes from various audit firms to perform the work and hoped to have a proposal by the next board meeting.

Kevin Spanier reported on the Preliminary January 1, 2024 Actuarial Valuation. It reflects the experience study and its assumptions. The market value of assets returned about 10 percent, which was favorable compared to the 8.25 percent assumed rate of return. Since the Plan smooths in gains and losses over a five year period, it is still factoring in a fairly large loss from 2022. Overall, there is no recommended change in contribution rates. Funded status is 54.4 percent. Last year the expected earnings were \$153 million, but the Plan actually earned \$185 million. Therefore, that \$32 million is going to be spread out over the next five years. Current liabilities are \$3.9 billion. Salary experience was about \$29.5 million of the \$51 million loss. Based upon the anticipated market returns, we anticipate no contribution increase for next year.

In response to questions from Mr. McKone, Mr. Spanier explained that the Plan will likely be in the negative cash flow position for the next several years, but he would need to dig further into the numbers to give a detailed answer. He also explained that the Plan is 22 years ahead of the 90 percent funding ratio legislative requirement.

Mr. McKone made a motion to approve the report and accept the recommendation for the rates for next year. The motion was seconded by Mr. Hill. The roll was taken, and the motion passed.

General Administration Committee

The General Administration Committee report was then given by Ms. McCoach. Mr. Hill made a motion to approve the report including the items set forth in Section 7A through 7J, with the exception of the death reporting in Section H to be deferred to next month. The motion was seconded by Mr. Williams. A roll call vote was taken, and the motion passed. Ms. McCoach reported that under 7K, there were no requests for educational conferences.

Mr. Hill made a motion to move the September Board meeting to September 20, 2024. The motion was seconded by Mr. Williams. A roll call vote was taken, and the motion passed.

Ms. Bossard stated that there was a need for Executive Session due to threatened and impending litigation. Mr. Hill made a motion to into Executive Session. The motion was seconded by Ms. McCoach. A roll call vote was taken, and the motion passed.

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