

Meeting of the Trustees of the CTA Retirement Plan
December 19, 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 December 19, 2024 at 200 West Adams, Chicago, Illinois commencing at 9:38 a.m. and adjourned at 10:34 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
Mr. Michael Bowen
Ms. April Morgan (arrived at 9:50 a.m.)
Mr. Joseph Burke (remote)
Mr. Andrew Fuller (remote)
Ms. Pennie McCoach (remote)
Mr. John Burkard (remote)

Alternate Trustees:

Mr. Chris Kasmer (remote)
Mr. Mark Weems (remote)
Mr. Woodrow Eiland (joined remotely at 9:53 a.m.)

Also Present:

Ms. Rachel Bossard, Plan Counsel
Ms. Lindsay Goodman (remote)
Mr. Ronald Willis (remote)
Mr. Hector Flores (remote)
Mr. Kweku Obed (remote)
Mr. Norman Buckwalter (remote)
Mr. Kevin Spanier (remote)
Mr. Stanley Mui
Ms. Elsa Trejo
Mr. Alberto Rivera (remote)
Mr. Mike Barry
Mr. Jeff Bora

Consideration of Minutes from prior Meeting

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

Mr. Gatewood made a motion to approve the minutes from the November 26, 2024 Board 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. Alberto Rivera. Mr. Rivera reported the market value of the Plan to be \$2,050,682,701.99, with total cash of \$37,708,704.79.

Mr. Rivera reported positive market reactions in November after a volatile October. The November rally was fueled by rate cuts and election results. The Bloomberg aggregate returned 1.1 percent and JP Morgan EMBI returned 1.2 percent. U.S. equities also rallied in November. There was a pretty strong rally on the smaller end of the market cap with double digit rates of return. With the potential trade war, large caps will require monitoring. Global equities were a bit mixed with continued volatility and the strengthening dollar. The same is true with emerging markets. Real estate and private equity continue to lag, but should continue to track in the right direction.

Obed reported that the market has been extremely generous. There has been some volatility in the international markets following the election. With quality leaning in the portfolio, we are still expecting pretty decent results for the month. In the U.S. market, small cap is up 11.28 through the close of business yesterday. Mid cap is almost 9 percent. The broad market is up 6 percent. The Russell 1000 almost 6 percent. The AG index is up 60 basis points. The return of 7.5 percent doesn't include the alternatives which are lagged. We can expect Black Friday and Cyber Monday earnings to help. Election years are typically positive for the markets. Things are leaning toward a strong finish for the end of the year.

For the month, the Plan has performed in line. For the quarter, the Plan outperformed by 20 basis points. The year-to-date and one year performance gaps have narrowed. Private equity performance in the first and second quarter helped narrow the gap. All asset classes are within allowable ranges. We won't know the final December values until May or June. Fixed income is up with a 1.1 percent rate return. Symphony is estimated to track much closer to the benchmark return. MetLife EMD allocation has been keeping with the benchmark. For domestic equity, the value managers were additive and protected the downside. With regard to global low-vol, Fidelity has performed well. For non-U.S. equities, the performance was flat, but compared to a return of negative 90 basis points for the benchmark. Brown Capital was the driver of outperformance for the month, which returned 3.6 percent versus a negative .6 percent return for its benchmark. J O Hambro Emerging Market Small Cap protected the downside by 50 basis points for the month. Real estate is finally looking at positive returns with improved outlooks. Infrastructure has been a good diversifier for the portfolio. The fed cut interest rates by 25 basis points. Estimates for further rate cuts were reduced from four cuts to two for next year, which led to volatility in the market. There will be a lot of push and pull, as the fed is being cautious.

In response to a question from Mr. McKone, Mr. Rivera reported that for the first quarter, private equity was in line with the benchmark returning 1.4 versus 1.3. The second quarter was better with a 2 percent return versus 1 percent for the benchmark. Year-to-date the Plan is showing a 4.4 percent return over the 1.9 for the benchmark.

Old Business

In response to an inquiry from the Chairman, Ms. Bossard reported that there was a Second Amended Complaint filed in the Mobileye litigation. Defendants will have an opportunity to file a motion to dismiss. In addition, the Brown Appeal is scheduled for hearing on January 8, 2025 at 2:00 p.m.

Norm Buckwalter from Segal reported that the pension software project is in the testing phase. Some differences in calculations have been uncovered, which is normal. However, some of the issues require board direction and clarification in order to proceed. He reported that there is an issue related to mortality tables and an issue related to the use of fractional years.

Kevin Spanier from Buck explained that the Plan document states that the calculations will be based on a mortality table that was created in the 1980's and adjusts beneficiary ages by three years. There is an issue with whether the Trustees intended to adjust the beneficiary ages in this way and which way the Trustees want to handle it going forward. He also explained that the Board may wish to use a more updated mortality table. Mr. Spanier is also concerned about the calculations for early retirement reduction factors and the system truncating ages. He also reported that these types of issues are not unique to this Plan.

In response to a question from Mr. Bowen, Mr. Buckwalter explained that they can continue testing the other interfaces while the Board considers these issues, but that a decision will need to be made very soon in order to keep the project on schedule.

In response to a question from Mr. McKone, Mr. Buckwalter and Mr. Spanier agreed to put together a written outline of the issues and the pros and cons of each possible scenario and the potential impact on the Plan, with the understanding that without analyzing all of the data, there would be some assumptions built in.

Mr. Hill requested that a committee meeting be set up in January to address the issues.

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 1 through 7A 11 on the agenda. The motion was seconded by Mr. Williams. A roll call vote was taken, and the motion passed.

New Business

Mr. Hill acknowledged the loss of Trustee, Georgette Hampton, and extended condolences to her family and to the management of the CTA. Mr. McKone, Ms. McCoach, and Mr. Burkard also extended their condolences.

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