

MINUTES OF THE MEETING
BOARD OF TRUSTEES
CTA RETIREE HEALTH CARE TRUST
200 West Adams Street, 14th Floor, Chicago, Illinois
March 15, 2018

TRUSTEES PRESENT

Thomas McKone	Chairman
Christopher Kasmer	Secretary
Marquel Williams	
Kenneth Franklin	
Paul Sidrys	
Sherri Thornton-Pierce	
Joseph J. Burke	

ALSO PRESENT

John V. Kallianis	Executive Director
Patrick N. Ryan	Fund Counsel, Baum Sigman Auerbach & Neuman, Ltd.
Justin J. Lannoye	Dowd, Bloch, Bennett, Cervone, Auerbach & Yokich on behalf of the ATU Local 241 appointed Trustee
Daniel R. Salemi	Franczek Radelet, PC on behalf of the RTA appointed Trustee
David M. Novak	Jackson Lewis, LLP on behalf of CTA appointed Trustees
Anita Tanay	Jacobs, Burns, Orlove & Hernandez on behalf of the ATU Local 308 appointed Trustee
Miguel Zarate	Investment Consultant, Marquette Associates
Dorothy Stawiarski	Benefits Consultant, Segal Consulting

CALL TO ORDER

The Chairman called the meeting to order at 11:40 a.m.

ROLL CALL

Roll was taken and a quorum was declared present.

APPROVAL OF MINUTES OF PREVIOUS MEETING

The Minutes of the February 22, 2018 Board of Trustees Meeting had previously been distributed to the Trustees. Upon motion made and seconded, the following Resolution was adopted:

RESOLVED: To approve the Minutes of the February 22, 2018 Meeting.

Messrs. Burke, Franklin and Sidrys abstained.

GENERAL ADMINISTRATION COMMITTEE ISSUES

The applications for benefits and bills and remittances were reviewed. There were no requests for educational conference pre-approvals. Upon motion made and seconded, after brief discussion, the following Resolution was unanimously adopted:

RESOLVED: To approve all applications for benefits and payment of bills and remittances as presented.

REPORT OF INVESTMENT CONSULTANT

Mr. Zarate referred to the Marquette Associates' Annual Report dated December 31, 2017 and its Monthly Update Report dated February 28, 2018. Copies of those reports were distributed to the Trustees and are incorporated into these Minutes.

In the Annual Report, Mr. Zarate first directed the attention of the Trustees to page 1. He noted that all of the investment managers were in compliance with the Fund's investment policy except for Hughes Core Fixed Income. Hughes Core Fixed Income was terminated, is holding some residual assets of the Fund and is the subject of ongoing litigation. On page 3, he noted that the year-ending market value of the Fund was at \$853,742,063. On page 6, he noted that the Fund

started 2017 with a market value of \$754,961,539, withdrew \$15,497,822 to pay benefits, and earned investment income totaling \$114,268,346 to arrive at its year-ending market balance.

On page 7, Mr. Zarate reviewed how the Fund compared to other health and welfare funds. He noted that the Fund's annualized return was at 7.6% for the five years ending December 31, 2017, which put it in the top 13th percentile of all health and welfare funds, with a risk factor in the 85th percentile of all health and welfare funds. He noted, that because this was not a traditional health and welfare fund, it did have a more aggressive investment strategy, with higher risk and higher returns, that was still consistent with the asset allocation benchmark policy risk.

On page 8, Mr. Zarate reviewed the overall returns and the various investment components and their relationship to their benchmarks. He noted the overall year-to-date return for 2017 of 14.8% exceeded the benchmark of 13.4%, and significantly exceeded the assumed actuarial rate of return of 7%. He highlighted that the total fixed income composite showed a return of 4.9% in comparison to 4.1% for the benchmark. The primary driver of these results was the non-U.S. fixed income composite group, which was up 12.5%.

Mr. Zarate then noted that the total equity composite showed returns of 24.4% in comparison to the benchmark of 24%. While the Fund's large cap composite were slightly behind the benchmark, the mid-cap composite, small cap composite and non-U.S. equity composite all exceeded the benchmark. The non-U.S. equity composite being the biggest factor in the overall increase in equities was up 33.8% in comparison to the benchmark of 27.2%. Finally, he noted the real estate composite had returns of 7% in contrast to the benchmark of 6.7%.

Mr. Zarate then turned to the Monthly Update Report and directed the Trustees' attention to page 2, noting that there were no changes in the managers' status in comparison to the Annual

Report. He next discussed on page 3 the 2.5% decrease in investments for February 2018, in contrast to the 2.4% decrease in the benchmark. He noted that these numbers are net offees and excluded real estate, thus performance should improve once the real estate numbers are in at the end of the first quarter. He estimated that the Fund would be up 1.1% as of March 14, 2018. He also noted the Fund's current asset allocation had some deviations from its targets, but was within the policy limits. He noted that the Fund's current market value as of February 28, 2018 stood at \$849,427,037. This amount takes into account \$2,999,945 withdrawn to pay benefits, and investment losses of \$1,315,081. He also noted, although not in the report, that as of the close of business on March 14, 2018, the Fund's market value stood at \$859,512,984.

Mr. Zarate then turned to page 9 and noted that the overall returns were consistent with benchmarks with minor deviations, and that the Fund's investments were consistent with its policies. He advised that Marquette Associates had no concerns regarding the Fund's current portfolio.

Trustee McKone asked if there was anything in the Fund's investments that would affect how they should anticipate investment returns in this Plan, when contrasted with the Pension Fund's investments. Mr. Zarate said that he did not see any significant differences, noting that normal volatility is expected for the rest of the year, with the unknown factor being the reaction to and the form of the tariffs that may be imposed by the Trump Administration. However, he did not anticipate anything other than normal fluctuation in the market.

Mr. Kallianis noted that the proposals from the MWDBE Index Fund managers were due on March 21, 2018. Mr. Kallianis is attempting to schedule an Investment Committee meeting in the weeks of April 9 or April 16, after Marquette has an opportunity to review all proposals. He expects the Committee to have a recommendation to the Board for an MWDBE investment manager.

OLD BUSINESS

Items 6(a) and 6(b) on the agenda regarding the status of the Board's requests from the CTA for contributions for ATU apprentices and unrepresented employees, and status of the requests for information/documentation from CTA and Ironworkers Local 1 were addressed together. Mr. Ryan reported that all the Local Union Defendants to the lawsuit filed their Answers, and that the CTA filed a Motion to Dismiss the Complaint. The Fund's response to the Motion to Dismiss is due on March 27, 2018, with a ruling not anticipated before May.

As for Item 6(c), Mr. Kallianis reported that he had a meeting scheduled with Local 241 to review records with Legacy, and will schedule a similar meeting with Local 308 to do the same.

As for Item 6(e), Mr. Kallianis noted that the cyber breach insurance policy was in place, and that he was investigating service providers to conduct a follow up cyber security audit.

As for Item 6(d), Ms. Stawiarski reviewed three new dates or potential dates on the list of key dates for the Retiree Trust. First she discussed the possibility of having a meeting on May 14, 2018 with Humana to review their 2017 performance and planning for 2019. Mr. Kallianis will circulate an invitation as a reminder of this date.

Ms. Stawiarski then discussed the possibility of a meeting on April 11, 2018 of the General Administration Committee to review how Medicare coverage options, including how they would work and how various service providers would differ. This will be an educational session for the Trustees. However, she noted that it may be prudent to review this information later in the year, so that it is fresher in the Trustees' minds in advance of RFPs to go out in 2019. Mr. Kasmer noted that he would like to keep that meeting date for discussion of the Retiree premium policy issues discussed at the February General Administration meeting. He noted that he had circulated his concerns and proposals, but had not seen any response thereto. Prior to the April 2018 General Administration meeting, Mr. Kallianis will distribute Mr. Kasmer's memorandum and any other memoranda from other Trustees regarding the premiums to be charged. The Medicare educational meeting will be rescheduled for later in the year, likely in the third quarter. It was noted that April 11 was a regular CTA Board meeting date. Accordingly, Mr. Kallianis will circulate possible dates of April 12 or 13 for the next General Administration meeting, to be conducted at 9:00 in Segal's office.

Finally, Ms. Stawiarski discussed the possibility of a meeting on July 10, 2018 to review the anticipated 2019 RFP process. It was noted that this was the day before a CTA Board meeting. Accordingly, Mr. Kallianis will circulate an email as to a possible meeting date on July 12, 13, or the week of the 16th after the regular CTA Board meeting.

NEW BUSINESS

Mr. Kallianis noted that the Pension Fund had adopted the Anti-Harassment Policy that was previously circulated to the Trustees. He also noted that there may need to be an amendment to the Policy once the State makes clear what the training requirements will be. However, he recommended that the Policy be adopted, consistent with the action by the Pension Fund. Upon motion made and seconded, the following Resolution was adopted:

RESOLVED: To adopt the draft Anti-Harassment Policy as distributed, for immediate implementation and application.

EXECUTIVE SESSION

There was no need for an Executive Session.

ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 12:06 p.m.

SECRETARY