

MINUTES OF THE MEETING
BOARD OF TRUSTEES
CTA RETIREE HEALTH CARE TRUST
200 West Adams Street, 17th Floor, Chicago, Illinois
January 24, 2019

TRUSTEES PRESENT

Thomas McKone	Chairman
Christopher Kasmer	Secretary
Joseph J. Burke	
Kenneth Franklin	
Marqueal Williams	Alternate for Keith Hill
Paul Sidrys	
April Morgan	

ALSO PRESENT

John V. Kallianis	Executive Director
Stephen J. Rosenblat	Fund Counsel, Baum Sigman Auerbach & Neuman, Ltd.
Justine Lannoye	Dowd, Bloch, Bennett, Cervone, Auerbach & Yokich on behalf of the ATU Local 241 appointed Trustee
Anita Tanay	On behalf of the ATU Local 308 appointed Trustee
Daniel R. Salemi	Morgan Lewis & Bockius, LLP on behalf of the RTA appointed Trustee
James P. Daley	Jackson Lewis, P.C. on behalf of the CTA appointed Trustees
Miguel Zarate	Investment Consultant, Marquette Associates
Dan Levin	Benefits Consultant, Segal Consulting
Dorothy Stawiarski	Benefits Consultant, Segal Consulting

CALL TO ORDER

The meeting was called to order at 11:48 a.m.

ROLL CALL

Mr. Kallianis took roll and a quorum was declared present.

APPROVAL OF MINUTES OF PREVIOUS MEETING

The Minutes of the December 20, 2018 meeting had previously been distributed to the Trustees. Consequently, the reading of the Minutes was dispensed with. Upon motion made and seconded, the following Resolution was adopted:

RESOLVED: To approve the Minutes of the December 20, 2018 meeting as distributed.

Mr. Franklin abstained.

AMENDMENT OF BY-LAWS

Chairman McKone moved that the By-Laws be amended to hold the officers election of 2019 to February rather than January. The motion was seconded by Mr. Burke. It was noted that a draft Resolution was previously distributed to the Trustees and is attached and made part of these Minutes. Discussion ensued. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: For 2019, at the second meeting of that year, the Trustees shall select from their number one (1) trustee to act as Chairman of the Board of Trustees and one (1) trustee to act as Secretary of the Board of Trustees. For 2019, the Chairman shall be a Trustee who was appointed by the Unions and the Secretary shall be a Trustee who was appointed by the Authority. This Amendment to 12(a) of the By-Laws shall be in effect for 2019. The previously adopted language of 12(a) will be in full force and effect for years thereafter.

REPORT OF INVESTMENT CONSULTANT

Mr. Zarate directed the attention of the Trustees to the Marquette Associates monthly update dated December 31, 2018. A copy of that report is attached and made part of these Minutes. Mr. Zarate directed the attention of the Trustees to Exhibit 1 of the report of his report. The return summary for the one-year period ending December 31, 2018 showed a return of -4.3% compared

to the benchmark return of -3.2%. As of yesterday, January 23, 2019, the market value of the Plan's assets were \$826,518,901.42. During 2019, the net cash flow was -\$16,951,537 and the net investment change was -\$33,014,910. Mr. Zarate said that the returns rebounded in January 2019. He then directed the attention of the Trustees to page 5 of his report which was a breakdown of each of the managers, their asset class, market value, three month net cash flows, percent of portfolio, policy percentage and the difference between the actual allocation and the policy allocation. Individual manager performance was then reviewed. Discussion ensued. The Fund's underperformance in comparison to the benchmark is attributable to the over allocation to small and mid-cap equities. The underperformance on U.S. fixed income was greatly attributable to the investment with Hughes Capital, which is the subject of ongoing litigation.

Mr. Zarate then directed the attention of the Trustees to Exhibit 2 of his report. Exhibit 2 is a memorandum to the Board of Trustees from Marquette regarding a fee reduction for TCW, which is a core-plus fixed income manager for the Fund. He reported that prior discussions with TCW resulted in a 2.5 basis point fee concession on the opportunistic core-plus portfolio. These discussions resulted in the conclusion that the RHCT could further reduce its fee by considering a change to the core-plus guidelines. Mr. Zarate reviewed the guideline change requirements. Marquette recommends the Board change the TCW guidelines regarding the required maximums and change the mandate to core-plus. This should provide TCW with sufficient flexibility to take advantage of potential opportunities within fixed income markets and will lower overall costs for the Fund. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To adopt the recommendation of Marquette Associates to change the TCW guidelines to the required maximums and change the mandate to core-plus.

Marquette estimates that this change will result in a \$93,966 annual fee savings.

Mr. Sidrys reported that the Investment Committee met this past Tuesday to review responses to the RFPs for international small cap managers. The Committee came to a consensus on three candidates to bring in for further consideration. The Committee will meet next month to hold those interviews. Mr. Zarate was thanked for his report.

LITIGATION SUMMARY

Mr. Rosenblat referred the Trustees to the report prepared by his firm and distributed to the Trustees prior to the meeting. A copy of that report is attached and made part of these Minutes. Action is requested regarding Wakpamni bond matters which were addressed in a memorandum from the Burke Warren firm on tolling agreement issues. He reminded the Trustees that they previously approved a tolling agreement with John Burnham and CORFA. Burke Warren is recommending authorization to enter into tolling agreements with Devon Archer and the Valor Group. Mr. Rosenblat recommended a motion to accept that recommendation. He went on to say that unless discussion on this issue is very superficial, he suggested it be held during executive session. The Chairman invited questions on the matter. Upon made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To authorize the Burke Warren firm to enter into a tolling agreement with Devon Archer, the Valor Group and to affirm the decision to enter into tolling agreements with John Burnham and CORFA.

REPORT OF EXECUTIVE DIRECTOR

Mr. Kallianis raised the issue of the 2019 budget. He distributed a proposed budget at the December 20, 2018 Board meeting. The budget was also addressed at the General Administration Committee meeting held earlier this week. Mr. Kallianis invited questions. Discussion ensued regarding the allocation of salaries in the Fund Office between the Retirement Plan and the Health Care Trust. The allocation of salaries is split 75% to the Retirement Plan and 25% to the Health Care Trust. Upon made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To adopt the 2019 proposed budget as presented.

Upon made and seconded, the following Resolution was adopted:

RESOLVED: To accept the Executive Director's recommendations for the updated job description and salary for Fund Office employee Hector Flores.

Mr. Franklin and Mr. Williams abstained.

REPORT OF SEGAL CONSULTING

Ms. Stawiarski addressed updates to the 2019 calendar. A copy of the Segal Consulting proposed key dates was distributed to the Trustees prior to the meeting and is attached and made part of these Minutes. Key dates for the 2019 RFP process for the non-medicare plan with Blue Cross Blue Shield of Illinois were inserted. The first date is January 28 when they anticipate releasing a data request to Blue Cross Blue Shield. On February 28, they are expecting to release the RFP to multiple vendors. RFP responses are due back from the vendors April 15 and then sometime in May a General Administration Committee meeting will review the responses. She anticipates a meeting to select finalists and then another General Administration Committee

meeting in June to review finalists' presentations. A vendor could be selected at the June 27, 2019 Board meeting.

Ms. Stawiarski then said that additional updates were made to the third page regarding vendor contract dates. In response to a question, Ms. Stawiarski reported that Segal Consulting is working with Naturally Slim now, but has not yet received a written contract proposal.

Mr. Kallianis then reported that the current Segal Consulting agreement has been in effect since 2012 and that they are proposing updated hourly rates for their professionals. A copy of the letter from Segal Consulting with exhibits was previously distributed to the Trustees and is attached and made part of these Minutes. The original agreement was from 2008 through 2012 and Segal Consulting has been working under that agreement since. Mr. Levin said that now that the basic set of services for the actuarial valuation has been established, the proposed renewal contract has been modified so that there is a \$50,000 cap on routine services. Segal Consulting is also asking for an increase in hourly rates. Discussion ensued regarding the budgeted amount for consulting services and the actual amount paid. Discussion also ensued regarding assistance that Segal Consulting provides in the course of litigation that the Fund is involved in. Establishing the HRA was an extraordinary expense that is not likely to be reoccurring. Discussion ensued regarding how these rates compare with other rates Segal charges to its clients. Upon made and seconded, the following Resolution was adopted:

RESOLVED: To defer the decision on the Segal contract until the February meeting.

The motion passed unanimously.

The Chairman noted that Agenda No. 8(b) is the RFP for investment consulting services. Mr. Kallianis said that he circulated a draft RFP for investment consulting services. Illinois law

requires that investment consulting services be put out to bid every five years. The five year window closes on July 1, 2019.

REPORT OF GENERAL ADMINISTRATION COMMITTEE

It was noted that copies of the applications for benefits and bills and remittances were previously distributed to the Trustees. Copies of those documents are attached and made part of these Minutes. Upon motion made and seconded, the following Resolution was unanimously adopted:

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

There was no request for conference preapprovals under item 9(c).

It was the consensus of the Trustees that there was no need for an executive session.

ADJOURNMENT

There being no further business to come before the Board, upon motion made and seconded the following Resolution was unanimously adopted:

RESOLVED: That the meeting be adjourned.

The meeting was adjourned at 12:37 p.m.