

Meeting of the Retirement Plan for CTA Employees Board of Trustees

200 West Adams Street
17th Floor
Chicago, IL

Approved Meeting Minutes

A regular meeting of the Board of Trustees of the Retirement Plan for CTA Employees was held on May 25, 2017 at 200 West Adams Street, 17th Floor commencing at 9:50 a.m.

A roll call was taken indicating that the following Trustees were present:

John Burkard
Joseph Burke
Lamont Coleman, as an alternate for Keith Hill
Ron Ester
Jeremy Fine
Kenneth Franklin
Andrew Fuller, as an alternate for Sherri-Thornton-Pierce
Keith Hill
Thomas McKone, Chair
Tanno Muhammad, as an alternate for Woodrow Eiland
Paul Sidrys
Marqueal Williams, as an alternate for Toi Bowers

John Kallianis was present as the Executor Director. Richard W. Burke and Rachel Yarch of Burke, Warren, MacKay & Serritella, P.C. were present as General Counsel for Retirement Plan. Appearing on behalf of ATU Local 308 appointed Trustees was Joseph M. Burns of Jacobs, Burns, Orlove and Hernandez. Appearing on behalf of the CTA Appointed Trustees was James P. Daley of Jackson Lewis LLP. Appearing on behalf of the RTA appointed Trustee was Daniel Salemi of Franczek Radelet, P.C. Appearing on behalf of the ATU Local 241 appointed Trustees was Justin J. Lannoye of Dowd, Bloch, Bennett & Cervone. Also present were Kweku Obed and Miguel Zarate of Marquette Associates.

Mr. Kallianis stated that a quorum was present. Mr. Kallianis announced that Mr. Burns had certain clarifications to the minutes of the meeting of April 27, 2017. The minutes with the modification from Mr. Burns were approved. Mr. Williams, Mr. Burkhardt, Mr. Muhammad, Mr. Fuller and Mr. Ken Franklin abstained from voting.

General Administration Items

Mr. Franklin made a motion to approve the general administration issues 3(a) through 3(i) on the agenda. Mr. Williams seconded the motion and the motion was approved.

Investment Subcommittee Items

Mr. Obed made a presentation. He stated that the value of the Plan's assets as of the close of business on May 24, 2017 was \$1,784,236,651.79 and of that \$88,954,098.00 is currently in cash. Mr. Obed stated that there has been issued an RFP for a private equity manager to manage approximately \$25 million within the portfolio. Twenty-Seven responses have been received and after analyzing the responses, the list was cut down to 5. Marquette recommends that the investment subcommittee interview the 5 managers. Mr. Obed also stated that Marquette is looking for an emerging markets equity manager which would be a NWBE firm. The deadline for the responses to the RFP for the emerging markets equity manager is June 7, 2017.

Old Business

The Committee then proceeded to a discussion of a Motion which had been made at its April 27, 2017 meeting which was deferred to the present meeting. It was a motion made by Mr. Weems at the last meeting. The Motion is to move the Retirement Plan retain Kopecky, Schumacher & Rosenberg to make a demand on the CTA for payment of the Legacy payroll audit findings on behalf of the Retirement Plan for the audit period ending January 1, 2008, through June 30th, 2011, less findings related to paid clothing allowance and accrued vacation paid at separation, plus interest in accordance with the Form Rules. The demands and any lawsuit shall include, but not be limited to, all sums identified for the audit period, including employer contributions and non-deducted employee contributions owed on compensation related to the grievance settlements and arbitrations, providing backpay for CTA health insurance, "opt-out" payments as a result of clerical errors for employees on extended medical leave, for part-time union officers with a credit for any CTA partial payment of contributions due for the officers, for employees recalled from layoffs, and for any category where the CTA did not remit the required contributions. If the CTA does not make payment in full within 30 days of the date of the demand, the Board of Trustees authorizes the filing of a lawsuit under Illinois Wage Payment and Collection Act and the terms of the Trust agreement and any other binding agreements collecting delinquent contributions, plus interest, fees and costs.

Ms. Bowers had seconded the motion.

A roll call was taken. Mr. McKone – no; Mr. Burkard – yes; Mr. Williams – yes; Mr. Joseph Burke – yes; Mr. Muhammad – yes; Mr. Ester – no; Mr. Fine – no; Mr. Franklin – yes; Mr. Hill – yes; Mr. Sidrys – no; Mr. Fuller – no. Mr. Kallianis announced that the Motion carried 6 to 5.

Mr. McKone stated that the next item was under consideration was item no. 5(f) on the agenda, namely, the retention of Kopecky, Schumacher and Rosenberg to serve notice on

the CTA regarding “opting out”. Mr. Richard Burke in response to a question, referred to the matter as a motion in a printed handout included in the material distributed to the Trustees. Mr. Richard Burke stated that the issue posed in the motion goes to the CTA’s opting out of employees from participation in the Plan. He stated that Sec. 4.5 of the Plan provides that non-vested/non-bargained for employees may voluntarily opt out of the Plan and/or participate in such other plans as the CTA may offer.

Mr. Franklin then made a motion that the Retirement Plan retain Kopecky, Schumacher and Rosenberg to serve notice on the CTA that no employee has the right to opt out of the Retirement Plan unless authorized by the Board of Trustees pursuant to the Board’s reasonable rules and regulations and if the CTA does not agree within 30 days that the Trustee’s seek a declaratory judgment that employees cannot opt out of the Retirement Plan unless so authorized by the Rules and Regulations of the Board of Trustees.

The motion was seconded by Mr. Williams. There was a roll call vote. Mr. McKone – no; Mr. Burkard – no; Mr. Williams – yes; Mr. Joseph Burke – no; Mr. Muhammad – yes; Mr. Ester – no; Mr. Fine – no; Mr. Franklin – yes; Mr. Hill – yes; Mr. Sidrys – no; Mr. Fuller – no; Mr. Kallianis stated the motion did not carry with 4 yes votes and 7 no votes.

Item 5(g) was withdrawn because it was a moot point.

The next item was the Payroll Audit Engagement Letter with Legacy. Mr. Kallianis stated the firm which Legacy was to use in regard to assisting it is Prado and Renteria. Mr. Joseph Burke made a motion to retain Legacy which was seconded by Mr. Franklin. The motion passed unanimously.

Mr. McKone stated that item 5(i) under old business, was a request to adopt necessary amendments to Rules 14 and 30 pursuant to the IRS request. The IRS request came about as part of its favorable determination of the qualification of the Plan. Mr. Sidrys made a motion to approve the amendment to the Plan as submitted by counsel in its memorandum of April 26, 2017. Joseph Burke seconded the motion. The motion was approved unanimously.

New Business

The Chairman stated under item no. 6 New Business, there was a caption “Amendment of the Trust Agreement regarding the Fiduciary Status of the Executive Director” The Trustees had before them a handout prepared by Mr. Franklin. Mr. Franklin then made a motion that the Plan document be amended in require the Executive Director to act as the fiduciary to the Fund and that the Executive Director be required to acknowledge his or her status as a fiduciary and that the general administration subcommittee working as a joint committee draft the policy for the delegation of authority of the Executive Director defining the Authority responsibility and obligations of the position. At this point in time, Mr. Keith Hill left the meeting and was replaced by Lamont Coleman.

Mr. Kallianis stated that he did not have an employment contract. Mr. Williams stated that he would second the motion made by Mr. Franklin. Mr. Franklin stated that in his motion he would like to amend by replacing "Plan document" with "by-laws". Mr. Burns commented that by combining paragraphs #1 and #2 in the handout, Mr. Franklin had suggested that the issue of the Executive Directors' fiduciary responsibilities and duties be referred to the general administration subcommittee working with the Retirement Healthcare Trust subcommittee to draft a policy. After some discussion Mr. Franklin withdrew his motion.

Mr. Franklin then moved that item nos. 1 and 2 in his handout to the Trustees be taken up by the general administration subcommittee. Motion was seconded by Mr. Williams.

The Chairman called for a vote and the motion was passed unanimously.

The next item for consideration was item no. 6c which are the amendments to the Trust to provide for the assessment of auditor and attorneys' fees to a delinquent employer. Mr. Franklin then moved that all payroll audit costs incurred and legal fees to obtain the audit, if any, shall be allocated on the basis of the hours worked on each audit to and assessed against a delinquent employer, including an employer who failed to deduct and remit required contributions if the amount of delinquency, including principal and interest is greater than the cost of the audit. Mr. Joseph Burke suggested that both of these motions 3 and 4 from the handout be combined to direct fund counsel to draft language and have it prepared within 21 days of this meeting so the Trustees can review the written document at the next Board meeting but combine both of these. Mr. Franklin's motion was then seconded by Mr. Coleman.

The next item on the agenda was item no. 3 from the handout. Mr. Joseph Burke to defer consideration of item 3. The motion to defer was seconded by Mr. Sidrys. Mr. Joseph Burke then stated the fund counsel be directed to draft documents, collection procedures and appropriate descriptions incorporating the points in both items 3 and 4 from the handout to be reviewed at the next Board meeting and that Mr. Richard Burke's draft be proposed and sent out 21 days from today's meeting. It was then unanimously deferred.

Mr. Franklin then moved that reasonable legal fees, expenses and court costs incurred in collecting delinquent contributions owed by an employer, including an employer who failed to deduct and remit required contributions shall be assessed against the delinquent employer. Mr. Williams seconded the motion. Mr. Joseph Burke renewed his motion to defer. It will be deferred with the same language as the deferral of no. 3. The motion to defer passed unanimously.

Mr. Kallianis stated there was no reason for an Executive Session.

There being no further business to come before the meeting, on a motion by Mr. Burkard, seconded by Mr. Sidrys, the meeting was adjourned at 11:23 a.m.