

Meeting of the Retirement Plan for CTA Employees Board of Trustees

55 West Monroe Street
Suite 1950
Chicago, IL 60603

September 29, 2015

Meeting Minutes

A regular meeting of the Board of Trustees of the Retirement Plan for CTA Employees was held on September 29, 2015 at One North Franklin Street, 27th floor.

The following Trustees were present:

Joan Coogan, Chair
Chris Kasmer as an Alternate for John Burkard
Carlos Acevedo
Omar Brown
Joseph J. Burke
Ronald Ester
Kenneth Franklin
Valerie Matthews-Wilson
Tom McKone
Tommy Sams, Jr.
Paul Sidrys

Executive Director, John Kallianis, was present. Mike Virgil of BWM&S was present as General Counsel for the Retirement Plan. Appearing on behalf of the ATU Local 308 appointed Trustee was Joseph Burns, of Jacobs, Burns, Orlove and Hernandez. Appearing on behalf of the ATU Local 241 appointed Trustees was Justin Lannoye of Dowd, Block, Bennett & Cervone. Appearing on behalf of the CTA-appointed Trustees was Edward Graham, of Jackson Lewis, LLP. Appearing on behalf of the Regional Transit Authority-appointed Trustee was Daniel Salemi of Franczek Radelet, PC.

Also present were Kweku Obed and Miguel Zarate of Marquette Associates; Mr. Krunal Shah and Kenneth Yu of Mitchell & Titus.

On motion by Mr. Sidrys, seconded by Mr. Acevedo, the Board approved the minutes for the August 27th Regular meeting.

General Administration Committee Items

Mr. Franklin presented the General Administration items 4a through 4i. for approval, including benefit applications and bills and remittances, for approval. On a motion by Mr. Acevedo, seconded by Mr. Sams, the Board approved items 4a through 4i.

Investment Committee Items

Mr. Obed, of Marquette Associates, then reviewed the flash report for the Retirement Plan for the month of August 2015. He reported that the market value of the fund from the previous day's close was \$1,725,303,406.05. Mr. Obed provided some information on the recent market volatility and the effect on the Plan's assets.

Mr. Obed then presented a summary of the progress made by the Plan towards the new asset allocation, which was adopted by the Board in October of 2014. He reminded the Board that it would take somewhere between 12 and 18 months to complete the transition to the new allocation, keeping in mind that the withdrawal from the Stable Value asset class may take a bit longer.

Mr. Obed then presented information related to the Plan's open-end real estate investment program. The Board had voted in August to terminate Jamestown and Mr. Obed recommended that the Board invest the proceeds with Heitman's open-end core real estate fund. On a motion by Mr. Franklin, seconded by Mr. Sidrys, the Board voted to approve Marquette's recommendation to invest the proceeds of the Jamestown termination with Heitman's Fund.

Mr. Obed then presented to the Board a recommendation to terminate Southern Sun, a small cap manager, to progress towards our lower allocation to equities and to use the proceeds for the cash needs of the Plan to pay benefits. After some discussion with the Board, on a motion by Mr. McKone, seconded by Mr. Sidrys, the Board approved the termination of Southern Sun.

Mr. Obed then presented to the Board a recommendation to pare down an overweight allocation to Herndon Capital in order to further consolidate the managers within the Non-US equity portion of the portfolio. The proceeds would be reallocated to Brown Capital and Northern Trust's Large Cap funds. On a motion by Mr. Kasmer, seconded by Mr. Burke, the Board approved the recommendation of Marquette to reduce the allocation to Herndon and to reallocate the assets to Brown and Northern Trust.

Mr. Obed also requested that the Board approve the issuance of an RFP for an emerging market small cap manager. On motion by Mr. Burke, seconded by Mr. Sidrys, the Board approved the issuance of an RFP for an emerging market small cap manager.

Old Business

Mr. Kallianis reported that the GA Committee had met to discuss the Educational Conference Reimbursement Policy and that the most recent suggestions were incorporated into the draft. On a motion by Mr. Burke, seconded by Mr. Franklin, the Board approved the Educational Conference Reimbursement Policy.

Mr. Kallianis reported that the GA Committee did not take up the most current draft of the amended bylaws, so there was no discussion or action taken on the Amended Bylaws.

Mr. Kallianis then reported that they GA Committee had discussed the 401a defined contribution plan for staff at the recent meeting. Mr. Franklin made a motion not to entertain the 401a proposal. The motion was seconded by Mr. Sams. Mr. Franklin clarified that he was making a motion not to entertain the 401a proposal forever. After discussion on the proposed program and the staffing of the Plan office, there was a roll-call vote on Mr. Franklin's motion to strike the 401a program from further consideration. The roll-call vote went as follows: Mr. Kasmer-no, Ms. Coogan-no, Mr. Acevedo-yes, Mr. Brown-no, Mr. Burke- no, Mr. McKone-no, Mr. Ester-no, Mr. Franklin-yes, Ms. Matthews-Wilson-yes, Mr. Sams-yes, Mr. Sidrys-no. The motion failed on a vote of four to seven.

After additional discussion on the 401a, Mr. Kasmer made a motion to approve the 401a defined contribution program for Plan staff as presented. Mr. Burke seconded Mr. Kasmer's motion. There was a roll-call vote as follows: Kasmer-yes, Coogan-yes, Acevedo-no, Brown-yes, Burke-yes, McKone-yes, Ester-yes, Franklin-no, Matthews-Wilson-no, Sams-no, Sidrys-yes. The motion passed on a vote of seven to four.

New Business

Paul Wilkinson, an Actuary from Buck Consultants, reported to the Board the results of the January 1, 2015 Actuarial Valuation conducted by Buck Consultants. He described generally the information within the Valuation, including the assumptions that are made including those related to investment return, mortality, benefits and plan participants. He also provided a brief description of the Illinois Pension Code requirements related to the Retirement Plan for CTA Employees.

Mr. Wilkinson reported that the funded ratio was 58.25% as of January 1, 2015 and that the funded ratio was projected to increase above 60% within ten years so that a change to the current contributions rates for employees and the employer was not required.

After some discussion by the Board, Mr. McKone made a motion to accept the report of the Plan's Actuary as of January 1, 2015, including the certification of the proposed employer and employee contribution rates for 2016 and the determination of the funding ratio all contained within the actuarial valuation. The motion was seconded by Mr. Kasmer. The Board approved the motion with an abstention from Mr. Franklin.

Mr. Kallianis then reported to the Board that Alex Vesselinovitch had left Katten Muchin to join Freeborn & Peters. Mr. Kallianis recommended that the Board continue the relationship with Mr. Vesselinovitch at Freeborn for purposes of continuity on the Matthew's case. On a motion by Mr. Burke, seconded by Mr. McKone, the Board approved the engagement of Mr. Vesselinovitch with Freeborn. There were four abstentions on the vote – Franklin, Sams, Matthews-Wilson and Acevedo.

There were a number of questions from Trustees about the status of litigation relating to the Plan. Mr. Virgil was asked to provide an update on litigation at the October Board meeting.

On a motion by Mr. Franklin, seconded by Mr. Kasmer the meeting was adjourned.