

MINUTES OF THE MEETING
BOARD OF TRUSTEES
CTA RETIREE HEALTH CARE TRUST
55 West Monroe Street, 5th Floor, Chicago, Illinois
February 27, 2020

TRUSTEES PRESENT

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

ALSO PRESENT

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

CALL TO ORDER

A quorum being present, the meeting was called to order at 11:33 a.m.

APPROVAL OF MINUTES OF PREVIOUS MEETING

The Minutes of the January 23, 2020 Board of Trustees Meeting were previously distributed to the Trustees. A correction was noted in that Anita Tanay was present for the January

23, 2020 meeting although the draft distributed did not record her as being present. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To approve the Minutes of the January 23, 2020 Board of Trustees meeting subject to the correction that Ms. Tanay was present for the meeting.

REPORT OF INVESTMENT COMMITTEE

Mr. Zarate directed the attention of the Trustees to the Marquette Associates Monthly Update as of January 31, 2020. A copy of that report is attached and made part of these Minutes. The report was previously distributed to the Trustees. Fiscal year-to-date through January, the Fund return is 0.1% versus the Index at 0.4%. The market value as of February 26, 2020 was \$922,827,557.38.

Mr. Zarate directed the attention of the Trustees to page 6 of his presentation book which showed the asset allocation of the Fund, along with the old and new allocation policy targets. Fixed income is going from 40% to 34%. There is a new asset allocation for a volatility risk premium strategy at 3% and an infrastructure allocation at 3%. The real estate allocation will go from exclusively a core portfolio to include a value add or core plus exposure.

Performance was then reviewed. The large-cap composite underperformed in January. Relatively speaking, mid-cap performed well returning -0.9% compared to the S&P 400 Mid-Cap Index which returned -2.6%. The mid-cap composite returned -3% for January 2020 compared to the Russell 2000 which returned -3.2%. Individual managers were then reviewed. Special attention was given to the Great Lakes large-cap value manager which returned -4.2% year-to-date through January 31, 2020. Mr. Zarate said that the managers' returns have come back some in the last two weeks. He is especially monitoring whether value managers perform as they should in the current market. He then directed the attention of the Trustees to Matarin Capital Management.

Matarin is going through its worst performance in its history. It has a model driven investment strategy. In the small cap space, Kayne Anderson and Amalgatrust have done well, offsetting Matarin's underperformance. Mr. Zarate directed the attention of the Trustees to Exhibit 2 of his presentation book which addressed the Heitman America Real Estate Trust. Marquette recommends termination of Heitman due to its holdings in retail which have severely underperformed. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To terminate Heitman America Real Estate Trust.

Mr. Zarate then reported that the Investment Committee recommended that the Board engage American Realty Advisors for an allocation of \$25 million to the American Strategic Value Realty Fund. The assets for investment would come from the liquidation of the Heitman America Real Estate Trust. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To allocate \$25 million to the American Realty Advisors American Strategic Value Realty Fund.

Mr. Zarate reported that the Investment Committee reviewed a summary of responses from a number of candidates for the volatility risk premium allocation. The Investment Committee recommended that there be a \$25 million allocation to Parametric. The Committee interviewed Parametric and Glen Meade. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To allocate \$25 million to the Parametric Volatility Risk Premium Strategy.

Mr. Zarate reported that the Investment Committee also considered investments in infrastructure managers. The Committee interviewed IFM, Ullico and J.P. Morgan. The Committee recommended that the Board approve an allocation of \$12.5 million each to IFM and Ullico. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To allocate \$12.5 million to the IFM Infrastructure Fund and \$12.5 million to the Ullico Infrastructure Fund.

Mr. Zarate then directed the attention of the Trustees to a February 27, 2020 memorandum from Marquette Associates regarding rebalancing the portfolio. Marquette requested authorization to rebalance up to \$20 million from the fixed income portfolio to the Piedmont S&P 500 Index Strategy. The Fund overall was slightly underweight to U.S. large cap equities by approximately \$12.8 million. The underweight has grown given the recent pullback in the markets which provides the Retiree Health Care Trust with the flexibility to rebalance back to targets at lower valuations. The assets would come from redemptions of \$10 million from TCW, \$5 million from MacKay Shields and \$5 million from Garcia Hamilton. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To rebalance the portfolio in accordance with the recommendation of Marquette Associates by allocating up to \$20 million to the Piedmont S&P 500 Index Strategy from \$10 million from TCW, \$5 million from MacKay Shields and \$5 million from Garcia Hamilton.

Mr. Zarate reported that the investment manager Piedmont has been purchased by FIS and will be changing its name to Xponance.

The Investment Committee will interview an additional real estate manager to conform with the current asset allocation and will add required ESG language to the investment policy.

Mr. Zarate was thanked for his report.

OLD BUSINESS

2011 – 2017 Payroll Audit Status

Mr. Kallianis said that the Joint Administration Committee received a status report from Legacy regarding that audit.

Litigation

Mr. Rosenblat was then asked to present a report on pending litigation. Mr. Rosenblat referred to the Legal Report dated February 24, 2020 that was distributed to the Trustees and is attached and made a part of these Minutes. He said that he can answer any general questions that the Trustees have and he did not anticipate the need for an Executive Session today. He reported that Mr. Kallianis attended the mediation earlier this month regarding the Wakpamni bond case against U. S. Bank. The case is not yet resolved. Regarding the Trust's contributions case, he reported that a motion for summary judgment was filed. He did not anticipate any opposition to the motion. Mr. Rosenblat was then thanked for his report.

The Chairman then directed the attention of the Trustees to Ms. Stawiarski who reviewed changes to the calendar that Segal prepares for the Trustees, a copy of which was distributed to the Trustees and is attached to these Minutes. She pointed out that March 2nd is the deadline for providing 1095 forms to plan participants. Those forms demonstrate that the Plan provides

minimal essential coverage. Mr. Kasmer asked about making those notices available on the website versus sending them to the participants. He said that the fee for distributing those notices is \$8,000. Discussion ensued. Mr. Rosenblat said that written consent may be required in order to have these notices go by e-mail.

The next issue raised by Ms. Stawiarski was scheduling the annual meeting with Humana to go over Plan utilization of the PPO's and HMO's for the Medicare retirees. Mr. Kallianis will look for dates for that meeting. Ms. Stawiarski was thanked for her report.

NEW BUSINESS

There was no new business to come before the Board.

GENERAL ADMINISTRATION COMMITTEE REPORT

Mr. Kasmer reported that applications for benefits and bills and remittances were distributed to the Trustees. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To approve items 7a and b, which were applications for benefits and bills and remittances.

There were no items under 7c which was educational conference preapprovals. Mr. Kasmer noted that there was one appeal pending requiring the General Administration Committee to meet. Mr. Kallianis said that in addition there were some actuarial matters for the Committee to review. The next scheduled meeting for the General Administration Committee is March 12. Mr. Kallianis has confirmed that he has contacted the participant who has an appeal pending about when the Trustees will consider his appeal.

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 11:58 a.m.