

MINUTES OF THE MEETING
BOARD OF TRUSTEES
CTA RETIREE HEALTH CARE TRUST
Microsoft Team Meeting Pursuant to Governor's Executive Order 2020-18
May 28, 2020

TRUSTEES PRESENT

Thomas McKone	Chairman
Keith Hill	Secretary
Michael Bowen	Alternate for Paul Sidrys
Joseph Burke	
Kenneth Franklin	
Christopher Kasmer	
April Morgan	

ALSO PRESENT

John V. Kallianis	Executive Director
Stephen J. Rosenblat	Fund Counsel, Baum Sigman Auerbach & Neuman, Ltd.
Paul Sidrys	Joined the meeting in progress
Elsa Trejo	Finance Officer
John Burkard	Alternate for Christopher Kasmer
Andrew Fuller	Alternate Trustee for CTA
Marqueal Williams	Alternate Trustee for ATU Local 241
James P. Daley	Jackson Lewis, on behalf of the CTA appointed Trustees
Ronald M. Willis	Dowd, Bloch, Bennett, Cervone, Auerbach & Yokich, on behalf of the ATU Local 241 appointed Trustee
Anita Tanay	General Counsel for ATU Local 308, on behalf of the ATU Local 308 appointed Trustee
Daniel Salemi	Morgan Lewis & Bockius, LLP on behalf of the RTA appointed Trustees
Miguel Zarate	Investment Consultant, Marquette Associates
Jesus Jimenez	Investment Consultant, Marquette Associates
Craig Goesel	Insurance Broker, Alliant
Bruno Amici	Insurance Broker, Alliant
Dan Levin	Benefits Consultant, Segal Consulting
Dorothy Stawiarski	Benefits Consultant, Segal Consulting
Barbara Zaveduk	Actuarial Consultant, Segal Consulting

CALL TO ORDER

A quorum being present, the meeting was called to order at 12:14 p.m. Because the meeting was being held through Microsoft Teams, Mr. Kallianis identified other attendees at the meeting, including the court reporter.

APPROVAL OF MINUTES OF PREVIOUS MEETING

The Minutes of the April 23, 2020 Board of Trustees Meeting were previously distributed to the Trustees. Consequently, the reading of the Minutes was dispensed with. Upon motion made and seconded, the following Resolution was adopted:

RESOLVED: That the Minutes of the April 23, 2020 Board of Trustees meeting be approved as presented.

Mr. Bowen abstained from approval of the Minutes.

REPORT OF THE INVESTMENT COMMITTEE

Mr. Zarate directed the attention of the Trustees to the Marquette Associates monthly update dated April 30, 2020. A copy of that report is attached and made part of these Minutes.

Mr. Zarate referred the Trustees to the return summary, reporting that the Fund recovered nicely during April 2020, returning 6.6% for the month, compared to the index which returned 6.7%. There was a nice gain from fixed income markets. May continues to be strong for both fixed income and equity markets. Year-to-date through April 30, 2020, the Fund is down -6.6%. Asset allocation targets were then reviewed. All allocations are very close to their targets. Fixed income is currently underweight 1% and real assets are currently overweight 1.2%. The overweight to real estate will be reduced as the Heitman redemptions come through. At the end of April, the market value of the Fund's assets was \$866,923,063. As of yesterday, the market value improved to \$893,945,546.49. Since the end of the first quarter, the year-to-date net

investment loss has essentially been cut in half. Since the end of April, the Fund recovered another \$27 million.

Mr. Zarate directed the attention of the Trustees to page 6 of the Marquette report to review the total Fund composite and asset allocation. The volatility risk premium allocation to Parametric is close to being funded. Assets for that allocation will come from U.S. fixed income. Four other managers were recently selected, Intercontinental and American Realty Advisors for real estate and Ullico and IFM for infrastructure. Mr. Zarate addressed the annualized performance net-of-fees of the Fund as a whole, by asset class and by individual managers.

The total fixed income composite returned 6.5%. Mr. Zarate said that May returns in fixed income and equities were strong. As of April 30, 2020, the market value of the Fund's assets were \$866,923,063. As of yesterday, May 27, 2020, the market value was \$893,945,546.49. Since the end of April, the Fund recovered another \$27 million in the losses that were sustained during March.

Mr. Zarate then directed the attention of the Trustees to page 6 of his report. He reviewed the transition to the new asset mix. He said that Parametric is close to being funded. He noted that Intercontinental, American Realty Advisors, Ullico and IFM have recently been selected. Ullico and IFM are infrastructure managers and Intercontinental and American Realty Advisors are real estate managers. Mr. Zarate then directed the attention of the Trustees to the annualized performance net-of-fees through April 30, 2020. Overall, April returns were 6.6%, but year-to-date through April 30, 2020, returns are -6.6%. For the one year period, the Fund has returned -0.2%. Individual performance of managers was then reviewed. For the first quarter, fixed income dropped, but credit rallied because of action by the Fed. Non-US equity, including international

small caps, bounced back. Heitman is the real estate manager which is in the redemption queue. Retail holdings have been written down 20% to 25%.

Mr. Zarate then directed the attention of the trustees to a May 28, 2020 memorandum from Marquette Associates regarding Great Lakes and Matarin portfolios. A copy of that memorandum is attached and made part of these Minutes. Mr. Zarate first addressed the issues regarding the Great Lakes Large Cap Value Fund. Its performance has been inconsistent, though generally ranked well versus its peers. Employee turnover raised concerns about Great Lakes continuing as a manager. Discussion ensued regarding whether the Fund will miss out on a potential recovery in value if Great Lakes is terminated. The dispersion between large cap value and growth is approximately -22.3% year-to-date. Marquette recommended moving from Great Lakes to an S&P 500 Index fund which would save over \$80,000 a year in fees and still catch a portion of recovery that would come in value stocks. Marquette recommends terminating Great Lakes and reinvesting the assets with the Xponance S&P 500 Index Fund.

Regarding the Matarin Small Cap Core Fund, issues have primarily been performance. The fund uses a quantitative model, but leans towards valuation factors which, like with Great Lakes, has run into significant head wind. Matarin has underperformed over all annualized and calendar time periods, as well as ranking low in the small cap core (SCC) peer universe. The fundamental question, like with Great Lakes, Mr. Zarate said, is whether the fund will miss out on a recovery of value stocks. Kayne Anderson Small Cap Value and Amalgatrust Copeland's SCC portfolios have been strong managers in both up and down markets. Kayne Anderson has outperformed its benchmark and ranks in the top 4th percentile of all small cap value managers. Copeland was hired two years ago and has outperformed its benchmark and ranks in the top 10th percentile of all SCC

managers. Marquette recommends terminating Matarin and reinvesting the assets evenly between Kayne Anderson and Copeland. Fees for these managers are also lower so there will be some fee savings. Mr. Zarate also pointed out that terminating Matarin will impact the Fund's allocation to WBE firms, but with the additional assets going to Xponance, the overall MWDBE percentage will move up to 45.5% of the portfolio. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To adopt the recommendations of Marquette Associates to terminate Great Lakes and reinvest these assets with the Xponance S&P 500 Index Fund;

FURTHER RESOLVED: To terminate Matarin and reinvest those assets, split evenly between the Kayne Anderson and Amalgatrust Copeland small cap value funds.

At 12:38 p.m. Mr. Sidrys joined the meeting.

The Trustees then were asked to direct their attention to the Marquette Associates memorandum regarding Kayne Anderson. A copy of that memorandum is attached and made part of these Minutes. The Fund's investment policy statement requires managers to notify the Trustees if any one of their holdings exceeds 8% of the total assets of that manager's allocation. Scotts Miracle-Gro has exceeded the 8% weight in the Kayne Anderson portfolio. This security does not have to be sold, but it is required that the Trustees be notified. Marquette recommends that Kayne Anderson be allowed to continue to hold Scotts Miracle-Gro at its current position, which showed a return of 0.2% year-to-date through April 30, 2020.

OLD BUSINESS

2011 – 2017 Payroll Audit Status

Mr. Kallianis reported that Legacy is completing its review of part time Union officers. More timesheets are being looked at from Local 241. Overall, Legacy will soon be ready to present preliminary findings to Locals 241 and 308 regarding timesheet issues. CTA discrepancies have been sent to the CTA on between 300 and 400 employees. Mr. Kallianis is hopeful that a draft report will be available by the July 2020 meeting.

Summary of Litigation

Mr. Rosenblat referred to the Litigation Report which was previously distributed to the Trustees and is attached and made part of these Minutes. He said that Mr. VanderPloeg is available for a discussion during an executive session regarding litigation stemming from the Wakpamni bond purchase. There were no further questions for Mr. Rosenblat.

Member Cost Sharing Extensions

The attention of the Trustees was directed to Mr. Levin. He referred the Trustees to a May 27, 2020 memorandum regarding Blue Cross Blue Shield PPO coverage decisions. A copy of that memorandum is attached and made part of these Minutes. Zero dollar cost sharing for all telehealth visits and Covid-19 treatments was extended through June 30, 2020. Mr. Levin, and the memorandum from Segal, said that the Fund must decide by the 15th of each month about whether to extend the zero cost sharing of all telehealth visits and Covid-19 treatments for the following month. Coverage for Covid-19 testing is required by law. Segal recommends that the Trust extend these programs on the Blue Cross Blue Shield PPO for as long as Blue Cross Blue Shield extends them on the fully insured HMO. In other words, the Trust need not take any specific action each

month and the Blue Cross Blue Shield PPO will just follow the HMO. Upon motion made and seconded, the following Resolutions were unanimously adopted:

RESOLVED: To ratify the zero dollar cost sharing for all telehealth visits and Covid-19 treatments through June 30, 2020; and

FURTHER RESOLVED: To extend such coverage for as long as it is covered on those same terms by the Blue Cross Blue Shield HMO.

The attention of the Trustees was then directed to the Covid-19 claims update. Mr. Levin said that Segal Consulting has refined the model it used to project Covid related costs. He would anticipate that April through July claims would be less than normal because elective services are not being provided due to the pandemic. Claims from August through the end of the year are expected to be higher as delayed elective procedures are completed.

Segal Update on 2020 Significant Dates

Ms. Stawiarski presented the updated key dates calendar, a copy of which is attached and made part of these Minutes. The Humana annual review will be on the morning of June 22, 2020 with the General Administration Committee.

ALLIANT PRESENTATION OF FIDUCIARY LIABILITY RENEWAL

The proposal for renewal of the fiduciary liability insurance policy was then addressed. Chairman McKone noted that all Trustees present were also present for the presentation on the same matter before the Pension Plan. Alliant's presentation book is attached is made part of these Minutes. Discussion ensued. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To select renewal option 2 as presented by Alliant.

Mr. Hill asked whether the prescription benefit manager may move drugs on and off its preferred covered provider list. Mr. Levin said he would investigate and report back to the Trustees at the next meeting. Generally, changing formularies is done at the discretion of the prescription benefit manager and the prescription benefit manager contracts allow for that. Discussion ensued.

GENERAL ADMINISTRATION COMMITTEE REPORT

Mr. Kasmer reported that copies of the applications for benefits and bills and remittances were 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 the applications for benefits and bills and remittances.

EXECUTIVE SESSION

Upon motion made by Mr. McKone and seconded by Mr. Burke, the Trustees unanimously moved to go into executive session at 1:11 p.m.

At 1:31 p.m. the Trustees resumed regular session. It was reported that during the executive session litigation issues related to the various Wakpamni bond cases were reviewed. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To accept the recommendations as stated by counsel during the 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 1:32 p.m.