

MINUTES OF THE MEETING
BOARD OF TRUSTEES
CTA RETIREE HEALTH CARE TRUST
Via Microsoft Teams Videoconference
May 27, 2022

TRUSTEES PRESENT

Thomas McKone	Chairman
Keith Hill	Secretary
Christopher Kasmer	
Joseph Burke	
Georgette Hampton	(for Paul Sidrys)
Mark Weems	(for Eric Dixon)
April Morgan	

ALSO PRESENT

Paul Sidrys	Interim Executive Director
Elsa Trejo	Deputy Executive Director, Finance and Accounting
Hector Flores	Benefits Coordinator
Anita Tanay	General Counsel for ATU Local 308, on behalf of the ATU Local 308 appointed Trustee
Jeffrey Bora	Chicago Transit Authority, Counsel on behalf of the CTA appointed Trustees
Ronald Willis	Dowd Bloch Bennett and Cervone, on behalf of the ATU Local 241 appointed Trustee
Daniel Salemi	Morgan, Lewis & Bocius, LLP, on behalf of the RTA appointed Trustee
Stephen J. Rosenblat	Fund Counsel, Baum Sigman Auerbach & Neuman, Ltd.
Miguel Zarate	Investment Consultant, Marquette Associates
Brendon Hopkins	Investment Consultant, Marquette Associates
Barbara Zavaduk	Actuarial Consultant, Segal Consulting
Dan Levin	Benefits Consultant, Segal Consulting
Alexander Vesselinovitch	Freeborn Peters

CALL TO ORDER

The Chairman called the meeting to order at 11:00 a.m.

ROLL CALL

Roll was called and quorum was declared present.

CONSIDERATION OF THE EXECUTIVE DIRECTOR POSITION

In a letter dated May 26, 2022 to the Chairman and Secretary of the Fund, Paul Sidrys advised that he wished to resign as a Trustee effective at the close of business on May 26, 2022. Discussion ensued. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To accept the resignation of Paul Sidrys as a Trustee.

It was noted that John Kallianis had previously resigned his position as Executive Director. Discussion ensued regarding a search for a permanent replacement. One proposal to conduct a search had been received. Discussion ensued. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To accept the recommendation of the General Administration Committee to retain Paul Sidrys as Interim Executive Director.

CONSIDERATION OF MINUTES OF PREVIOUS MEETINGS

Chairman McKone advised that the Minutes of the April 28, 2022 meeting had previously been sent to the Trustees. A copy of those Minutes is attached and made a part of these Minutes. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To approve the Minutes of the April 28, 2022 Board of Trustees meeting as presented.

REPORT OF INVESTMENT COMMITTEE

The attention of the Trustees was directed to Mr. Zarate who referred to the Marquette Associates First Quarter Report dated March 31, 2022. A copy of that report is attached and made part of these Minutes. Mr. Zarate reviewed the report with the Trustees. For the quarter ending March 31, 2022, the Fund returned -4.3%, matching the benchmark. There was an underweight to fixed income due to delays in executing the new asset allocation. The Fund is in queues for

certain investments and is in the process of selecting private debt managers. Mr. Zarate said that it has been a difficult first quarter as both fixed income and equities had negative returns. He reviewed the summary of cash flows, which for the first quarter of 2022 found a net cash flow of -\$5,780,908 and a net investment change of -\$48,895,986. Redemptions have been put in for real estate managers which is overweight compared to the policy targets, but real estate has outperformed. Non-U.S. equities have been a drag on performance.

Mr. Zarate then directed the attention of the Trustees to the April 30, 2022 report. A copy of that report is attached and made part of these Minutes. The Fund continues to be underweight to fixed income. For April 2022, the Fund returned -5.5%. The benchmark returned -5.6%. For fiscal year-to-date through April 30, 2022, the Fund had a net investment change of -\$109,577,067. The ending market value as of April 30, 2022 was \$1,052,073,268. As of yesterday, May 26, 2022, the Fund's market value was \$1,036,440,348.82.

Mr. Zarate reviewed the asset allocation, including the old and new policy targets. He highlighted a couple of asset classes, including the non-U.S. fixed income composite which currently makes up 2.8% of the portfolio. The old policy target was 5%. The current policy target is 3%. Opportunistic real estate was also reviewed. The portfolio consists of 1.5% opportunistic real estate funds. The old policy did not have an allocation for that asset class. The new policy has an allocation of 3%.

Mr. Zarate then reviewed performance. Year-to-date through April 30, 2022, the Fund returned -9.5% compared to the policy benchmark return of -9.6%. Most fixed income managers are outperforming. Emerging market investments have struggled due to the Russia-Ukraine conflict. Inflation has been affecting markets. IFM, an infrastructure manager, was recently funded.

Mr. Zarate then referred the Trustees to a May 27, 2022 memorandum regarding a private debt RFP. A copy of that memorandum is attached and made part of these Minutes. He reviewed the memorandum with the Trustees. A \$50 to \$60 million private debt allocation is contemplated by the target asset allocation. 17 managers responded to the request for proposal. Marquette evaluated the respondents. The Investment Committee, along with Marquette, recommended finalist interviews with four managers; they were Angelo Gordon, Carlyle, Turning Rock and Monroe Capital. Mr. Zarate hoped to have interviews scheduled in the early part of June. He said that Turning Rock, one of the managers, is close to ending its fund raising. He is looking at the week of June 6, 2022 for finalist interviews. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To accept the recommendation on the finalists for a private debt allocation.

Mr. Zarate was thanked for his report.

OLD BUSINESS

A. Summary of Litigation by Fund Counsel

Mr. Rosenblat referred the Trustees to the Legal Report which was previously distributed to the Trustees and is attached and made part of these Minutes. Mr. Rosenblat reported that no matters required the attention of the Trustees in light of the fact that it was anticipated that there would be an Executive Session to discuss pending litigation. Mr. Rosenblat was thanked for the report.

B. Significant Dates

Mr. Levin reviewed the significant dates with the Trustees. Interviews of dental network candidates are scheduled for June 1, 2022. Finalists on the medical network interviews will be

scheduled for the second week of June. An in-person retiree enrollment meeting will be scheduled for the fall 2022. Mr. Levin will work with Mr. Sidrys to schedule that meeting.

C. Consideration of Freeborn Peters Engagement

Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: That the updated engagement with Freeborn Peters be accepted as presented.

D. It was reported that on February 22, 2022, a payment was made by the CTA to its employees for work performed in 2020 if they were still employed by the CTA on February 10, 2022. The CTA payroll department withheld 3% of the employee compensation and forwarded that to the Health Care Trust as its contribution. Discussion ensued regarding whether or not that was the appropriate payment amount or whether because the payment was made and received in 2022, under current rules, 1% should have been withheld. Discussion ensued. Mr. Rosenblat was directed to discuss this matter with counsel for the Retirement Plan to see how the Retirement Plan would treat this payment.

E. Consideration of the Mitchell Titus agreed upon procedures will be deferred until the June meeting.

NEW BUSINESS

A. and B. Mr. Kasmer reported that the Trustees received the applications for benefits, bills and remittances with the Board materials. 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, bills and remittances as presented.

C. There were no requests for educational conference attendance.

EXECUTIVE SESSION

Upon motion made by Mr. Kasmer and seconded by Mr. Burke, the following Resolution was unanimously adopted:

RESOLVED: That the Trustees go into Executive Session.

Mr. Willis excused himself from the remainder of the meeting.

RESUMPTION OF REGULAR SESSION

At 12:28 p.m. upon motion made by Mr. McKone and seconded by Mr. Hill, the Trustees resumed Regular Session. Mr. McKone reported that during the Executive Session, the litigation in the *Williams* case was discussed.

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 12:30 p.m.

SECRETARY