

**OPEN SESSION**

Minutes of the RTA Pension Plan Trustees Quarterly Meeting

Friday, August 22, 2025

RTA OFFICES | 12:00 pm

**In Attendance:**

Chairman Bill Lachman

Zaid Abdul-Aleem

Jeff Goodloe (remote)

Mahdi Hemingway

John Morris

Frank Paul

Margaret Schilling

**Not Attending:**

**Also Attending:**

Keith Beaudoin, Meketa

Jaime Carcelli, Alliance Pension Consultants

Joseph Ellyin, Pace

Pam Grundt, Alliance Pension Consultants

Ali Guttillo, Northern Trust

Joshua Murner, GRS

Allison Noback, RTA

Greg Price, Meketa

Katie Rak, McGuire Woods

Rob Reed, Alliance Pension Consultants

Paul Rotatori, RTA

Jeffrey Van Wagner, Alliance Pension Consultants

Amy Williams, GRS

Cristen Xhama, Meketa (remote)

**I. Roll Call**

Chairman Lachman called the meeting to order at 12:15 p.m. Jaime Carcelli called roll. It was established that a quorum was present.

**II. Discussion of Agenda Items**

The executive session will be moved to the last agenda item for today.

**III. Public Comment**

It was noted that there were no public comments to address. There were no guests who requested time on the agenda to speak.

**IV. Approval of Minutes**

The minutes of the May 9, 2025 (Open Session) were presented for approval.

**MOTION: FRANK PAUL MOVED TO ACCEPT THE MINUTES FROM THE MAY 9, 2025 OPEN SESSION MEETING AS PRESENTED. THE MOTION WAS SECONDED BY JOHN MORRIS AND**

**APPROVED BY A ROLL CALL VOTE.**

**V. Northern Trust Report**

Ali Gutilo confirmed that since the last meeting the third quarter contributions were received, and preparations are in place for JPM Global's capital call scheduled for this week. Northern Trust's annual audit was completed in June. Ali reminded the trustees that they will be asked to confirm any address changes at the next meeting in advance of issuing Form 1099-Rs.

Looking ahead, banking operations are transitioning to ISO 2022 standards. This includes new wire transfer requirements, including beneficiary and remitter addresses any time funds leave a bank. These changes, designed to standardize SWIFT messaging globally, will take effect in November 2025, with further updates to follow.

Finally, Ali will be on leave beginning in mid-December, with her backup attending the next meeting as part of her contingency planning.

**VI. Presentation of 1/1/2025 Actuarial Valuation**

The actuarial valuation, conducted annually by GRS, provides a snapshot of the plan's funding status, develops the recommended annual contribution and supplies supporting documentation. It relies on inputs such as member and asset data, plan provisions, actuarial assumptions and funding policy. It produces outputs that include funded status, contribution rates and accounting information. Assumptions fall into two categories: economic (e.g., investment return, payroll growth) and demographic (e.g., retirement, turnover, mortality). These are reviewed through experience studies done every five years, with the most recent covering 2018-2023 and effective with the January 1, 2024 valuation. Current key assumptions include a 6.00% investment return and 2.50% price inflation.

The valuation also measures liabilities and costs: the present value of future benefits (PVFB), actuarial accrued liability (AAL) for past service, normal cost for the current year and the present value of future normal cost for benefits yet to be funded. Assets are valued on a smoothed basis, recognizing differences between expected and actual returns over five years within a 20% corridor, helping stabilize contribution requirements. Actuarial value is about 1.10% higher than market value.

Funding policy sets contributions at the normal cost plus a 30-year closed-period, level-dollar amortization of unfunded liability, adopted in 2015. As of 2025, 20 years remain in the period which targets 100% funding. This exceeds the statutory minimum of reaching 90% funding over up to 50 years. Unlike the level percent of pay method used by many public plans, level-dollar amortization provides steady dollar payments which funds the plan more quickly. Unfunded liabilities can arise from granting past-service benefits, unfavorable experience compared to assumptions or insufficient contributions.

There were no changes to plan provisions since the prior valuation. There was an update to actuarial assumptions related to lump sum conversions. These assumptions, which are tied to plan provisions for lump sum payments, are updated annually to reflect IRS prescribed interest rates and mortality assumptions. For the January 1, 2024 valuation, the rates used were 5.50%, 5.76% and 5.83%. For the January 1, 2025 valuation the updated rates are 4.66%, 5.25% and 5.57%, along with revised mortality assumptions for members assumed to retire within the next five years.

As of January 1, 2025, the plan has a 20-year amortization period, with the unfunded actuarial accrued liability (UAAL) projected to be fully amortized by December 31, 2044. Funded status improved, as accrued liabilities rose from \$505 million to \$537 million, while assets increased more significantly from \$416 million to \$456 million, raising the funded ratio from 82.3% to 85%. The recommended contribution for 2025 increased slightly from \$24.4 million to \$25.6 million, driven by higher normal cost (up from \$16.8 million to \$18.6 million). As a percentage of payroll, contributions declined due to supplemental payments that continue to support the closed amortization schedule. Contributions are allocated annually among Metra, Pace and RTA based on participant activity and pro-rata compensation, with the 2025 allocation at roughly 61%, 31% and 8% respectively.

The UAAL decreased by \$8.7 million over the year, largely due to supplemental contributions, demographic gains and the expected decline under the funding policy. These gains were partially offset by experience losses, including a \$6.3 million loss from higher-than-expected salary growth, assumption changes, new entrants and lower investment performance. Returns were estimated at 7.1% on a market basis and 5.6% on an actuarial basis, producing funded ratios of 84.1% and 85% respectively. Over the past five years, gain/loss results reflect both salary changes and supplemental contributions, with contributions above recommended levels playing a particularly important role in reducing the UAAL and strengthening plan health.

Salary experience has varied relative to assumptions developed in the prior experience study. In 2024, average increases were expected at 4.43% but actual increases reached 7.69%, especially among Metra employees, leading to higher liabilities. In 2023, Metra experienced minimal increase while RTA and Pace had larger adjustments, and in 2022 increases also diverged from expectations. If higher salary growth persists, this will be reflected in the next experience study to keep assumptions aligned with actual trends.

Historical and projected funded ratios and contributions show steady progress under current assumptions. For 2025, the contribution requirement is \$25.6 million, with short-term increases reflecting asset smoothing. Projections assume 6% annual investment returns, actuarially determined contributions and that all other valuation assumptions are met. These projections exclude supplemental contributions, which have been material in recent years, including \$1.3 million annually in 2018-2020, \$34.4 million in 2023 and \$17 million in 2024.

Plan membership remains close to 3,000 participants, with payroll up 12.3% due to both salary growth and a higher number of actives. Retirees include one participant in 2024 and 2025 each scheduled for lump-sum payments, which are excluded from reported benefit totals. By agency, Metra and Pace saw increases in active members, while RTA had a slight decline. The plan also reported growth in disabled participants, from 3 in 2024 to 9 in 2025.

GRS has recommended updating certain actuarial assumptions used to calculate optional forms of payment, other than lump sums. Currently, calculations are based on a 6% interest rate and the 1994 GAR Blended Mortality Table. GRS recommends aligning these with valuation assumptions, using the same investment return rate applied in the valuation and Pub-2010 Healthy Retiree table with MP projection scale for mortality.

Finally, under Actuarial Standards of Practice (ASOP No. 4), GRS calculates and discloses a Low-Default-Risk Obligation Measure (LDRM) liability. This measure uses discount rates tied to low-

risk fixed income securities with cash flows consistent with expected benefit payments. For January 1, 2025, the LDROM was based on the December 2024 FTSE Intermediate Single Equivalent Rate of 5.49%. By comparison, the funding actuarial accrued liability is based on the 6% expected long-term return on assets. The LDROM liability was \$569.2 million versus \$537.4 million under funding assumptions, a \$31.8 million difference. This illustrates the contribution savings generated by assuming diversified portfolio returns rather than relying solely on low-risk fixed income yields.

## **VII. Capital Markets Update and Expectations, Economic and Market**

Global markets delivered strong gains in Q2 2025, overcoming April's tariff-driven volatility. Equities rallied on easing trade concerns, solid corporate earnings and a weaker U.S. dollar, which boosted international performance. When foreign currency gains are translated back to US dollars, it benefits the Plan's non-US strategies. Emerging markets led (+12.0%), followed by developed international equities (+11.8%) and the S&P 500, where large-cap growth stocks (+17.8%) far outpaced value (+3.8%). Small caps rose (+8.5%) but lagged large caps (+11.1%). Fixed income also advanced, with the Bloomberg Aggregate Index up +1.2%; riskier debt outperformed as emerging market bonds gained +7.6% and high yield +3.5%, while long Treasuries fell -1.5%.

Technology stocks, particularly the "Magnificent 7," powered much of the rally, though their dominance raises bubble concerns. Even utilities benefited indirectly from AI's demand for power and water, while consumer discretionary gained (+13.4%) on easing tariff fears. Energy (-7.9%) and health care (-6.6%) were the weakest sectors. Abroad, developed markets outperformed on currency tailwinds, Eurozone rate cuts and strong sectoral performance, while Japan and emerging markets also benefited from AI enthusiasm. China and India lagged due to weak consumption and high valuations.

The fund's exposure to dominant mega-cap tech makes full insulation difficult, but diversification, active management and a disciplined value approach provide protection. Meketa continues to back Aristotle's large-cap value strategy, citing its resilience during April's pullback. U.S. stock valuations remain stretched, well above long-run averages, while international and emerging markets trade closer to historical norms.

Bond markets were shaped by easing trade tensions and fiscal worries. Yields held stable or fell across most of the curve, though 30-year Treasuries rose on debt concerns. The yield curve steepened modestly as the 2-year dropped to 3.7%, the 10-year held near 4.2% and the 30-year climbed to 4.8%. Credit markets tightened after April's spike, with high yield spreads narrowing to 2.9%, below long-term averages.

U.S. consumers are showing strain from high prices and rates. Delinquencies are rising, particularly among younger credit card borrowers, and the restart of student loan payments adds pressure. Overall, levels remain below pre-pandemic norms. Inflation remains constrained but sticky, with headline inflation at 2.7% and core at 2.9%, keeping the Fed cautious. Globally, eurozone inflation sits at 2%, Japan faces food-driven pressures and China is seeing mixed trends despite stimulus.

Central banks are diverging. The Fed has stayed on hold with futures pricing just under two additional cuts in 2025. The ECB delivered its eighth cut while BOE held rates at 4.25%. Japan

has continued to scale back bond buying. The U.S. dollar weakened another 7% in Q2, bringing its year-to-date drop to 11%, as fiscal and trade concerns spurred outflows.

The IMF lowered its 2025 global growth forecast to 2.8% from 3.3%, citing tariff impacts. U.S. growth was cut to 1.8%, China to 4.0% and the EU saw a slight increase. Tariff uncertainty continues to cloud inflation and growth, weighing on Fed policy and the dollar. Despite risks, U.S. equities ended Q2 at record highs, with future performance hinging on earnings and the trajectory of the large-cap tech leaders driving markets.

Included in deliverables provided by Meketa is the presentation of fees, performance and relevant staffing changes.

#### **VIII. Second Quarter, 2025 Investment Performance**

As of June 30, 2025, the fund was valued at approximately \$486.9 million, up \$26 million from March 21, driven by positive investment performance. The fund returned 6.1% net of fees for the quarter, though year-to-date results remain behind the benchmark as some managers continue to lag. Domestic equities gained 8%, with large caps showing wide dispersion, mid caps posting solid gains and small caps advancing 3.4% but showing stronger momentum more recently. International equities were a standout, rising 11.4% for the quarter on strong developed market performance and additional gains in emerging markets. Fixed income added 0.9%, with investment-grade bonds up 1.4% and global multi-sector bonds up 2.9%, the latter outperforming investment grade but still trailing their benchmark. Real assets remained flat, making them the weakest performer in the portfolio. Despite ongoing volatility, the fund remains well positioned, with all asset classes within target ranges.

Meketa noted some disappointment with Aristotle's recent results, citing stock selection challenges, though they remain confident in the firm's team and investment process. To address concerns, Meketa plans to invite Aristotle to the November meeting, likely via Zoom, to review lessons learned and any adjustments to their approach.

#### **IX. Review of the Private Equity Search Process**

Cristen Xhama from Meketa joined to provide an overview of the private equity search process. With four years at Meketa and extensive industry experience, she works on the private markets team, which includes 59 professionals serving over 100 clients. Some clients grant Meketa full discretion, while others rely on advisory support. Cristen's focus is sourcing and underwriting private equity funds, guided by Meketa's philosophy of targeting strong returns through careful manager selection, particularly in the lower-mid market. The investment process is highly collaborative, with the entire team involved in sourcing, due diligence and decision-making. Key considerations include a firm's overall strategy, growth and track record, with fees playing a major role. Meketa also runs a disciplined fund-of-funds program, reviewed bi-weekly, applying the same rigorous evaluation process.

Trustees raised questions about how Meketa narrowed the private equity fund-of-funds search to two Boston-based managers and one Chicago-based manager, given Chicago's strong private equity presence and the plan's ties to Chicago. Meketa explained that the short list reflects both confidence in long-standing relationships and the fee advantages negotiated through scale. For example, Meketa clients have an advantage with HarbourVest and Constitution Ironsides due to significant client commitments which have allowed Meketa to secure below-market fees while

leveraging strong track records. Meketa emphasized that including too many options can dilute the process, especially since many of these funds invest in similar underlying managers. While Boston managers remain prominent due to geographical ties and scale benefits, Meketa confirmed that Chicago firms are being closely monitored. Mesirow was included in the current search, and firms such as RCP Advisors, Twin Bridge, Adams Street and Muller & Monroe are also on the radar. Twin Bridge was highlighted as a team Meketa respects and would be comfortable allocating to. Trustees asked whether comparable fee negotiations could be achieved with other Chicago-based firms. Meketa noted this may be possible depending on the size of the commitment and will begin exploring that process.

For the next meeting, Meketa will present a broader comparison, including Mesirow, RCP Advisors, Twin Bridge, Adams Street and Muller & Monroe. The presentation will outline which funds are currently in market, the fee structures available, recent performance and any additional insights from Cristen's private markets team. Meketa will also update the Board on fee negotiation efforts, though these discussions may not be complete by November.

**X. Administrator's Report**

Rob Reed presented the Administrator's Report, noting the quarter began with approximately \$4.5 million in cash. During the period, \$89,000 was transferred, \$5.5 million in contributions were received and \$2.8 million was paid out in distributions, leaving \$6.1 million in the disbursement fund. Cash flow was tight last month due to the timing of contributions. September distributions plus a potential lump sum are expected to reduce the balance to about \$3.3 million before new contributions arrive at the end of the month. Rob indicated cash flow should remain manageable if contributions are received near October 1 and confirmed he will be sending contribution letters after Labor Day.

A standing resolution exists that as administrator, Rob Reed, can take out up to \$2.5 million in cash as needed.

**XI. Old Business**

There was no old business to discuss.

**XII. New Business**

Next meeting of the RTA Trustees is Friday, November 14, 2025 at 12:00 p.m.

**XIII. Motion Related to Closed Session and Subsequent Adjournment**

**John Morris moved that the Board enter closed session pursuant to 5 ILCS 120/2(c)(7) to discuss the investment of public funds, and that the Board adjourn immediately following the conclusion of the closed session. Zaid Abdul Aleem seconded the motion. A voice vote was taken and the motion carried unanimously.**

**XIV. Closed Session**

**The Board entered closed session at 2:42PM and conducted discussions regarding ongoing business related to the investment of public funds.**

**XV. Adjournment**

**Pursuant to the open session vote taken prior to entering closed session, the meeting was adjourned at [time].**

Respectfully submitted,

Jaime Carcelli  
Recording Secretary