**OPEN SESSION**
Minutes of the RTA Pension Plan Trustees Quarterly Meeting
Friday, November 17, 2023
RTA OFFICES | 12:00 pm

**In Attendance**
Chairman Bill Lachman
Zaid Abdul Aleem
Jeff Goodloe
Madhi Hemingway
John Morris
Lorri Newson
Frank Paul

**Also Attending:**
Keith Beaudoin, Meketa
Debbie Gidley, Recording Secretary
Ali Guttillo, Northern Trust
Greg Price, Meketa
Alison Noback, RTA
Katie Rak, McGuire Woods
Rob Reed, Alliance Pension Consultants

1. **Roll Call**
Chairman Lachman called the meeting to order at 12:15 p.m. Debbie Gidley called roll. It was established that a quorum was present.
2. **Discussion of Agenda Items**There was one requested change to the agenda. Chairman Lachman asked that selecting the 2024 Meeting Dates be moved up on the agenda.

The 2024 Board of Trustees meeting dates will be:

Friday, Feb 16, 2024 at 12:00 p.m.
Friday, May 10, 2024 at 12:00 p.m.

Friday, August 16, 2024 at 12:00 p.m.
Friday, November 8, 2024 at 12:00 p.m.

1. **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.
2. **Approval of Minutes**The minutes of the August 18, 2023 (Open Session) were presented for approval.

**MOTION: Madhi hemingway moved to accept the minutes from the August 18, 2023 Open Session Meeting AS PRESENTED. The motion was seconded by John morris and approved by a voice vote.**
3. **Northern Trust Report**Ali Guttillo presented the Northen Trust report. She noted that since the last RTA Trustees meeting, Northern Trust has released their capital market assumptions which give a 10-year global economic outlook. She noted that she is happy to share it with anyone, or she would be happy to ask the asset management team to present it to the Trustees in person.

Northen Trust began rolling out Multi-Authentication Factor for log-in access. It will be in full effect beginning in May 2024 and will make the passport system more secure. Q: Will this new system be Northern Trust specific? A: It uses Microsoft software; you will have two separate credentials at this point.

Moody’s has completed their review of Northen Trust, and Ms. Guttillo is pleased to report that Northen Trust is staying at an A1 credit rating.

The 4th quarter contributions have been received. They have also had three capital calls: JLC, ISQ and Mesirow. And there were three redemptions: Arrow Street, Ernest and the Russell 1000. There was a share class conversion to the plan that was completed in September for Aristotle, from Class A to B.

Q: What does that mean for the plan? A: Around 5 basis points lower in fees. There is no change to the voting, they vote proxies for the underlying stocks they hold, any fund level votes will be put in front of the Trustees to review before the vote.

She asked the Trustees if they had any changes to their mailing address, please let her know for mailing 1099s.

Finally, Ms. Guttillo noted that she will be out of the office from December 21, 2023 through January 2, 2024. Should anyone need anything during that time, her backup, Diana, will be available.

There being no further questions, she concluded her report.

1. **3rd Quarter Investment Report***Economic and Market Updates*Keith Beaudoin introduced Greg Price who will be taking Ghiane Jones’ place. It was noted that Ghiane Jones is no longer with Meketa.

Mr. Beaudoin noted that Meketa has updated their reporting systems, and it feels functionally better. The one drawback is that it is a little less flexible with the reporting process. Greg Price can manipulate the reports to make them look a little nicer for the Trustees.

When asked if there were any questions, there were none.Mr. Beaudoin gave the 3rd Quarter market update, noting the differences between 2022 and 2023:

2022 was overall, very negative, with the exception of commodities which did well. Unlike 2022, 2023 was very positive overall, except commodities, which did not fare as well. In the third quarter, there was a bump in the interest rates that caused some of the fixed income indices to go negative, but overall, 2023 has been a strong year to date.

S&P 500 down 3.5% for the quarter; but still up 13% for the year to date.
Russell 1000 Growth up 25% year to date.

Currently, there are seven tech firms carrying the market, including Microsoft, Google, Amazon, and Apple. Most believe this is not a good situation for the long haul; it is too narrow. But currently, the market is doing well, and these firms have helped with market recovery from 2022.

International has lagged. EAFE Index up 7%, not surprising, as Europe is a mess. What’s surprising is the one-year return on EAFE Securities is 25.6% – how can this be? It comes down to starting price. Europe is not fundamentally broken, and we are getting things at a discount - price point matters.

Q Why isn’t everyone trying this? A: If you look at a typical cycle, they usually last 3-5 years, you will see one of the markets, US or International, outperform. The U.S. has dominated since 2010, roughly a 13-year span of U.S. Dominance. The question we need to ask is, are we starting to turn the corner? Maybe, but these things take time. Popular thinking is that shorter cycles will return, but there are valid reasons for believing the U.S. will continue to dominate. But, if the dollar weakens and foreign currency strengthens, this will help anyone investing in international and emerging markets.

Q: What effect has the war in Ukraine had on the markets? A: Surprisingly little. Europe was dependent on Russian oil, but they have been adapting new green measures. Ukraine was one of the largest commodities and Tech exporters and that hurt not just Europe, but globally. However, generally speaking, global conflicts do not have a high correlation to markets.

During Q3, Bonds were negative 3% due to another spike of interest rates. This tanked the fixed income returns, but bonds now have a yield which helps dampen volatility. So now Bonds are in a better place.

Equity and fixed income volatility spiked, then came down.

Nationally, the budget passed the house, is now on its way to the Senate, and should be signed today. This will kick the can down the road to January/February 2024. We can expect volatility will be a little high until we resolve the budget.

Private equity is above normal average. Emerging Market balance sheets are showing better than most developed countries at this point.

Yield Curves right now are inverted. We’re getting more yield on short money relative to the 5-, 10-, and 30-year. This signals there is something wrong with the market. Before every recession the Yield Curve has inverted. This is not to say a recession is coming, but there are some ties between inversion and what the fixed income market is thinking.

Q: Is the decreasing yield curve a good sign? A: The Feds raised rates so fast, the Yield could not keep up. It’s starting to stabilize, so we’ll see what happens. We probably won’t see any cuts until the middle of next year.

In response to a question from one of the Trustees, it was noted that rates will stay steady (not raised) potentially due in part to the fact that it is an election year and historically no president has been re-elected during a recession.

Inflation has come down but is still high in areas (grocery store). The Feds is trying to tamp it down and get back to 2% level.

Credit spreads are currently below historical average. We’ve seen bankruptcies increase.

Unemployment is 3.8% which is full employment in the U.S., so it would be unusual if we went into a recession with full employment. Employers are still short-staffed, and we just saw the UAW push though a pretty big wage package – so there are wage factors that will feed inflation, but there are jobs available.

As a nation we’re getting older, and we don’t have a lot of people to take over certain kinds of jobs. That’s why AI is coming into play. Robot kiosks at McDonalds may become the standard, for example.

Q: Going back to Europe, is there a way to protect the Fund if there is a big downturn? A: Yes. Can get out of it altogether? We can look at asset allocation.

Q: What is the benchmark? A: EAFE and MSCI.

*RTA Pension Plan’s 3rd Quarter Report.*

Greg Price reported that as of September 30, 2023, the fund is at $341.4M. Most of the asset classes are in range.

Regarding the allocation of Multi-Sector Credit, Meketa has been holding off on High-Yield and Emerging Market Bonds in order to let the Multisector Managers recommend the calls.

Year to date return through September 30, 2023, is showing a 4.4% net return. Estimated through 11/16, it is 6.55%.

Domestic Equity is up 19.2%; driven by the magnificent 7.
Russell 1000 has exposure to the magnificent 7.

Mid Cap 15.4% return for 1 year period. Small cap Is 25.8%.

In response to a comment from one of the Trustees, Mr. Beaudion noted that the reports are aggregate of all of the managers of a certain section (i.e., Emerging Markets).

*Mangers Review:*

Ernest – strong as of late - has done well over past few years, but longer term has been more challenging.

Parametric - The weight restriction on China really hurt them historically, but now it is helping them.

D&C has a lot of positive returns – up 3% vs. the aggregate of under 1%.

Aristotle’s underperformance versus the Russell 1000 makes sense – it was a risky move away from the high-priced growth stocks, and we now wait for them to turn it around.

Wellington Opportunistic – up 8%.

Regarding the Capital calls with JLC and ISQ: We’ve discussed the weakness in Real Estate and will plan to have JP Morgan present to the Trustees in 2Q 2024.

In response to a question on Real Assets, Mr. Beaudoin noted that on page 52 the vintage year of these funds is not necessarily the same as when we invested. JLC and ISQ have more of a private equity type of structure.

Q: When did they call the asset? A: In 2020.

Q: When was the JP Morgan decision made? A: In 2021. The money wasn’t pulled into JP Morgan with both at once, as opposed to capital calls, so there was a basis for JLC and ISQ.

Comment: It seems like there has been better performance since we switched over than from other vintage years with the exception of JP Morgan. The takeaway is that perhaps some of the older vintage years should be questioned. We need to ask if we’re just comfortable with these names or should we look at what to take. Since we’ve made changes, it seems the performance has been better.

Answer: So, if we look at the last 3-5 years, it’s in the top third. But it’s been taking longer to pull the longer-term numbers up, due to the math behind portals and ratings.

We could consider underwriting, for example, Times Square. We kept them in the portfolio so that have more growth bias, and in the mid cap space we like growth. In the large cap space we added that value to offset some of the growth bias. We hired Kayne when they were in the top decile, then they fell, and now they are coming back to their top decile ways.

Basically, if they are in the portfolio, that means Meketa is comfortable with them. We know what they do. While they may not be our highest manager, we are looking at them for the long-term.

Most managers are doing what we want them to do—no big surprises.

Comment: Understood, but as Trustees our job is to push back on that a bit and say that even though Meketa may be comfortable, it doesn’t always mean that we are.

Answer: Very good point and well taken.

There being no additional questions for Greg Price on the performance review, Mr. Price moved on to the Asset Allocation Discussion.

*Asset Allocation:*

Question: Is the reason we’re not at asset allocation because we haven’t funded the allocation? A: Mainly, yes. We did not fill certain buckets at the time the allocation was made because it takes time to build. We will get there in time, and the fund has done a nice job so far.

The Board was comfortable with an aggressive stand and a greater allocation to emerging markets and international markets. So, when Meketa came on board, we kept some of these biases in the portfolio. We were ok with International and Emerging markets because the price was right, and we think there’s value there. China hurt us this past year, but that heavier weight to those areas has pulled down this allocation index relative to peers. In practice you have not allocated those full dollars to those areas, and that has helped your performance relative to the allocation.

Q: Can we see the attributions? A: Yes.

The policy we have today is focusing on a 7.5% return. The target didn’t change, we changed the assumed rate of return.

Meketa presented three alternatives to the current policy allocation, targeting 7%, 7.75%, and 10% (risk mitigating strategy).

If the Trustees are considering going with the risk mitigation strategy, Mr. Beaudoin recommends bringing in a Meketa expert to discuss how you got here and why and where you want to go.

In scenarios 1 and 2, you’ll see growth equity from 62% to 34% or 48% and Bonds going from 17% to 50% and 36% and in exchange you’ll reduce developed market equity from 16% to 8% and Emerging Market from 15% to 8% and 11%. The probability of hitting 6% over the next 20 years is about 70% for all the allocations discussed here.

These suggestions are provided as a starting point for discussions.

Pages 58 - 60 show some “what if” scenarios.

Greg Price came back to say all three suggested allocations are built around less volatility, even if it means a little less return.

Keith Beaudion asked the Trustees to think about:

* What are your thoughts on risk and return?
* If we dial it back, what do you think about the allocation of RMS?

Question: What’s your recommendation? A: Meketa likes RMS. If you want to hear more about it, we should have one of our specialists come in the discuss.

In answer to a comment, Mr. Beaudoin noted that a lot of the pension funds don’t have the same level of risk a corporation might have.

Q: What is our requirement according to the law? A: We have a state requirement to fund a certain percentage over 30 years to get to 90%.

So, if we’re going to go different, the difference is that we have an instructional LDI strategy that’s making 2-3% of the funded status and can drive us 10 basis points, and in a market that’s going down 7%, it’s designed for that. But in a market, that’s going gangbusters, you won’t have those returns and they will be capped. Let’s get smart and consider it and along with an RMS as an option.

Q: Current policy is focusing on a 7.5% return, correct? A: Yes. The suggestions were to see where the trustees are in terms for appetite for aggressiveness. We’re here to take direction from you.

Q: So, if there are no big hits, we smooth over 5 years - up or down, just steady and that helps with the contributions.

But, as our 30-year funding mandate horizon shrinks, that volatility will start to creep up, correct? A: Yes, all of this is to be considered when making a decision. The recommendations are not set in stone, it is very fluid. It’s about your comfort level.

Q: In order to have a complete conversation, would be beneficial to hear from the RMS and the LDI folks? A: Yes, it makes sense to get that scheduled. Consider an LDI for the longer term, perhaps.

Discussion: We need to start having the conversation to talk about succession planning and making sure the fund is fully funded for new employees 20 years from now. So, let’s start the conversation now, rather than 3-4 years down the road. We need to think about what we want institutionally so it rests with the Trustees, not Meketa. Whether that means RMS or LDI, let’s start making policies for the future Trustees to use as a roadmap.

Q: So, do we want an RSM and LDI expert at next meeting? A: Yes, along with JP Morgan.

In answer to a question from the Trustees, it was noted that any decisions about asset allocation will be made in May 2024.

*Performance Reporting Review*

The reporting system has changed. So, the reports Meketa produces may look a little busier, but it is a much better system. See sample performance report on page 65 that just focuses on the net returns and on net vs. gross returns in the appendix. Same information presented differently. Will this work for you? Consensus: the revised report is acceptable with gross numbers in the appendix.

*Real Estate:*

Mr. Beaudion reported that two weeks ago JP Morgan sent an announcement that Kim Adams (lead portfolio manager) left. He talked to his research team about their concerns about this change and the way it was announced. He was assured that JP Morgan has massive, deep teams and all properties have coverage.

There was some discussion about JP Morgan not being timely or forthcoming with this information.

End of report and there were no further questions.

1. **Discussion of supplemental pension contribution.**

Chairman Lachman noted that the agency trustees (Bill Lachman, Lori Newson, and John Morris) would like to recommend a supplemental contribution of $34.4M during FY 2023 divided in the same proportions as 2023 Actuarial Contributions - $20M from Metra/$11.5M from PACE/$2.9M from RTA – to be made this calendar year. This would be in addition to required contribution.

Meketa needs to determine the best way to invest the funds. There was some discussion around whether a motion needed to be made. It was determined a motion was needed for the record and for follow-up from the administrator.

**MOTION: FRANK PAUL MADE A MOTION**

**Motion to accept the supplemental contributions that Metra, Pace, and the RTA have decided to make to the Plan prior to year-end which total $34.4 million and will be contributed by the agencies in the same proportions as the 2023 required contributions contained in the 2023 actuarial valuation (58.2% Metra, 33.4% Pace, 8.4% RTA), resulting in the amounts of $20.0 M from Metra, $11.5 M from Pace, and $2.9 M from the RTA). Further motion to invest the supplemental contributions, once contributed, according to the recommendation of the Plan’s investment consultant to rebalance the portfolio at the time of contribution.**

 **LORI NEWSON SECONDED THE MOTION. APPROVED ON ROLL CALL VOTE.**

**VIII. Administrators Report**

Rob Reed presented the Administrators Report.

Through November 9, 2023, there is $3.6M in cash. Rob Reed expects some expenses and potential lump sums. A contribution receivable will be coming shortly. Will have plenty of money, especially with 1st quarter contributions coming in – should be around $6M will most likely be able to reinvest some of that money.

Consensus of the Trustees: direct the administrator to use excess cash to rebalance the fund. In the meantime, keep it in there and earn 5% interest. The Trustees recommend investing per guidelines once excess amount is determined.

IX **Executive Session**There was no executive session.

X. **Old Business**There was no old business to discuss.

Xi. **New Business**Next meeting of the RTA Trustees is Friday, Feb 16, 2024 at 12:00 p.m.

XII. **Adjournment**
**MOTION: Mahdi HEMINGWAY moved to adjourn the meeting at 3:20 pm. The motion was seconded by John MORRIS and the meeting adjourned by voice vote.**

Respectfully submitted,

Debbie Gidley
Recording Secretary