OPEN SESSION

Minutes of the RTA Pension Plan Trustees Quarterly Meeting
Friday, November 8, 2024
RTA OFFICES | 12:00 pm

In Attendance:
Chairman Bill Lachman
Zaid Abdul-Aleem
Mahdi Hemingway
John Morris
Frank Paul

Not Attending:
Jeff Goodloe
Lorri Newson

Also Attending:
Keith Beaudoin, Meketa
Jaime Carcelli, Alliance Pension Consultants
Joseph Ellyin, Pace
Ali Guttillo, Northern Trust
Allison Noback, RTA
Katie Rak, McGuire Woods
Rob Reed, Alliance Pension Consultants
Jeffrey Van Wagner, Alliance Pension Consultants

I. Roll Call

Chairman Lachman called the meeting to order at 12:34 p.m. Jaime Carcelli called roll. It was established that a quorum was present.

II. Discussion of Agenda Items

There was one suggested change to the agenda by Bill Lachman. Bill suggested that selecting 2025 meeting dates be moved up on today's agenda.

2025 Board of Trustees meeting dates are as follows:

- February 14th
- May 9th
- August 22nd
- November 14th

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 August 16, 2024 (Open Session) were presented for approval.

MOTION: FRANK PAUL MOVED TO ACCEPT THE MINUTES FROM THE AUGUST 16, 2024 OPEN SESSION MEETING AS PRESENTED. THE MOTION WAS SECONDED BY JOHN MORRIS AND APPROVED BY A VOICE VOTE.

V. Northern Trust Report

Ali Gutillo noted that since the August meeting Northern Trust received fourth quarter contributions for all entities. Additionally, there have been capital calls and contributions to various funds, including Glendower Capital, ISQ Global Infrastructure and JLC Infrastructure. As the end of the year approaches, preparations for IRS Form 1099-R issuance are beginning. Anyone needing to update their address should contact Ali with this information before the end of the year.

Northern Trust is set to release its 2025 capital markets assumptions in the coming weeks. These assumptions provide a ten-year outlook, detailing Northern Trust's economic projections for the upcoming year compared to the next decade. If there is interest, a member of the asset management team can be arranged to present and discuss.

Northern Trust is focusing on leveraging AI and machine learning both internally and for client services. They are exploring AI-driven tools to analyze client reporting preferences, enabling automated report suggestions and delivery. Their Knowledge Center now features a self-service chat to guide users through various processes. Additionally, robotics are being employed to retrieve statements directly from companies, replacing manual efforts. This development is expected to enhance efficiency over the next few years. AI is also being used in the reconciliation process to analyze historical client data to expedite and improve accuracy before final sign-off. These innovations aim to provide faster and more streamlined services for Northern Trust clients.

Questions were raised regarding the location of Northern Trust's servers and their security measures, as these factors may not align with the fund's risk profiles. Ali will gather more information and follow up on these concerns.

VI. 3rd Quarter 2024 Investment Performance, Capital Markets Update, Performance Evaluation & Portfolio Evaluation

Keith Beaudoin from Meketa presented the capital markets update, reviewed investment performance and provided a portfolio evaluation.

Despite periods of volatility, global markets rallied in the third quarter, fueled by central bank rate cuts and declining inflation. U.S. equities rose 6.2%, with value and small caps outperforming large-cap growth. Emerging markets, especially China, saw strong performance due to significant stimulus, though many portfolios underweighted in China missed these gains. Fixed-income markets also performed well on expectations of further rate cuts.

Internationally, eurozone inflation fell, paving the way for potential ECB rate cuts. Meanwhile, Japan's inflation rose, suggesting possible BoJ hikes. China's inflation remains subdued due to weak spending and real estate challenges. The fund's managers continue to favor India and other international markets over China.

U.S. inflation eased to 2.4%, its lowest since 2021 but core inflation remains sticky due to shelter and transportation costs. The labor market softened slightly, with unemployment steady at 4.1%. Workforce challenges could arise from proposed immigration policies, which may pressure inflation if the proposed policies do not come with workforce replacement measures.

Credit spreads widened early but ended the quarter unchanged and yields remain above recent averages. Market volatility spiked briefly in August but eased with economic data and monetary policy stabilization. Concerns linger over high U.S. equity valuations, sticky inflation in key sectors and the potential impact of U.S. political shifts.

The fund reached $453 million, reflecting an $18-$20 million increase over the past year and delivering a 20% return, which is well above the median. Despite overall strong performance, active management posed challenges this quarter. Domestic equity performed as expected but some managers struggled to keep pace. TimesSquare underperformed due to stock selection issues, with mixed results attributed to its growth-focused approach. Kayne Anderson Small Cap faced a rough start but remains a long-term standout, with confidence in their ability to rebound. Earnest Partners International delivered 4.6%, hindered by an overweight in utilities. Meketa has asked their research team to re-evaluate Earnest Partners' strategy with a report expected at the next meeting. Arrowstreet International Equity, though relatively new, slightly underperformed but raises no immediate concerns. In emerging markets, Driehaus and Parametric faced headwinds from structural underweights in China, with reallocated positions in India yielding flat results.

Fixed income and alternative investments delivered solid results. Bonds performed well, with Dodge & Cox Income maintaining their steady and reliable performance. TIPS are well-positioned to guard against unanticipated inflation and equity market downturns. Wellington Opportunistic Fixed Income had a challenging year but still achieved a 6% return. Private Equity investments, including Mesirow Financial and Glendower Capital Secondary, are pending reports but are expected to show positive results. Infrastructure investments, such as JLC Infrastructure, saw activity with the sale of a portion of their Kennedy Airport operations and entry into a new partnership. ISQ Global Infrastructure is performing well, though it remains early in the investment cycle. Real estate, through Heitman Core, experienced write-ups in apartments and self-storage but is still seen as potentially additive. The portfolio also reflects $10 million in cash.

Keith reminded the group of the importance of remaining mindful of fees and ensuring they are reasonable. TimesSquare's fees are becoming a concern. Using Morningstar's median fee benchmark provides a useful comparison for evaluating fund appropriateness. Active managers need to outperform their index by more than their fees to justify their costs. Recently, the JP Morgan fee for real estate and infrastructure funds was lowered via negotiation by Meketa.

Meketa regularly assesses the fund's fees relative to its peer groups and compares them to performance to ensure value is being delivered.

The portfolio is well-positioned for a variety of future scenarios and is in decent shape overall. Liability-Driven Investing (LDI) discussion will resume during the February 14th meeting. Trustees expressed curiosity about private credit and net asset value (NAV) loans, where funds take loans against the value of their investments for various purposes. Meketa's view on NAV loans depends on the fund manager and how these loans are funded. While some clients pursue higher-risk strategies involving NAV loans, most of Meketa's clients remain focused on core private credit. Meketa will review fund agreements (LPAs) to determine if managers, such as Mesirow and Glendower, are permitted to use NAV loans. It is unlikely that they do. To address trustee interest in this topic, Meketa will provide materials and possibly invite a specialist to discuss NAV loans and private credit in depth. Additionally, Meketa will follow up on high-quality rental default probabilities and ex-China percentages.

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

VII. Discussion & Determination on a Supplemental Pension Contribution

Bill Lachman held separate discussions with Metra and Pace that led to agreement amongst the agencies as settlors to once again fund a supplemental pension contribution.

MOTION: FRANK PAUL HAS MOVED TO ACCEPT THE SUPPLEMENTAL CONTRIBUTIONS THAT METRA, PACE, AND THE RTA HAVE DECIDED TO MAKE TO THE PLAN PRIOR TO YEAR-END WHICH TOTAL $17.0 MILLION AND WILL BE CONTRIBUTED TO BY THE AGENCIES IN THE SAME PROPORTIONS AS THE 2024 REQUIRED CONTRIBUTIONS CONTAINED IN THE 2024 ACTUARIAL VALUATION (58.8% METRA, 32.7% PACE, 8.5% RTA), RESULTING IN THE AMOUNTS OF $10.0 MILLION FROM METRA, $5.6 MILLION FROM PACE, AND $1.4 MILLION FROM RTA. FURTHER MOTION TO INVEST THE SUPPLEMENTAL CONTRIBUTION, ONCE CONTRIBUTED, ACCORDING TO THE RECOMMENDATION OF THE PLAN'S INVESTMENT CONSULTANT TO REBALANCE THE PORTFOLIO AT THE TIME OF CONTRIBUTION. THE MOTION WAS SECONDED BY MAHDI HEMINGWAY AND APPROVED BY A ROLL CALL VOTE. Five Eyes Two Absent

Supplemental contributions to the fund will reduce the unfunded liability, lowering future required contributions.

VIII. Administrators Report

Rob Reed presented the Administrator's Report, highlighting the cash flow projection. The quarter began with approximately $10 million in cash but decreased due to distributions and pending expenses. A $163,000 call from JLC Infrastructure leaves a balance of $1.6 million in cash. Assuming timely contributions, cash flow should remain stable. Rob plans to reserve $1.5 million of the $17 million supplemental contribution to ensure liquidity for unexpected expenses. The supplemental contribution is expected from all agencies before year end. Rob will be sending a letter to each agency outlining their respective contribution amount.

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

IX. Executive Session

There was no executive session.

X. Old Business

The Board has decided to renew Mahdi Hemingway and Zaid Abdul-Aleem for another term as trustees on the RTA Pension Board. Frank Paul, however, will be serving his final term.

XI. New Business

John Morris would like to express gratitude and appreciation to the veterans who are part of the plan, both as participants and beneficiaries. He would like to thank them for their dedicated service. Next meeting of the RTA Trustees is Friday, February 14, 2025 at 12:00 p.m.

XII. Adjournment

MOTION: ZAID ABDUL-ALEEM MOVED TO ADJOURN THE MEETING AT 2:20 PM. THE MOTION WAS SECONDED BY JOHN MORRIS AND THE MEETING ADJOURNED BY VOICE VOTE.

Respectfully submitted,

Jaime Carcelli
Recording Secretary