RETIREE HEALTH CARE PLAN

Financial Statements and Supplementary Information
For the Years Ended December 31, 2021 and 2020
With Independent Auditor's Report

MITCHELL TITUS
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RETIREE HEALTH CARE PLAN
For the Years Ended December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Retiree Health Care Plan

Opinion

We have audited the accompanying financial statements of the Retiree Health Care Plan (the Plan), which comprise the statements of fiduciary net position as of December 31, 2021 and 2020, the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plan as of December 31, 2021 and 2020, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with the auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Plan, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence, the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matter, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying schedule of investment and administrative expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Mitchell & Titus, LLP

September 28, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

The Management's Discussion and Analysis of the Retiree Health Care Plan (the Plan) provides an overview and analysis of the financial statements of the Plan, including highlights and a discussion of current activities for the years ended December 31, 2021 and 2020. For more detailed information regarding the Plan's financial activities, readers should also review the Plan's financial statements, including the notes and supplementary schedules.

Overview of the Financial Statements

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as established by the Governmental Accounting Standards Board (GASB) and are described below:

- *The Statements of Fiduciary Net Position* present the Plan's assets and liabilities and the resultant net position held in trust for plan benefits at year end. The statements reflect the Plan's investments at fair value as well as receivables and liabilities.

- *The Statements of Changes in Fiduciary Net Position* present the additions and deductions to the Plan during the current year. It reflects the investment income and net realized and unrealized gains or losses during the year, along with members' contributions and employer's contributions, if any, as well as benefit payments and administrative expenses.

- *The Notes to Financial Statements* provide additional information for a better understanding of the data provided in the financial statements. They explain the purpose of the Plan, significant accounting policies, investment details and related risks, and other relevant information.

The required supplementary information consists of a schedule of changes in the net OPEB asset and related ratios and a schedule of investment returns, as well as the related notes to discuss actuarial assumptions and methods. Such schedules provide the historical trend information for the Plan since its adoption of GASB Statement No. 74 (a schedule of contributions is not required).

The additional schedule provided consists of the *Schedule of Investment and Administrative Expenses,* which reflects the costs to manage the Plan.

Financial Highlights

- Public Act 094-0839, which passed in June 2006, separated the funding for retiree health care benefits from the funding for pension benefits by January 1, 2009.

- Public Act 095-0708, which was signed by the governor on January 18, 2008, established the Retiree Health Care Trust (RHCT, or the Plan) and provided for funding and benefit changes to the retiree health care benefits. Beginning January 18, 2008, all Chicago Transit Authority (CTA) employees were required to contribute 3% of their compensation into the newly formed RHCT. The legislation also required changes to eligibility for health care benefits from the RHCT. Contributions from retirees, dependents, and survivors may not exceed 45% of the total cost of their benefits under the Plan. Public Act 095-0708 also authorized the CTA to issue pension obligation bonds to fund the RHCT. After the bond funding, the legislation provides that the CTA has no further obligation to provide funding for health care benefits to eligible retirees and their dependents and survivors. During 2021, 2020 and 2019, CTA employees' contributions remained at 3% of their compensation.

- The RHCT was established on May 12, 2008. Approximately $529 million from bond proceeds was deposited into the RHCT in August 2008.

- During 2009, the RHCT's Board of Trustees developed the Plan's design and eligibility rules for retirees, which were required pursuant to Public Act 095-0708, and entered into contracts with health care providers to provide benefits to retirees, dependents, and surviving spouses. In May 2009, the RHCT held its first open enrollment for retirees, dependents, and survivors. All who elected coverage with RHCT began on July 1, 2009.

- Retiree and employee contributions totaled $38.3 million, $39.9 million and $41.0 million for the years ended December 31, 2021, 2020 and 2019, respectively.

- Net investment income was $130.6 million, $114.6 million and $138.1 million, for the years ended December 31, 2021, 2020 and 2019, respectively.

- The Plan's net position totaled $1,164.6 million, $1,041.7 million and $935.5 million at December 31, 2021, 2020 and 2019, respectively.

- According to GASB 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plan,* Plan fiduciary net position as a percentage of the total OPEB liability was 185.69% as of December 31, 2021 and 172.78% as of December 31, 2020 and 147.2% as of December 31, 2019.

Fiduciary Net Position

The following schedule presents the Plan's net position:

Fiduciary Net Position
(in millions)
As of December 31, 2021, 2020 and 2019

	2021	2020	2019	2021-2020 Change $	2021-2020 Change %
Investments, at fair value	$ 1,187.7	$ 1,066.2	$ 941.3	$ 121.5	11.4 %
Employee contributions receivable	0.1	0.5	0.5	(0.4)	-80.0 %
Retiree contributions receivable	1.2	1.3	1.7	(0.1)	(7.7)%
Securities sold, but not received	22.0	6.8	4.3	15.2	223.5 %
Accrued interest and dividends	2.3	2.1	4.0	0.2	9.5 %
Other receivables	0.6	0.5	0.4	0.1	20.2 %
Prepaid expense	1.2	1.3	1.6	(0.1)	(7.7)%
Total assets	1,215.1	1,078.7	953.8	136.40	
Accounts payable	3.7	3.5	4.2	0.2	5.7 %
Securities purchased, but not paid	46.8	33.5	14.1	13.3	39.7 %
Total liabilities	50.5	37.0	18.3	13.5	
Fiduciary net position	$ 1,164.6	$ 1,041.7	$ 935.5	$ 122.9	11.8 %

Fiduciary net position increased by $122.9 million, or 11.8%, at December 31, 2021 compared to the prior year, primarily due to market conditions, which increased investments at year end by $121.5 million rather than an increase of $106.2 million at December 31, 2020. Receivables increased by $15.0 million at December 31, 2021, mainly due to an increase in securities sold but not received, and an increase in other receivable. Liabilities increased by $13.5 million at December 31, 2021, caused by an increase in pending purchases of securities at year end.

Fiduciary net position increased by $106.2 million, or 11.4%, at December 31, 2020 compared to the prior year, primarily due to market conditions, which increased investments at year end by $124.9 million rather than an increase of $122.9 million at December 31, 2019. Receivables increased by $0.3 million at December 31, 2020, mainly due to an increase in securities sold but not received, and an increase in other receivable. Liabilities increased by $18.7 million at December 31, 2020, caused by an increase in pending purchases of securities at year end.

Changes in Fiduciary Net Position

The following schedule presents changes in the Plan's net position:

Changes in Fiduciary Net Position
(in millions)
For the Years Ended December 31, 2021, 2020 and 2019

	2021	2020	2019	2021-2020 Change $	2021-2020 Change %
ADDITIONS					
Employee contributions	$ 23.2	$ 23.4	$ 24.0	$ (0.2)	(0.9)%
Retiree contributions	15.1	16.5	17.0	(1.4)	(8.5)%
Rebates and reimbursements related to claims	1.2	1.0	1.0	0.2	20.0 %
Net investment income (loss)	130.6	114.6	138.1	16.0	14.0 %
Total additions	170.1	155.5	180.1	14.6	9.4 %
DEDUCTIONS					
Medical claims paid to providers	21.5	18.9	19.8	2.6	13.8 %
Medical premium payments to insurance companies	19.1	23.9	23.9	(4.8)	(20.1)%
Dental premium payments to insurance companies	2.5	2.3	2.4	0.2	8.7 %
Health reimbursement account	1.1	0.9	1.0	0.2	22.2 %
Claim administration fee	1.3	1.3	1.3	-	0.0 %
Administrative expenses	1.8	2.0	2.9	(0.2)	(10.0)%
Total deductions	47.3	49.3	51.3	(2.0)	(4.1)%
Net increase/(decrease)	$ 122.8	$ 106.2	$ 128.8	$ 16.6	15.6 %

Total additions of $170.1 million in 2021 were higher than the amount in 2020, primarily due to a net investment gain of $130.6 million in 2021 compared to a net investment gain of $114.6 million in 2020. An increase in the 2021 total additions over 2020 represents an increase of $14.6 million, or 9.4%.

Total additions of $155.5 million in 2020 were lower than the amount in 2019, primarily due to a net investment gain of $114.6 million in 2020 compared to a net investment gain of $138.1 million in 2019. A decrease in the 2020 total additions over 2019 represents a decrease of $24.6 million, or 13.7%.

Deductions for medical claims and administration fees for 2021 were $47.3 million compared to $49.3 million in 2020. Medical claims paid to providers increased by $2.6 million and medical premium payments to insurance companies decreased by $4.8 million. Dental premium payments to insurance companies increased by $0.2 million while administrative expenses decreased by $0.2 million. During 2021, the Health Reimbursement Account transaction amount was $1.1 million, an increase of $0.2 million, or 22.2%, compared to 2020.

Changes in Fiduciary Net Position *(continued)*

Deductions for medical claims and administration fees for 2020 were $49.3 million compared to $51.3 million in 2019. Medical claims paid to providers decreased by $0.9 million and medical premium payments to insurance companies remained the same. Dental premium payments to insurance companies decreased by $0.1 million while administrative expenses decreased by $0.9 million. During 2020, the Health Reimbursement Account transaction amount was $0.9 million, a decrease of $0.1 million, or 10%, compared to 2019.

Plan Membership

The following table presents the changes in Plan membership as of December 31, 2021, 2020 and 2019:

	2021	2020	2019	2021-2019 Change	2021-2019 %
Retirees and beneficiaries receiving benefits	8,017	8,190	8,476	(173)	(2.1)%
Active employees	9,823	10,172	10,481	(349)	(3.4)%
Terminated (inactive members) employees entitled to benefits or refunds of contributions	108	113	133	(5)	(4.4)%
Separated participants only eligible for HRA at age 65	10,026	9,005	8,174	1,021	11.3 %
Total	27,974	27,480	27,264	494	1.8 %

Funding Results on the Retiree Health Care Trust and Plan

Section 22-101B(b)(3)(iii) of the Illinois Pension Code requires the Board of Trustees of the RHCT to make an annual assessment of the funding levels of the RHCT and to submit a report to the Auditor General regarding the assessment. The purpose of the RHCT is to fund the expenses of the Retiree Health Care Plan. If the actuarial present value of projected benefits exceeds the actuarial present value of projected contributions and trust income plus assets in excess of the statutory reserve, then a plan should be implemented by management of the RHCT to increase the contribution levels from employees, retirees, dependents, or survivors; to decrease benefit levels or both, which is projected to cure the shortfall over a period not to exceed 10 years. At December 31, 2021, 2020 and 2019, income and assets as a percentage of projected benefits were 159.0%, 162.7% and 142.2%, respectively.

At December 31, 2021, income and assets as a percentage of projected benefits decreased to 159.0% from 162.7% due to higher-than-expected assets, changes in covered population, changes in per capita claims, based on updated claim experience, along with retiree contribution rates, and trend rates. A 2021 amendment to the Illinois Pension Code (PA 102-0315) decreased the minimum active contribution rate from 3% of compensation to 1%. The Trustees lowered the active contribution rate from 3% to 1%, effective January 1, 2022.

Investment Activities

The Plan's net position held for investment was $1,187.7 million at year-end 2021, an increase of $121.5 million compared to 2020, with a total Plan rate of return of 13.4%. Domestic equity investment managers returned 26.5%, while non-U.S. equity investment managers returned a 7.0%, domestic fixed income returned (1.1)%, international fixed income returned (1.1)%, volatility risk premium returned 18.1% and real estate managers returned 23.8% for the year ended December 31, 2021. The Plan's net position held for investment was $1,066.2 million at year-end 2020, an increase of $124.9 million compared to 2019, with a total Plan rate of return of 12.8%. Domestic equity investment managers returned 17.1%, while non-U.S. equity investment managers returned a 16.7%, domestic fixed income returned 9.1%, international fixed income returned 5.0% and real estate managers returned 1.1% for the year ended December 31, 2020.

There were no changes to the target asset allocation during the year ended December 31, 2021 and 2020. Subsequently, on January 27 2022, the Board of Trustees as recommended by our Investment Consultants, approved a new investment asset allocation as follows: fixed income 25%, domestic equities 38%, international equities 12%, real estate 10%, infrastructure 5%, volatility risk premium 5% and private debt 5%.

Investment asset allocation for 2021 was fixed income 34%, domestic equities 38%, international equities 12%, real estate 10%, infrastructure 3% and volatility risk premium 3%.

Investment Return
(Calendar Year Performance Gross of Fees Basis)
For the Years Ended December 31, 2021, 2020 and 2019

	2021	2020	2019
Total Health Care Trust	13.4%	12.8%	17.7%
Benchmark portfolio	12.7	13.1	18.1
Domestic equities	26.5%	17.1%	30.1%
International equities	7.0%	16.7%	24.3%
Domestic fixed income	(1.1)%	9.1%	8.6%
International fixed income	(1.1)%	5.0%	16.2%
Volatility risk premium	18.1%	-	-
Real estate	23.8%	1.1%	4.8%

MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)

Contact Information

This financial report is designed to provide the employer, plan participants, and others with a general overview of the Plan’s finances and to show accountability for the monies received. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Mr. Paul Sidrys
Interim Executive Director
Retiree Health Care Trust
55 West Monroe Street, Suite 1950
Chicago, Illinois 60603

RETIREE HEALTH CARE PLAN
Statements of Fiduciary Net Position
December 31, 2021 and 2020

	2021	2020
ASSETS		
Receivables		
Employee contributions	$ 44,790	$ 536,818
Retiree contributions	1,192,572	1,291,663
Securities sold, but not received	21,994,596	6,826,231
Accrued interest and dividends	2,294,587	2,141,166
Other	618,533	500,891
Total receivables	26,145,078	11,296,769
Prepaid expense	1,253,931	1,294,231
Investments		
Fixed income	375,623,266	387,672,784
Domestic equities	485,984,863	405,377,423
International equities	132,371,633	129,580,521
Real estate	123,788,795	86,288,272
Venture capital and partnerships	35,889,781	30,492,564
Short-term investments	34,067,085	26,770,312
Total investments	1,187,725,423	1,066,181,876
Total assets	1,215,124,432	1,078,772,876
LIABILITIES		
Payables		
Accounts payable	3,704,484	3,513,297
Securities purchased, but not paid	46,802,999	33,500,185
Total liabilities	50,507,483	37,013,482
Net position restricted for postemployment benefits other than pensions	$ 1,164,616,949	$ 1,041,759,394

The accompanying notes are an integral part of these financial statements.

RETIREE HEALTH CARE PLAN
Statements of Changes in Fiduciary Net Position
For the Years Ended December 31, 2021 and 2020

	2021	2020
ADDITIONS		
Employee contributions	$ 23,285,858	$ 23,370,519
Retiree contributions	15,122,818	16,540,407
Rebates and reimbursements related to claims	1,189,196	1,033,400
Investment income		
Net appreciation in fair value of investments	110,670,092	96,783,140
Interest	15,182,227	12,996,723
Dividends	7,993,247	7,827,406
Net investment income before investment activity expenses	133,845,566	117,607,269
Investment activity expenses		
Investment management fees	(2,711,223)	(2,565,688)
Investment consulting fees	(170,000)	(170,000)
Custodian fees	(266,035)	(257,213)
Reporting, monitoring and other investment fees	(147,280)	(12,800)
Total investment activity expenses	(3,294,538)	(3,005,701)
Net investment income	130,551,028	114,601,568
Total additions	170,148,900	155,545,894
DEDUCTIONS		
Medical claims paid to providers	21,547,591	18,843,927
Medical premium payments to insurance companies	19,108,642	23,903,189
Dental premium payments to insurance companies	2,486,196	2,332,843
Health reimbursement account (HRA)	1,062,637	927,055
Claim administration fees	1,324,267	1,298,094
	45,529,333	47,305,108
Administrative expenses	1,762,012	2,027,844
Total deductions	47,291,345	49,332,952
Net increase in net position	122,857,555	106,212,942
Net position restricted for postemployment benefits othen than pensions		
Beginning of year	1,041,759,394	935,546,452
End of year	$ 1,164,616,949	$ 1,041,759,394

The accompanying notes are an integral part of these financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Pursuant to 40 ILCS 5/22-101B, as amended by Public Act 095-0708 on January 18, 2008, the Chicago Transit Authority (CTA) established the Retiree Health Care Trust (RHCT) and Plan, effective May 12, 2008. The primary responsibility of the RHCT is to provide funding to the Retiree Health Care Plan (the Plan), which provides and administers health care benefits to CTA's retirees and their dependents and survivors. The financial information of the Trust is incorporated into the Plan's financial statements.

The CTA intends for the RHCT to satisfy the requirements of Section 115 of the Internal Revenue Code of 1986 (the Code), as amended. A private letter ruling regarding the exclusion of the RHCT's income from gross income under Section 115 was received from the Internal Revenue Service (IRS).

Under Public Act 095-0708 (the Act), Section 22-101B, after the establishment of the RHCT and starting January 1, 2009, and no later than July 1, 2009, the CTA no longer has any obligation to provide health care benefits to current or future retirees and their dependents or survivors. The retiree health care benefits are provided by the Plan.

Accounting principles generally accepted in the United States of America (U.S. GAAP), as established by the Governmental Accounting Standards Board (GASB), define a financial reporting entity as consisting of the primary government and its component units for which the primary government is financially accountable. Financial accountability includes appointing a voting majority of a component unit's governing board, the ability of the primary government to impose its will on the component unit or the potential for the component unit to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for its component units that are fiscally dependent on it.

Based on the above criteria, the RHCT and Plan have no component units and are not a component unit of another entity.

Basis of Accounting

The Plan's financial statements are prepared on the accrual basis of accounting. Employee and retiree contributions are recognized when due. Benefits are recognized as deductions when paid; expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts and the Plan's net position at the date of the financial statements, the funded status of the Plan, the actuarial information included in the required supplementary information as of the actuarial valuation date, the changes in the Plan's net position during the reporting period, and disclosures of contingent assets and liabilities at the date of the financial statements. Accordingly, actual results may differ from those estimates.

Investments

The Plan is authorized to invest in bonds, notes, and other direct obligations of the U.S. Government and U.S. Government agencies; certain common stocks, and convertible bonds of U.S. companies; equity securities of foreign companies that trade in the U.S. financial markets through American Depositary Receipts; short-term investment funds; commingled funds composed of guaranteed investment contracts, bank investment contracts, and other stable value instruments; mortgage securities, venture capital and partnerships.

The Plan does not have a formal investment risk policy. Investment risk management is a function of the Plan's asset allocation process. Plan assets are diversified over a broad range of asset classes, utilizing multiple investment strategies to limit concentration risk.

Method Used to Value Investments

To the extent available, investments are recorded at fair value based on quoted market prices in active markets on a trade-date basis. Additional information regarding the fair value measurement of investments is disclosed in Note 6. Because of the inherent uncertainty in the use of estimates, values that are based on estimates may differ from the values that would have been used had a ready market existed for the investments. The net appreciation (depreciation) in the fair value of investments is recognized as a component of investment income.

Investments are reported at fair value. Short-term investments are reported at amortized cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Fixed-income securities are valued principally using quoted market prices provided by independent pricing services. For collective investments, the net asset value (NAV) is determined and certified by the investment managers as of the reporting date. Venture capital and partnerships do not have established market prices and are reported at estimated NAV by money managers. The pooled real estate investment funds are reported at NAV of shares held by the Plan at year end based on independent appraisals of the underlying properties.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Security Transactions

Purchases and sales of securities are accounted for on the trade-date basis. For purposes of determining the realized gain or loss on the disposal of investments, the average cost of investments sold is used. Unrealized gains or losses on investments held during the year, as well as realized gains or losses on securities sold, are included in the statement of changes in fiduciary net position in the period in which they occur.

Investment Income

Interest income is recognized on an accrual basis when earned. Dividend income is recognized on the ex-dividend date.

Furniture and Office Equipment

Furniture and office equipment are not capitalized, as they are immaterial and are charged to expenses in the period of purchase.

Administrative Expenses

Administrative expenses are recorded as incurred and budgeted and approved by the RHCT's Board of Trustees. Administrative expenses are paid from the Plan's assets and investment earnings. Certain administrative expenses are allocated between the Retirement Plan for CTA employees and the Retiree Health Care Plan based on periodic time and expense studies.

Recently Issued Accounting Pronouncement

During 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB Statement No. 87 is effective for the Plan's December 31, 2022 financial statements. The Plan is evaluating the impact of this Statement on the financial statements, and it is anticipated that there will be no material impact to the financial results from adopting and implementing GASB Statement No. 87.

NOTE 2 PLAN DESCRIPTION AND CONTRIBUTION INFORMATION

Plan and Trust Description

The following brief description of the Plan and RHCT is provided for general information purposes only. Participants should refer to the Plan and RHCT documents, as amended, for complete information.

The Plan is a single-employer, defined-benefit post-employment health care plan. The Plan provides medical, prescription drug, and dental benefits to eligible retirees and their dependents and survivors starting no later than July 1, 2009, but no earlier than January 1, 2009. Dental benefits prior to age 65 are also available at cost.

The RHCT and Plan are administered by a seven-member Board of Trustees composed of members appointed by the CTA, the Amalgamated Transit Union (ATU) and the Regional Transportation Authority. The Board of Trustees of the RHCT and Plan have the authority to establish or amend the contribution and benefit provisions under the Plan. The Plan is classified as a “governmental plan” and, therefore, is exempt from certain provisions of the Employee Retirement Income Security Act of 1974, as amended.

The Act, enacted on January 18, 2008, provides funding for retiree health care benefits and makes substantive changes to the retirees' health care benefits. Under the Act, CTA issued pension obligation bonds and deposited approximately $528,800,000 into the RHCT in August 2008. Funding for retiree health care benefits comes from employees’ contributions, retirees’ contributions, and investment earnings in the RHCT.

The RHCT was required to assume financial responsibility for retiree health care benefits no later than July 1, 2009, and the CTA has no further responsibility to fund the retiree health care costs. The Board of Trustees of the RHCT is required by the Act to make an annual assessment of the funding levels of the RHCT and has the authority to increase members’ contributions, decrease benefits, or a combination of both, to eliminate any funding shortfall within 10 years.

Major changes to the Plan’s benefits under the Act include the following:

- All active CTA employees are required to contribute 3% of their compensation to the RHCT. This rate is subject to change every year and it is subject to a 45% test according to Section 22-101B(b)(5) of the Illinois Pension Code. Total contributions from members taken together cannot exceed 45% of total retiree health care costs in the prior plan year. A 2021 amendment to the Illinois Pension Code decreased the minimum active contribution rate from 3% of compensation to 1%. The Board of Trustees lowered the active contribution rate from 3% to 1%, effective January 1, 2022.

NOTE 2 PLAN DESCRIPTION AND CONTRIBUTION INFORMATION *(continued)*

Plan and Trust Description *(continued)*

- Beginning July 1, 2009, retirees were required to make contributions for their health care coverage.
- Effective January 1, 2018, participants became eligible to receive health care benefits if they met the following criteria (1) they separate from service at or after age 55 with at least 20 years of eligibility service, or (2) they separate with at least 10 years of service and are at least age 65 at the time they enrolled.
- Effective January 1, 2018, the Trustees established a Health Reimbursement Account (HRA). Former employees who contributed to the Trust and have never received health benefits from the Trust are eligible for an HRA at age 65 equal to their contributions.

Membership

At December 31, 2021 and 2020, the number of participants was as follows:

	2021	**2020**
Retirees and beneficiaries receiving benefits	8,017	8,190
Terminated plan members entitled to but not yet receiving benefits	108	113
Active participants	9,823	10,172
Separated participants only eligible for HRA at age 65	10,026	9,005
	27,974	27,480

Contributions

During 2021 and 2020, retiree health care benefits were funded through active employee contributions, retiree contributions, investment return on assets, rebates, and other reimbursements.

The Act, 095-0708, effective January 18, 2008, authorized CTA to issue bonds and notes in the aggregate amount of $639,680,000, of which net proceeds of $528,800,000 were deposited into the RHCT in August 2008 as advance funding.

During 2021 and 2020, active employees were required to contribute 3% of their salary to the RHCT.

NOTE 3 INVESTMENTS

Investment Policy: The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Board of Trustees. The primary objective of the Plan's investment policy is to provide a structured approach in implementing the Plan's investment strategies to achieve above-average returns consistent with prudent risk and investment volatility.

The Plan's investment policy takes a long-term investment perspective by allocating its assets across major asset classes and is diversified broadly within each asset class, in accordance with the "prudent person rule" as prescribed by the Illinois Statutes.

The following was the Board of Trustees' adopted asset allocation policy as of December 31, 2021 and 2020:

	Target Allocation At December 31	
Asset Class	**2021**	**2020**
Fixed income	34%	34%
Domestic equities	38	38
International equities	12	12
Real estate	10	10
Infrastructure	3	3
Volatility risk premium	3	3
Total	100%	100%

There were no changes to the target asset allocation during the years ended December 31, 2021 and 2020. Subsequently, on January 2022, the Board of Trustees as recommended by our Investment Consultants, approved a new investment asset allocation as follows: fixed income 25%, domestic equities 38%, international equities 12%, real estate 10%, infrastructure 5%, volatility risk premium 5% and private debt 5%.

Rate of Return: For the years ended December 31, 2021 and 2020, the annual money-weighted rate of return on investments, net of investment expense, was 12.6% and 12.3%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 4 INVESTMENT SUMMARY

The Plan's investments were held by The Northern Trust Company as custodian to the Plan.

NOTE 4 INVESTMENT SUMMARY *(continued)*

The following table summarizes the Plan's investments by type at December 31, 2021 and 2020:

	2021	2020
Asset-backed securities	$ 14,925,801	$ 11,279,269
Commercial mortgage-backed securities	10,198,448	5,848,181
Corporate bonds	125,307,010	151,518,447
U.S. Government agency securities	2,337,134	24,952,057
U.S. Government bonds	113,302,806	101,123,920
U.S. Government-issued commercial mortgage-backed securities (CMOs)	556,646	261,865
U.S. Government mortgage-backed securities	71,459,778	51,404,451
Municipal/provincial bonds	319,364	383,616
Non-government-backed CMOs	5,163,848	4,696,082
Index-linked government bonds	1,751,254	1,810,461
Opportunistic core bonds	30,301,177	34,394,435
U.S. equities	485,984,863	405,377,423
Foreign equities	132,371,633	129,580,521
Real estate	123,788,795	86,288,272
Venture capital and partnerships	35,889,781	30,492,564
Short-term investments and currency positions	34,067,085	26,770,312
Total investments, at fair value	$ 1,187,725,423	$ 1,066,181,876

NOTE 5 INVESTMENT RISK

The Plan's investments are subject to risks, including stable NAV risk, credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. The following is a description of those risks:

Stable NAV Risk: The risk that the collective short-term investment fund will not be able to maintain an NAV per share of $1.00 at all times. The investment advisor manages this risk by buying securities with remaining maturities of one year or less and investing only in U.S. dollar-denominated securities that represent minimal credit risks.

Credit Risk: Credit risk is the risk that an issuer of fixed-income securities held by the Plan may default on its obligation to pay interest and repay principal. This credit risk is measured by the credit quality ratings issued by a Nationally Recognized Statistical Rating Organization (NRSRO), such as Moody's and Standard & Poor's. The Plan has no formal credit risk policy. The Plan limits its investments to securities that have short-term debt ratings at the time of purchase in the two highest rating categories of an NRSRO or that are issued or guaranteed by, or otherwise allow the Plan to demand payment from, an issuer with such ratings.

NOTE 5 INVESTMENT RISK *(continued)*

The following tables provide information on the credit ratings associated with the Plan's investments in debt securities at December 31, 2021 and 2020. Ratings were obtained from Standard & Poor's.

	2021					
	Asset-Backed Securities	Commercial Mortgage-Backed Securities	Corporate Bonds	Government Agency Securities	Government Bonds	Government-Issued CMOs
'AAA'	$ 3,345,103	$ 1,447,697	$ -	$ -	$ -	$ -
'AA'	3,036,619	-	520,993	1,150,342	-	-
'A'	521,843	786,846	19,057,969	-	311,200	-
'BBB'	1,707,631	286,430	44,973,483	766,676	405,672	-
'BB'	-	-	8,175,792	420,116	747,511	-
'B'	1,134,191	-	2,226,082	-	-	-
'CCC'	255,238	-	131,835	-	-	-
'CC'	85,515					
Not rated	4,839,661	7,677,475	50,220,856	-	7,017	-
U.S. Gov't. agencies	-	-	-	-	111,831,406	556,646
Total	$ 14,925,801	$ 10,198,448	$ 125,307,010	$ 2,337,134	$ 113,302,806	$ 556,646

	2021 *(continued)*					
	Government Mortgage-Backed Securities	Municipal/ Provincial Bonds	Non-Government-Backed CMOs	Index-Linked Government Bonds	Opportunistic Core Bonds	Total
'AAA'	$ -	$ -	$ -	$ -	$ -	$ 4,792,800
'AA'	-	318,957	160,920	-	-	5,187,831
'A'	-	-	18,785	-	-	20,696,643
'BBB'	162,528	-	-	-	-	48,302,420
'BB'	-	-	481,520	-	-	9,824,939
'B'	-	-	578,377	-	-	3,938,650
'CCC'	-	-	1,156,810	-	-	1,543,883
'CC'	-	-	-	-	-	85,515
Not rated	-	407	2,767,436	-	30,301,177	95,814,029
U.S. Gov't. agencies	71,297,250	-	-	1,751,254	-	185,436,556
Total	$ 71,459,778	$ 319,364	$ 5,163,848	$ 1,751,254	$ 30,301,177	$ 375,623,266

NOTE 5 INVESTMENT RISK *(continued)*

Credit Risks (continued)

	2020					
	Asset-Backed Securities	Commercial Mortgage-Backed Securities	Corporate Bonds	Government Agency Securities	Government Bonds	Government-Issued CMOs
'AAA'	$ 3,858,392	$ 1,626,653	$ -	$ -	$ -	$ -
'AA'	2,668,464	-	576,482	13,729,633	-	-
'A'	744,524	-	35,407,279	-	-	-
'BBB'	-	-	54,228,900	342,187	382,976	-
'BB'	-	-	7,687,476	-	392,003	-
'B'	1,261,647	-	2,777,561	-	-	-
'CCC'	378,793	-	452,510	-	-	-
Not rated	2,367,449	4,221,528	50,388,239	1,564,809	5,147,787	-
U.S. Gov't. agencies	-	-	-	9,315,428.00	95,201,154	261,865
Total	$ 11,279,269	$ 5,848,181	$ 151,518,447	$ 24,952,057	$ 101,123,920	$ 261,865

	2020 *(continued)*					
	Government Mortgage-Backed Securities	Municipal/ Provincial Bonds	Non-Government-Backed CMOs	Index-Linked Government Bonds	Opportunistic Core Bonds	Total
'AAA'	$ -	$ -	$ -	$ -	$ -	$ 5,485,045
'AA'	-	329,000	226,922	-	-	17,530,501
'A'	-	54,209	24,900	-	-	36,230,912
'BBB'	-	-	318,165	-	-	55,272,228
'BB'	-	-	467,145	-	-	8,546,624
'B'	-	-	751,020	-	-	4,790,228
'CCC'	-	-	956,322	-	-	1,787,625
Not rated	-	407	1,951,608	-	34,394,435	100,036,262
U.S. Gov't. agencies	51,404,451	-	-	1,810,461	-	157,993,359
Total	$ 51,404,451	$ 383,616	$ 4,696,082	$ 1,810,461	$ 34,394,435	$ 387,672,784

Custodial Credit Risk: For an investment, it is the risk that, in the event of the failure of the counterparty to a transaction, the Plan will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Plan, and are held by either the counterparty or the counterparty’s trust department or agent but not in the Plan’s name. The Plan’s master custodian holds all investments of the Plan in the Plan’s name. At December 31, 2021 and 2020, deposits of approximately $1,353 and $1,456, respectively, were exposed to custodial credit risk as uninsured and uncollateralized.

Concentration of Credit Risk: The concentration of credit risk is the risk of loss attributed to the magnitude of a Plan’s investment in a single issuer.

NOTE 5 INVESTMENT RISK *(continued)*

The Plan did not invest in derivative instruments during the years ended December 31, 2021 and 2020.

Interest Rate Risk: The risk that during periods of rising interest rates, the fixed-income investments' yield will be lower than prevailing market rates; in periods of falling interest rates, the fixed-income investments' yield will tend to be higher. All fixed-income investments are managed by external investment managers. Each investment manager is required to determine the maturities of all fixed-income securities in their portfolio. Additionally, guidelines are provided to the external investment managers, given the level of risk within the investment manager's portfolio. These guidelines include a target duration range that is consistent with each investment manager's respective strategy.

The following tables segment the distribution of the Plan's investments into time periods of maturities based on the investments' cash flows.

At December 31, 2021, the Plan had the following investments and maturities related to certain fixed-income securities:

		Investment Maturities				
Investment Type	**Market Value**	**Less Than 1 Year**	**1+ to 6 Years**	**6+ to 10 Years**	**More Than 10 Years**	**Maturity Not Determined**
Asset-backed securities	$ 14,925,801	$ 353,236	$ 3,170,505	$ 1,102,889	$ 10,299,171	$ -
Commercial mortgage-backed securities	10,198,448	-	-	-	10,198,448	-
Corporate bonds	125,307,010	436,255	24,900,003	36,516,974	15,363,126	48,090,652
U.S. Government agency securitie	2,337,134	-	1,593,081	280,990	463,063	-
U.S. Government bonds	113,302,806	14,325,634	59,861,725	4,784,351	34,331,096	-
U.S. Government-issued commercial mortgage-backed securities	556,646	-	-	341,918	214,728	-
U.S. Government mortgage-backed securities	71,459,778	-	-	912,755	56,313,955	14,233,068
Municipal/provincial bonds	319,364	-	-	-	319,364	-
Non-government-backed				-	-	
CMOs	5,163,848	-	119,091	389,652	4,655,105	-
Index-linked government bonds	1,751,254	-	-	1,442,705	308,549	-
Opportunistic core bonds	30,301,177	-	-	-	-	30,301,177
Total	$ 375,623,266	$ 15,115,125	$ 89,644,405	$ 45,772,234	$ 132,466,605	$ 92,624,897

NOTE 5 INVESTMENT RISK *(continued)*

At December 31, 2020, the Plan had the following investments and maturities related to certain fixed-income securities:

		Investment Maturities				
Investment Type	Market Value	Less Than 1 Year	1+ to 6 Years	6+ to 10 Years	More Than 10 Years	Maturity Not Determined
Asset-backed securities	$ 11,279,269	$ -	$ 1,937,731	$ 1,692,181	$ 7,649,357	$ -
Commercial mortgage-backed securities	5,848,181	-	-	-	5,848,181	-
Corporate bonds	151,518,447	1,463,279	28,828,276	54,563,308	17,762,712	48,900,872
U.S. Government agency securities	24,952,057	24,609,870	-	-	342,187	-
U.S. Government bonds	101,123,920	-	57,670,348	29,531,304	13,922,268	-
U.S. Government-issued commercial mortgage-backed securities	261,865	-	-	36,163	225,702	-
U.S. Government mortgage-backed securities	51,404,451	-	-	638,089	40,804,440	9,961,922
Municipal/provincial bonds	383,616	-	-	-	383,616	-
Non-government-backed CMOs	4,696,082	-	-	528,611	4,167,471	-
Index-linked government bonds	1,810,461	-	-	1,810,461	-	-
Opportunistic core bonds	34,394,435	-	-	-	-	34,394,435
Total	$ 387,672,784	$ 26,073,149	$ 88,436,355	$ 88,800,117	$ 91,105,934	$ 93,257,229

Foreign Currency Risk: The risk that changes in exchange rates will adversely affect the fair value of an investment. International equity securities purchased by the Plan meet exchange listing requirements and all foreign equities held by the Plan are denominated in U.S. dollars. The Plan has no formal foreign currency risk policy. The Plan's exposure to foreign currency risk is as follows:

Type of investment	**(US$) 2021**	**(US$) 2020**
Short-term investment and currency positions		
European euro	$ 1,353	$ 1,456
Equities		
British pound sterling	$ 8,012,151	$ 5,753,895
Canadian dollar	2,538,553	1,523,924
Danish krone	1,386,676	1,715,729
European euro	15,827,383	17,004,050
Hong Kong dollar	626,616	490,471
Japanese yen	7,611,203	7,183,172
New Israeli shekel	851,286	469,386
Norwegian krone	1,009,822	1,069,964

NOTE 5 INVESTMENT RISK *(continued)*

Type of investment	(US$) 2021	(US$) 2020
Equities (continued)		
Singapore dollar	$ 632,778	$ 498,659
Swedish krona	1,518,106	1,461,553
Swiss franc	1,875,006	2,675,459
	$ 41,889,580	$ 39,846,262

Investment management fees from equity and fixed-income managers, including most of the collective funds, are included in the investment management fees on the statement of changes in fiduciary net position. Investment management fees from funds of short-term investments and private equity are reflected in the net investment income from such investment products. Such investment management fees are not significant to the financial statements.

NOTE 6 FAIR VALUE OF INVESTMENTS

GASB 72, *Fair Value Measurements and Application*, clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosures about the use of fair value measurements. GASB 72 establishes a three-level valuation hierarchy for the disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liabilities as of the measurement date. The three levels are defined as follows:

Level 1: Observable market inputs that are unadjusted quoted prices for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2: Inputs other that quoted prices included within Level 1 – that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

NOTE 6 FAIR VALUE OF INVESTMENTS *(continued)*

The Plan categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plan had the following recurring fair value measurements as of December 31, 2021:

		Fair Value Measurements Using		
	12/31/2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Fixed-income investments				
Asset-backed securities	$ 14,925,801	$ -	$ 14,925,801	$ -
Commercial mortgage-backed securities	10,198,448	-	10,198,448	-
Corporate bonds	77,216,359	-	77,216,359	-
U.S. Government agency securities	2,337,134	-	2,337,134	-
U.S. Government bonds	115,054,060	-	115,054,060	-
U.S. Government-issued commercial mortgage-backed securities	556,646	-	556,646	-
U.S. Government mortgage-backed securities	71,459,778	-	71,459,778	-
Municipal/provincial bonds	319,364	-	318,957	407
Non-government-backed CMOs	5,163,848	-	5,159,299	4,549
Total fixed-income investments	297,231,438	-	297,226,482	4,956
Equity investments				
Corporate stocks	530,338,179	$ 530,338,179	$ -	$ -
Investments measured at NAV				
Emerging markets debt fund	48,090,652			
Opportunistic core bonds plus fund	30,301,177			
Emerging markets small-cap fund	29,990,825			
International small-cap fund	24,142,155			
Emerging markets instl fund	33,885,336			
Real estate open fund	123,788,795			
Volatility risk premium fund	35,889,781			
Total investments measured at NAV	326,088,721			
Total investments by fair value level	$ 1,153,658,338			
Investments not subject to fair value leveling (at cost or amortized cost)				
Short-term investments and currency positions	$ 34,067,085			

NOTE 6 FAIR VALUE OF INVESTMENTS *(continued)*

The Plan had the following recurring fair value measurements as of December 31, 2020:

		Fair Value Measurements Using		
	12/31/2020	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Investments by fair value level				
Fixed-income investments				
Asset-backed securities	$ 11,279,269	$ -	$ 11,279,269	$ -
Commercial mortgage-backed securities	5,848,181	-	5,848,181	-
Corporate bonds	102,617,576	-	102,617,576	-
U.S. Government agency securities	24,952,057	-	24,952,057	-
U.S. Government bonds	102,934,381	-	102,934,381	-
U.S. Government-issued commercial mortgage-backed securities	261,865	-	261,865	-
U.S. Government mortgage-backed securities	51,404,451	-	51,404,451	-
Municipal/provincial bonds	383,616	-	383,209	407
Non-government-backed CMOs	4,696,082	-	4,696,082	-
Total fixed-income investments	304,377,478	-	304,377,071	407
Equity investments				
Corporate stocks	447,466,102	$ 447,353,491	$ 94,805	$ 17,806
Investments measured at NAV				
Emerging markets debt fund	48,900,872			
Opportunistic core bonds plus fund	34,394,435			
Emerging markets small-cap fund	24,577,011			
International small-cap fund	23,221,190			
Emerging markets instl fund	39,693,640			
Real estate open fund	86,288,272			
Venture capital and partnerships	30,492,564			
Total investments measured at NAV	287,567,984			
Total investments by fair value level	$ 1,039,411,564			
Investments not subject to fair value leveling (at cost or amortized cost)				
Short-term investments and currency positions	$ 26,770,312			

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Equity funds and fixed-income securities classified in Level 2 of the fair market hierarchy are valued using either a bid evaluation or a matrix pricing technique maintained by various pricing vendors. Bid evaluations may include market quotations, yields, maturities, call features and ratings. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices.

NOTE 6 FAIR VALUE OF INVESTMENTS *(continued)*

The redemption restrictions for investments measured at the NAV per share (or its equivalent) is presented on the following table:

Investments Measured at NAV	Fair Value 2021	Redemption Frequency (if Current Eligible)	Redemption Notice Period
Emerging markets debt fund	$ 48,090,652	Monthly	5 days
Opportunistic core plus fund	30,301,177	Daily	1 to 3 days
Emerging markets small-cap fund	29,990,825	Monthly	1 to 15 days
International small-cap fund	24,142,155	Monthly	1 to 15 days
Emerging markets fund	33,885,336	Daily	1 to 3 days
Real estate open fund	123,788,795	Quarterly	90 days
Venture capital and partnerships	35,889,781	Monthly	5 days
Total investments measured at NAV	$ 326,088,721		

Investments Measured at NAV	Fair Value 2020	Redemption Frequency (if Current Eligible)	Redemption Notice Period
Emerging markets debt fund	$ 48,900,872	Monthly	5 days
Opportunistic core plus fund	34,394,435	Daily	1 to 3 days
Emerging markets small-cap fund	24,577,011	Monthly	1 to 15 days
International small-cap fund	23,221,190	Monthly	1 to 15 days
Emerging markets fund	39,693,640	Daily	1 to 3 days
Real estate open fund	86,288,272	Quarterly	90 days
Venture capital and partnerships	30,492,564	Monthly	5 days
Total investments measured at NAV	$ 287,567,984		

Emerging markets debt fund. This fund invests primarily in a diversified portfolio of fixed-income securities issued by entities whose principal domicile is in an emerging market country. The value of each unit of participation is determined daily and calculated by dividing the total value of assets, less liabilities, by the number of units outstanding.

Opportunistic core plus fund. This fund includes investments in commingled investment entities, such as open-ended limited partnerships and registered or unregistered investment companies maintained or offered by the investment manager or any affiliate of the investment manager. Any assets of the account that are held in any fund will be redeemed only at such time as permitted by the applicable governing documents of such funds. The NAV of each fund’s shares is determined by dividing the net assets attributable to each class of shares of the fund by the number of issued and outstanding shares of the class/fund on each business day.

NOTE 6 FAIR VALUE OF INVESTMENTS *(continued)*

Emerging markets small-cap fund. This fund invests in developing markets. It may invest directly or indirectly in securities and other instruments, including in other pooled investment vehicles sponsored or managed by the investment manager or, otherwise affiliated with the investment manager. The per unit NAV of the fund is determined each business day.

International small-cap fund. This fund invests in international small-cap securities and the NAV of its units is calculated at the end of each business day.

Emerging markets fund. This fund invests primarily in equity securities, principally common stocks, of non-U.S. companies whose principal activities are located in emerging market countries that the manager believes are undervalued based on their earnings, cash flow and asset values. The NAV per share is determined by dividing the value of the total assets of the portfolio represented by such class, less all liabilities, by the total number of portfolio shares of such class outstanding.

Real estate fund. This fund consists of two core open-end real estate funds. Open-end funds provide liquidity to investors quarterly, subject to each fund's ability to honor investment and redemption requests. However, the funds will not be required to cause the funds to sell any investments to satisfy redemption requests. Additionally, redemptions may be suspended at any given time by the funds. The NAV per share on any given date is equal to the NAV on such date divided by the total number of outstanding interests on such date.

Venture capital and partnerships fund. This fund seeks to achieve its investment objective by employing an option-based strategy that utilizes a fully covered option strangle (selling out-of-the-money put and call options). The NAV per share is calculated by adding the value of its investments, cash, and other assets and subtracting its accrued liabilities and expenses, all determined in accordance with generally recognized valuation principles.

NOTE 7 UNFUNDED INVESTMENT COMMITMENTS

The Plan had unfunded commitments at December 31, 2021 and 2020 of $43,645,000 and $0, respectively.

NOTE 8 NET OPEB ASSET

The components of the net OPEB asset at December 31, 2021 and 2020 were as follows:

	2021	2020
Total OPEB liability	$ 627,174,222	$ 602,936,690
Plan fiduciary net position	1,164,616,949	1,041,759,394
Net OPEB asset	$ (537,442,727)	$ (438,822,704)
Plan fiduciary net position as a percentage of the total OPEB liability	185.69%	172.78%

Actuarial assumptions: The total OPEB asset was determined by an actuarial valuation as of December 31, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

	2021	2020
Inflation	3.10%	3.10%
Salary increases		
Years of service		
1	11%	11%
2	12%	12%
3	16%	16%
4	8%	8%
Equal to or more than 5	3.5%	3.5%
Investment rate of return (net of the plan investment expense, including inflation)	6.85%	6.85%
Healthcare costs trend rates	7.25% graded down to 4.5% over 11 years	7.25% graded down to 4.5% over 11 years

For 2021 and 2020, the mortality rates for healthy were based on the SOA Public 2010 General Healthy Retiree Headcount-Weighted Below Median Mortality Tables, multiplied by 113% for females, with generational projection using Scale MP-2018. Mortality rates for disabled employees were based on the SOA Public 2010 Non-Safety Disabled Retiree Headcount-Weighted Mortality Tables, with generational projection using Scale MP-2018.

NOTE 8 NET OPEB ASSET *(continued)*

For 2021 and 2020, rates of mortality, turnover, disability, retirement, salary increases, and inflation were based on the results of an actuarial experience study covering plan years from January 1, 2013 through December 31, 2017. Rates of retiree and spouse participation, plan election assumptions, the percent of disabled participants eligible for Medicare, and turnover rates for participants who are not full-time permanent employees were based on an analysis on historical data and projections for various periods ended December 31, 2019.

The long-term expected rate of return on OPEB Plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding the expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB Plan's target asset allocation as of December 31, 2021 and 2020 are summarized in the following table:

Long-Term Expected Real Rate of Return

Asset Class	**2021**	**2020**
Domestic fixed income	0.40%	0.89%
International fixed income	2.80%	3.79%
Domestic equities	6.40%	7.04%
International equities	6.80%	7.79%
Emerging markets equities	8.50%	9.69%
Other	5.18%	4.08%

Discount rate: The discount rate used to measure the total OPEB asset was 6.85%. The projection of cash flows used to determine the discount rate for 2021 and 2020 assumed that active members will continue to contribute 1% and 3% of payroll, respectively. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future net benefit payments for current Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total OPEB asset.

Sensitivity of the net OPEB asset to changes in the discount rate: The following presents the net OPEB asset, calculated using the discount rate of 6.85%, as well as the net OPEB asset if it were calculated using a discount rate that is 1 percentage point lower (5.85%) or 1 percentage point higher (7.85%) than the current rate:

NOTE 8 NET OPEB ASSET *(continued)*

Long-Term Expected Real Rate of Return *(continued)*

Net OPEB Asset	1% Decrease (5.85%)	Current Discount Rate (6.85%)	1% Increase (7.85%)
December 31, 2021	$470,624,840	$537,442,727	$594,075,924
December 31, 2020	$374,290,959	$438,822,704	$493,553,969

Sensitivity of the net OPEB asset to changes in the healthcare cost trend rates: The following presents the net OPEB asset, as well as the net OPEB asset if it was to be calculated using healthcare cost trend rates that are one percentage point lower (6.25% decreasing to 3.50%) or one percentage point higher (8.25%, decreasing to 5.50%) than the current healthcare cost trend rate:

Net OPEB Asset	1% Decrease (6.25%, Decreasing to 3.50%)	Current Trend (7.25%, Decreasing to 4.50%)	1% Increase (8.25%, Decreasing to 5.50%)
December 31, 2021	$594,151,448	$537,442,727	$469,781,795
December 31, 2020	$493,145,153	$438,822,704	$373,986,064

NOTE 9 STATUTORY RESERVE

Section 22-101B (b)(3)(ii) of the Illinois Pension Code requires the Board of Trustees of the Retiree Healthcare Trust to maintain an appropriate funding reserve level that will not be less than the amount of incurred and unreported claims, plus 12 months of expected claims and administrative expenses. Total statutory reserve as of December 31, 2021 and 2020 is $35,260,788 and $33,207,208, respectively.

NOTE 10 RISKS AND UNCERTAINTIES

The Plan invests in investment securities that are exposed to several risks such as interest rate, market volatility, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term. The changes could materially affect the amounts reported in the statement of fiduciary net position.

NOTE 10 RISKS AND UNCERTAINTIES *(continued)*

Contributions to the Plan and the actuarial information are reported based on certain assumptions pertaining to interest rates, health care inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation and assumption processes, it is at least reasonably possible that changes in these estimates and assumptions in the near term could materially affect the amounts reported and disclosed in the financial statements.

The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Because actuarial calculations reflect a long-term perspective, actuarially determined amounts are subject to continual revision, as results are compared to past expectations and new estimates made about the future. Examples include assumptions about mortality, investment returns, and future employment.

The Plan is subject to various claims and legal proceedings arising in the ordinary course of business which, in management's opinion, will be resolved without any material adverse effect on the Plan's financial position or changes in its financial position.

NOTE 11 LEGAL PROCEEDINGS

Williams et al. vs. Retirement Plan for Chicago Transit Authority Employees, et al., No. 11 CH 15446 (Circuit Court of Cook County, Illinois). Plaintiffs are retirees from the CTA who allege that the Trust and its Board (among others) violated their rights to health care benefits and breached a contract (Retirement Plan Agreement) relating to their health care benefits. The outcome is still uncertain and this matter and related obligations, if any, are not reflected in the financial statements. At this time, Plan management is unable to determine the amount or range of any potential loss in the event of an unfavorable outcome.

NOTE 12 OPERATING LEASE

During 2013, the Retirement Plan for CTA employees entered into a new lease agreement for office space. The lease expires on December 31, 2028. Rent paid by the Plan was $41,540 in 2021 and $40,673 in 2020, which represents 25% of the total amount of rent paid for the shared office facility. The remaining 75% of rent due was paid by the Retirement Plan for CTA employees based on management's expense allocation for the shared office space.

NOTE 13 TAX STATUS

The IRS issued a private letter ruling dated June 16, 2009, stating that the RHCT is qualified under Section 115(1) of the Code and, therefore, the RHCT's income is excludable from gross income. The RHCT and the Plan are required to operate in conformity with the Code to maintain this tax-exempt qualification. The Plan's management is not aware of any course of action or series of events that have occurred that may adversely affect the RHCT and the Plan's tax status.

NOTE 14 SUBSEQUENT EVENT

A 2021 amendment to the Illinois Pension Code (PA 102-0415) decreased the minimum active contribution rate from 3% of compensation to 1%. The Trustees lowered the active contribution rate from 3% to 1%, effective January 1, 2022.

On January 2022, the Board of Trustees approved a new investment asset allocation as follows: fixed income 25%, domestic equities 38%, international equities 12%, real estate 10%, infrastructure 5%, volatility risk premium 5% and private debt 5%. Therefore, the plan began to move assets in-line with the newly adopted policy targets. New investment unfunded commitments related to new asset allocation is $60,000,000.

On June 23, 2022, the Board of Trustees approved changes to medical and dental vendors.

REQUIRED SUPPLEMENTARY INFORMATION

RETIREE HEALTH CARE PLAN

Schedule of Changes in the Net OPEB Asset and Related Ratios
December 31, 2021
(Unaudited)

	2021	2020	2019	2018	2017	
Total OPEB liability						
Service cost	$ 14,494,046	$ 14,679,935	$ 14,467,096	$ 16,248,895	$ 17,056,064	*
Interest	41,293,312	43,520,614	42,238,580	48,344,035	49,442,226	*
Change of benefit terms	(6,836,572)	-	-	-	(231,265)	
Differences between expected and actual experience	(15,467,426)	(22,326,324)	5,306,214	(4,438,778)	(15,636,958)	*
Changes of assumptions	19,971,491	(38,729,375)	(13,417,865)	(101,361,429)	(35,532,918)	
Benefit payments net of retiree contributions	(29,217,319)	(29,731,301)	(30,450,777)	(31,586,009)	(28,370,831)	
Net change in total OPEB liability	24,237,532	(32,586,451)	18,143,248	(72,793,286)	(13,273,682)	
Total OPEB liability - beginning	602,936,691	635,523,142	617,379,894	690,173,180	703,446,862	
Total OPEB liability - ending	$ 627,174,223	$ 602,936,691	$ 635,523,142	$ 617,379,894	$ 690,173,180	
Plan fiduciary net position						
Contributions - employer	$ -	$ -	$ -	$ -	$ -	
Contributions - member	23,285,858	23,370,519	24,039,187	23,300,031	21,205,666	
Net investment income	130,551,028	114,601,568	138,082,960	(35,292,431)	111,133,146	
Benefit payments net of retiree contributions	(29,217,319)	(29,731,301)	(30,450,777)	(31,586,009)	(28,370,831)	
Administrative expense	(1,762,012)	(2,027,844)	(2,910,387)	(2,458,360)	(1,718,881)	
Net change in plan fiduciary net position	122,857,555	106,212,942	128,760,983	(46,036,769)	102,249,100	
Plan fiduciary net position - beginning	1,041,759,395	935,546,453	806,785,470	852,822,239	750,573,139	
Plan fiduciary net position - ending	$ 1,164,616,950	$ 1,041,759,395	$ 935,546,453	$ 806,785,470	$ 852,822,239	
Net OPEB asset - ending	$ (537,442,727)	$ (438,822,704)	$ (300,023,311)	$ (189,405,576)	$ (162,649,059)	
Plan fiduciary net position as a percentage of the total OPEB liability	185.69%	172.78%	147.21%	130.68%	123.57%	
Covered employee payroll	$ 737,577,463	$ 737,513,496	$ 761,433,460	$ 671,698,469	$ 684,200,773	
Plan net OPEB asset as a percentage of covered employee payroll	(72.87)%	(59.50)%	(39.40)%	(28.20)%	(23.77)%	

The above information is required beginning in 2017. A full 10-year trend will be compiled in future years.

* The information for year 2017, 2018 and 2019 in this row was restated to exclude the effect of the active contributions from the Service Cost.

Benefit changes:	January 1, 2018: On April 27, 2017, the Trustees changed eligibility requirements for retirements on or after January 1, 2018 to be (1) separate from the service at or after age 55 with at least 20 years of eligibility service, or (2) separate with at least 10 years of service and are at least age 65 at the time they enroll. Effective January 1, 2018, the HRA program was established. January 1, 2019: None. January 1, 2020: None. January 1, 2021: None. January 1, 2022: A 2021 amendment to the Illinois Pension Code (PA 102-0415) decreased the minimum active contribution rate from 3% of compensation to 1%. The Trustees lowered the active contribution rate from 3% to 1%, effective January 1, 2022
Changes of assumptions:	January 1, 2019: Valuation-year per capita health costs, retiree contribution rates, and future assumed trend rates on such costs and rates were updated. Assumed retirement, turnover, disability, and mortality rates and salary scale were modified. The percent of future retirees assumed to enroll in health care was decreased. The percent of future retirees assumed to enroll in the PPO versus HMO plans was changed to 85% PPO and 15% HMO for non-Medicare retirees and 95% PPO and 5% HMO for Medicare retirees. The percentage of future disabled retirees assumed to be on Medicare was decreased to 40% in the first two years of disability and 70% thereafter. The discount rate was lowered from 7.00% in 2017 to 6.85% in 2018. January 1, 2020: Valuation-year retiree contribution rates remained unchanged rather than increasing as projected. Valuation-year per capita health costs and future assumed trend rates on such costs and rates were updated. January 1, 2021: Valuation-year per capital health costs, retiree contribution rates, and future assumed trend rates on such costs and rates were updated. January 1, 2022: Valuation-year per capital health costs, retiree contribution rates, and future assumed trend rates on such costs and rates were updated.

RETIREE HEALTH CARE PLAN
Schedule of Investment Returns
(Unaudited)

	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	12.6%	12.30%	17.2%	(4.48)%	14.70%

The above information is required beginning in 2017. A full 10-year trend will be compiled in future years.

RETIREE HEALTH CARE PLAN
Notes to Required Supplementary Information
For the Years Ended December 31, 2021
(Unaudited)

Actuarial Method and Assumptions

The information presented in the required supplementary schedules was determined as part of the actuarial valuation as of the date indicated. Additional information as of the latest actuarial valuation follows:

Valuation date:	December 31, 2021
Actuarial assumptions	
Investment rate of return:	6.85% for 2021
Projected salary increases:	For 2021 valuation: 11% for 1 year of service, 12% for 2 years of service, 16% for 3 years of service, 8% for 4 years of service, and 3.5% thereafter
Inflation rate:	3.10% for 2021
Healthcare costs trend rates:	For 2021 valuation: 7.25% graded down to 4.50% over 11 years
Mortality:	Healthy: SOA Public 2010 General Healthy Retiree Headcount-Weighted Below Median Mortality Tables, multiplied by 113% for females, with generational projection using Scale MP-2018
	Disabled: SOA Public 2010 Non-Safety Disabled Retiree Headcount-Weighted Mortality Tables, with generational projection using Scale MP-2018
Retirement age:	Normal Retirement: Age 65; Early retirement if hired before 1/18/08: Age 55 with three years of service or any age with 25 years of service
	Early retirement if hired on or after 1/18/08: Age 55 with 10 years of service, or age 64 with 25 years of service

OTHER INFORMATION

RETIREE HEALTH CARE PLAN
Schedule of Investment and Administrative Expenses
For the Years Ended December 31, 2021 and 2020

	2021	2020
Investment expenses		
Investment management fees	$ 2,711,223	$ 2,565,688
Investment consulting fees	170,000	170,000
Custodian fees	266,035	257,213
Other investment fees	147,280	12,800
Total investment expenses	$ 3,294,538	$ 3,005,701
Administrative expenses		
Staff salaries and fringe benefits	$ 318,146	$ 338,189
Outside consultants	11,553	28,920
Actuarial services	246,454	264,032
Auditing	79,650	133,218
Legal fees	761,686	954,375
Data processing	61,250	66,841
Cyber security services	9,279	6,542
Court reporting	8,263	7,835
Stationery and printing	55,858	39,484
Telephone and communication	8,212	6,407
Postage and messenger	40,719	28,540
Office space	41,540	40,673
Supplies	5,746	5,441
Utilities	1,265	1,147
Equipment	6,311	15,971
Insurance	84,035	73,682
Travel and seminars	7,447	1,694
PCORI fee	3,771	3,608
Forms submission	6,756	6,744
Miscellaneous	4,071	4,501
Total administrative expenses	$ 1,762,012	$ 2,027,844