

RETIREMENT PLAN FOR CTA EMPLOYEES

Actuarial Valuation Report as of January 1, 2013

August 2013

RETIREMENT PLAN FOR CTA EMPLOYEES

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August 12, 2013

Board of Trustees and Executive Director
 Retirement Plan for CTA Employees
 10 S. LaSalle, Suite 1100
 Chicago, IL 60602

Certification of Actuarial Valuation

Ladies and Gentlemen:

This report represents the results of the annual valuation of the assets and liabilities of The Retirement Plan for Chicago Transit Authority Employees (“the Plan”) as of January 1, 2013, prepared in accordance with 40 ILCS 5/22-101(e). In addition it includes disclosure information as of December 31, 2012, as required under GASB Statements No. 25 and 27. The actuarial valuation of the Plan is performed annually and Buck Consultants was retained to perform the valuation as of January 1, 2013. This valuation has been conducted in accordance with all applicable Actuarial Standards of Practice (ASOPs) issued by the Actuarial Standards Board (ASB).

The actuarial valuation is based on unaudited financial and member data provided by the staff of the plan and summarized in this report. The benefits considered are those delineated in the plan and is governed by legislation contained in the Illinois Compiled statutes, particularly Chapter 40, as amended and restated effective December 31, 2012. The actuary did not verify the data submitted, but did perform tests for consistency and reasonableness.

Public Act 94-839, effective June 6, 2006, requires that the Plan’s pension and retiree health care programs be separated into two distinct trusts by December 31, 2008. This January 1, 2013 valuation report for the Plan does not reflect the liabilities and assets that were spun off in the healthcare trust.

Contribution rates were determined in accordance with 40 ILCS 5/22-101(e) using the projected unit credit cost method and provide for a funded ratio of at least 60 percent no later than ten years after the implementation year (2012) through fiscal year end 2039. Contribution rates reflect the issuance of bond or notes by the Authority, as defined in 70 ILCS 3605/12c. Authority contribution rates are adjusted by a debt service credit, for debt service paid in the prior year, of up to six percent of compensation per year from 2009 to 2040, as defined in 40 ILCS 5/22-101(e)(2).

Based on the preceding provisions, the sum of current assets, net bond proceeds, future contributions and investment earnings, less benefit payments and expenses, the Plan is projected to be at least equal to 60 percent of actuarial liabilities by 2022 and through fiscal year end 2039, if the following contributions, expressed as a percentage of compensation, are made to the Plan and the Plan experiences no net actuarial losses in the future.

Fiscal Year	Annual Contributions to the Plan (Percentage of Compensation)	
	Authority	Employees
2014 to 2040	14.250%	10.125%

40 ILCS 5/22-101(e)(4) provides for a minimum contribution, determined either by the Board of Trustees or the Auditor General, to bring the funded ratio of the Plan “up to” or “no less than” 90% by December 31, 2059. Thus, the attached schedules contain funded ratios in the years just prior to 2059 which may enable a lowering of contribution rates at that point.

While not required by 40 ILCS 5/22-101(e)(3), GASB 25 suggests an annual required contribution ("ARC") of approximately 27.56% (total contribution). Buck has recommended that the Board of Trustees consider, as appropriate, moving towards a contribution of the ARC over the next several years. The rates adopted by the Board pursuant to its ten-year plan are higher than the minimum required by 40 ILCS 5/22-101(e)(3). We understand that the Board anticipates an annual review of rates during the ten-year period.

The results documented in this report are estimated based on data that may be imperfect and on assumptions about future events. Assumptions may have been made about participant data or other factors. Reasonable efforts were made in this valuation to ensure that items that were significant in the context of the actuarial liabilities or costs are treated appropriately, and not excluded or included inappropriately. We believe that the use of approximation in our calculations, if any, has not resulted in a significant difference relative to the results we would have obtained using more detailed calculations.

A range of results, different from those presented in this report could be considered reasonable. The numbers are not rounded, but this is for convenience only and should not imply precision, which is not inherent in actuarial calculations.

This valuation was based on the actuarial assumptions and methods as adopted by the Board of Trustees. Please see Section 6.2 and 6.3 of this report for a description of the assumptions and methods used. Actuarial Standards of Practice now require that the likelihood and extent of future mortality improvements be considered for valuations performed on or after June 30, 2011. Traditionally for the CTA Retirement Plan, experience studies are performed once in every five year period. Our initial conclusion is that the mortality tables currently in use and adopted by the Board provides for some future mortality improvements. We will explore this issue in more detail during the experience review to be conducted before the January 1, 2014 valuation. The most recent study of the plan's experience, used in developing the current actuarial assumptions, was based on a period from January 1, 2001 – December 31, 2007 and first used with the January 1, 2009 actuarial valuation; the next review will cover the period from January 1, 2008 through December 31, 2013. In our opinion, the actuarial assumptions used in the valuation are, in the aggregate, reasonable

The assumptions and methods used for this valuation are unchanged from the prior valuation.

Future actuarial measurements may differ significantly from the current measurement presented in this report due to such factors as: plan experience different from that anticipated by the economic and demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law. Due to the limited scope of this report, an analysis of the potential range of such future measurements has not been performed.

All historical valuation results presented in this report represent results taken from prior actuarial reports and reflect the funding methods and techniques used by the prior actuary. Our report/certification does not apply to those results other than to represent that our report has presented accurate information developed by prior actuaries.

Qualified actuaries completed the valuation in accordance with accepted actuarial procedures as prescribed by the Actuarial Standards Board. The qualified actuaries are members of the American Academy of Actuaries and are experienced in performing actuarial valuations of public employee retirement systems. To the best of our knowledge, this report is complete and accurate and has been prepared in accordance with generally accepted actuarial principles and practice. The undersigned with actuarial designations is qualified to render the opinions contained in this report.

No one may make any representations or warranties based on any statements or conclusions contained in the report without the written consent of Buck Consultants, LLC.

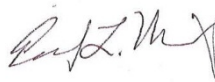
In our opinion the calculations also comply with Illinois law and where applicable, federal laws such as the Internal Revenue Code, and the Statements of the Governmental Accounting Standards Board. We certify that the information presented herein is accurate and fairly portrays the actuarial position of the Plan as of January 1, 2013.

Respectfully submitted,

BUCK CONSULTANTS, LLC



Larry Langer, ASA, MAAA, EA
Principal and Consulting Actuary



Emily Urbaniak
Senior Consultant, Retirement

cc: Paul Wilkinson
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RETIREMENT PLAN FOR CTA EMPLOYEES

EXECUTIVE SUMMARY

Overview

The Retirement Plan for CTA Employees provides pension and ancillary benefit payments to the terminated and retired members of the Chicago Transit Authority. A Board of Trustees comprised of appointed representatives is responsible for administering the Plan and making investment decisions. This report presents the results of the actuarial valuation of the Plan benefits as of the valuation date of January 1, 2013.

Purpose

An actuarial valuation is performed on the retirement plan annually as of the beginning of the fiscal year. The main purposes of the actuarial valuation detailed in this report are:

1. To certify the statutory contribution requirements for plan year 2013, as required under 40 ILCS 5/22-101(e)(3);
2. To disclose the funding assets, liability measures and funded ratio as of the valuation date;
3. To disclose the accounting measures for the Plan required by GASB No. 25 as of the end of the last fiscal year;
4. To compare actual and expected experience under the Plan during the last fiscal year;
5. And to report trends in contributions, assets, liabilities, and funded status over the last several years.

This actuarial valuation provides a “snapshot” of the funded position of the Retirement Plan based on the plan provisions, membership, assets, and actuarial assumptions as of the valuation date. Actuarial projections are also performed to provide a long-term view of the expected future funding status and contribution patterns.

Membership

Actives: As of January 1, 2013, there were 8,317 members in active service covered under the provisions of the Plan. The significant age, service, salary and accumulated contribution information for these members is summarized below, along with comparative figures from the last actuarial valuation one year earlier.

	January 1, 2013	January 1, 2012
Number of active members	8,317	8,751
Average age	47.8	47.4
Average years of service	14.3	13.8
Total annual valuation salary	548,515,157	541,353,693
Average annual salary	66,142	62,132
Total accumulated contributions	306,193,043	271,327,054
Average accumulated contributions	36,922	31,140

Note – Salary information does not include participants who have opted out of participation and are only entitled to a refund of contributions. These participants number 38 and 24 for 2012 and 2013, respectively.

RETIREMENT PLAN FOR CTA EMPLOYEES

The number of active members decreased by 5.0% from the previous valuation date. The average age of the active members increased by 0.4 years, and the average service increased by 0.5 years. The total annual valuation salary increased by 1.3%. The average salary increased by 6.5% from the previous valuation.

Distributions of active members by age and service are given in Section 5.2.

Inactives: In addition to the active members, there were 81 inactive vested members who did not elect to receive their accumulated contributions when they left covered employment. The significant age and annual benefit information for these inactive members is summarized below with comparative figures from the last actuarial valuation one year earlier.

	January 1, 2013	January 1, 2012
Number of inactive members	81	84
Average age	55.2	55.1
Average annual benefit payments	25,716	25,223

The number of inactive vested members decreased by 3.6% from the previous valuation. The average age of the inactive vested members increased by 0.1 years. The Average Monthly Pension Benefit for these members increased by 2.0% from the previous valuation.

Distributions of inactive members by age and pension benefit are given in Section 5.4.

Retirees and Beneficiaries: In addition to the active and inactive members, there were 8,811 retired members and 780 beneficiaries who are receiving monthly benefit payments on the valuation date. The significant age and annual benefit information for these members are summarized below with comparative figures from the last actuarial valuation performed one year earlier.

	January 1, 2013	January 1, 2012
Number of members receiving payments		
➤ Retirees	8,811	8,638
➤ Beneficiaries	780	780
➤ Total	9,519	9,418
Average age	69.4	68.9
Annual benefit amounts		
➤ Retirees	223,965,930	216,315,908
➤ Beneficiaries	7,947,970	7,734,087
➤ Total	231,913,900	224,049,995
Average annual benefit payments	24,180	23,790

The number of retired members and beneficiaries increased by 1.8% from the previous valuation date. The average age of these members increased by 0.5 years. The total annual benefit payments for these members increased by 3.5% from the previous valuation date.

Distributions of retired members by age and benefit amounts are given in Section 5.3.

In our opinion, the membership data collected and prepared for use in this actuarial valuation meets the data quality standards required under Actuarial Standards of Practice No. 23.

RETIREMENT PLAN FOR CTA EMPLOYEES

Plan Assets

The Plan's assets are held in trust and invested for the exclusive benefit of plan members. The trust is funded by member and employer contributions, and pays benefits directly to eligible members in accordance with plan provisions. The assets are audited annually and are reported at fair value. On a fair value basis, the Plan has Net Assets Available for Benefits of \$1,702.8 million as of January 1, 2013. This includes an increase of \$40.6 million over the Net Assets Available for Benefits of \$1,662.2 million as of January 1, 2012. During the prior year, the investment return was 11.27% as reported by the Plan.

Starting with the January 1, 2012 valuation, the Board of Trustees adopted the market value of assets to determine the actuarial value of assets used for funding purposes. This method recognizes gains and losses, i.e. the difference between actual investment return during the year and the expected return based on the valuation interest rate, immediately.

A summary of the assets held for investment, a summary of changes in assets, and the development of the actuarial value of assets is shown in Section 2.

Actuarial Experience

Differences between the expected experience based on the actuarial assumptions and the actual experience create changes in the actuarial accrued liability, actuarial value of assets, and the unfunded actuarial accrued liability from one year to the next. These changes create an actuarial gain if the experience is favorable, and an actuarial loss if the experience is unfavorable. The Plan experienced a total net actuarial gain of \$18.4 million during the prior year. This net gain is about 0.7% of the plan's prior year actuarial accrued liability. The net gain is a combination of two principal factors, demographic experience and investment performance.

The demographic experience tracks actual changes in the plan's population compared to the assumptions for decrements such as mortality, turnover, and retirement, as well as pay increases. The Plan experienced a demographic loss of \$9.7 million during the year ending December 31, 2012. This loss increased the unfunded actuarial accrued liability by \$9.7 million and decreased the funded ratio by 0.2%.

Continued tracking of the demographic experience is warranted in order to confirm the appropriateness of the actuarial assumptions. Details of the demographic, economic, and other assumptions used to value the plan liabilities and normal cost can be found in Section 6. In our opinion, the economic assumptions comply with Actuarial Standards of Practice No. 27 and the demographic assumptions comply with Actuarial Standards of Practice No. 35.

On the asset side, the Plan experienced a gain on an actuarial value of assets basis. The actual rate of return on the actuarial value of plan assets was 11.27% for the year ending December 31, 2012 compared to the assumption of 8.5%, resulting in an asset gain of \$28.1 million. This gain decreased the unfunded actuarial accrued liability by \$28.1 million and increased the funded ratio by 1.0%.

A summary of the actuarial gains and losses experienced during the prior year is shown in Section 1.2.

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GASB 25 Actuarial Contributions

Actual required contribution rates were determined in accordance with 40 ILCS 5/22-101(e) using the projected unit credit cost method and provide for a funded ratio of at least 60 percent no later than ten years after the implementation year (2012) through fiscal year end 2039 and 90 percent funding by fiscal year end 2059. Contribution rates reflect the issuance of bond or notes by the Authority, as defined in 70 ILCS 3605/12c. Authority contribution rates are adjusted by a debt service credit, for debt service paid in the prior year, of up to six percent of compensation per year from 2009 to 2040, as defined in 40 ILCS 5/22-101(e)(2).

While not required by 40 ILCS 5/22-101(e), GASB 25 suggests a funding policy be sufficient to pay the normal cost and amortize the unfunded actuarial accrued liability over a fixed period of 30 years. Buck has recommended that the Board of Trustees consider, as appropriate, moving towards a contributions of the ARC over the next several years. The rates adopted by the Board pursuant to its ten-year plan are higher than the minimum required by 40 ILCS 5/22-101(e)(3). We understand that the Board anticipates an annual review of rates during the ten-year period.

The normal cost represents the cost of the benefits that accrue during the year for active members under the Projected Unit Credit Cost Method. It is determined as the present value of the unit of benefit attributable to the respective plan year. The normal cost for 2013 has been determined to be \$51.3 million, or 9.35% of pay. This represents a decrease in the normal cost rate of 0.07% of pay from last year's normal cost rate of 9.42%.

The cost method under which the actuarial accrued liability is determined is the projected unit credit cost method. Under the projected unit credit cost method, the actuarial accrued liability (AAL) is equal to the present value of benefits accrued to the measurement date using a service pro-rate method. The normal cost is equal to the difference between the AAL at the end of the plan year, including one year of expected salary increases, and the AAL at the beginning of the plan year, adjusted for interest. This amount is compared to the actuarial value of assets to determine if the Plan is ahead or behind in funding as of the valuation date. The difference between the total actuarial accrued liability and the actuarial value of assets equals the amount of unfunded actuarial accrued liability or surplus (if negative) on the valuation date. This amount is amortized and added to the normal cost to determine the annual required contribution for the year suggested by GASB 25.

The unfunded actuarial accrued liability as of January 1, 2013 is \$1,164.5 million. This represents an increase of \$18.5 million in the unfunded actuarial accrued liability from last year's amount of \$1,146.0 million. The annual payment required to amortize the unfunded actuarial accrued liability of \$1,164.5 million as of January 1, 2013 is \$99.9 million, or 18.21% of pay.

The ARC for 2013 is \$157.6 million, or 28.73% of pay. This represents an increase of \$2.0 million in the contribution amount of \$155.6 million for 2012, or a decrease of 0.01% of pay from last year's contribution rate of 28.74%.

The actuarial liabilities and development of the ARC is shown in the Comparative Summary and Section 1.1.

In our opinion, the measurement of the benefit obligations and determination of the actuarial cost of the Plan is performed in compliance with Actuarial Standards of Practice No. 4.

RETIREMENT PLAN FOR CTA EMPLOYEES

Funded Status

The funded status is a measure of the progress that has been made in funding the plan as of the valuation date. It is determined as a ratio of the actuarial value of assets divided by the total actuarial accrued liability on the valuation date. A ratio of over 100% represents a plan that is ahead in funding, and a ratio of less than 100% represents a plan that is behind in funding on the valuation date.

As of January 1, 2013 the funded ratio of the Plan is 59.4%. This represents an increase of 0.2% from last year's funded ratio of 59.2% as of January 1, 2012.

A history of the unfunded actuarial accrued liability and the funded ratio is shown in Section 1.5.

Accounting Information

The Governmental Accounting Standards Board (GASB) issues statements which establish financial reporting standards for defined benefit pension plans and accounting for the pension expenditures and expenses for governmental employers. The required financial reporting information for the Plan and the Employer under GASB No. 25 can be found in Section 3.

Projections

As part of the annual actuarial valuation, a forecast of expected future valuation results is performed over a 50 year period beginning on the valuation date. This analysis provides a dynamic look into the future to identify trends in future employer contributions and funded status. The forecast replaces active members who are assumed to decrement (terminate, retire, etc.) during the period with new members resulting in a stable active membership. The forecast assumes all actuarial assumptions are exactly realized each year during the forecast period. The results of these forecasts can be found in Section 4.

Changes in Plan Provisions

There have been no significant changes in the plan provisions which changed the meaning of the Plan according to Plan Counsel since the last actuarial valuation performed as of January 1, 2012.

Changes in Actuarial Assumptions, Methods, or Procedures

There have been no changes in the actuarial assumptions, actuarial cost method, asset valuation method, or valuation procedures since the last actuarial valuation performed as of January 1, 2012.

RETIREMENT PLAN FOR CTA EMPLOYEES

Comparative Summary of Key Actuarial Valuation Results

	January 1, 2013	January 1, 2012
1. Investment Return Assumption	8.50 %	8.50 %
2. Membership Data		
a. Active Members		
Number	8,317	8,751
Annualized Salaries (in thousands)	548,515	541,354
Average Pay	66,142	62,132
b. Terminated Participants with Vested Benefits		
Number	81	84
Total Monthly Accrued Benefit	173,585	176,558
Average Monthly Accrued Benefit	2,143	2,102
c. Retirees and Beneficiaries		
Number	8,574	8,474
Total Monthly Pension	18,061,170	17,511,669
Average Monthly Pension	2,107	2,067
d. Disabled Recipients		
Number	1,017	944
Total Monthly Pension	1,264,988	1,159,164
Average Monthly Pension	1,244	1,228
3. Statutory Minimum Contribution Rates		
Minimum Contribution Rates		
(as a percentage of Payroll)¹		
a. Employer Contribution Rate		
Gross Employer Rate	20.250 %	19.966 %
Credit for Debt Repayment	6.000 %	6.000 %
Net Employer Rate	14.250 %	13.966 %
b. Employee Contribution Rate	10.125 %	9.983 %
4. GASB Annual Required Contribution		
a. Amortization Payment for UAAL		
i. Amount	99,872,539	98,280,959
ii. As a % of pay	18.21 %	18.15 %
b. Normal Cost		
i. Amount	51,297,024	50,976,090
ii. As a % of pay	9.35 %	9.42 %
c. Interest Adjustment to Mid-Year		
i. Amount	6,424,706	6,343,425
ii. As a % of pay	1.17 %	1.17 %
d. Actuarial Contribution		
i. Amount	157,594,269	155,600,474
ii. As a % of pay	28.73 %	28.74 %

RETIREMENT PLAN FOR CTA EMPLOYEES

5. Actuarial Funded Status (\$ in thousands)		
a. Actuarial Accrued Liability	2,867,335	2,808,183
b. Actuarial Value of Assets (AVA)	1,702,788	1,662,196
c. Unfunded Accrued Liability	1,164,547	1,145,988
d. Funded Ratio	59.4 %	59.2 %
e. Market Value of Assets (MVA)	1,702,788	1,662,196
f. Return on MVA (prior year)	11.3 %	(0.9) %
g. Return on AVA (prior year)	11.3 %	(0.9) %

¹ Contribution rate applicable for the plan year following the year of valuation.

Section 1

Actuarial Funding Results

RETIREMENT PLAN FOR CTA EMPLOYEES

Section 1.1

Actuarial Liabilities and Normal Cost

Actuarial Accrued Liability	January 1, 2013	January 1, 2012
1. Active Members		
a. Retirement Benefits	806,591,328	789,663,133
b. Withdrawal Benefits	25,642,598	25,989,952
c. Disability Benefits	33,869,206	33,636,547
d. Death Benefits	13,314,787	12,935,804
Total	879,417,919	862,225,436
2. Inactive Members with Deferred Benefits	8,660,053	7,989,433
3. Retired Members and Beneficiaries Receiving Benefits	1,979,257,341	1,937,968,715
4. Total Actuarial Accrued Liability (1. + 2. + 3.)	2,867,335,313	2,808,183,584

Normal Cost	January 1, 2013	January 1, 2012
1. Active Members		
a. Retirement Benefits	44,986,911	44,563,615
b. Withdrawal Benefits	2,529,493	2,589,021
c. Disability Benefits	2,838,914	2,892,080
d. Death Benefits	941,706	931,374
2. Employer Normal Cost (Dollar amount)	51,297,024	50,976,090
3. Total Normal Cost (As a % of pay)	9.35%	9.42%

RETIREMENT PLAN FOR CTA EMPLOYEES

Section 1.2

Actuarial (Gain) / Loss

Development of Actuarial (Gain) / Loss	Amount
1. Expected Actuarial Accrued Liability	
a. Actuarial Accrued Liability at January 1, 2012	2,808,183,584
b. Normal Cost at January 1, 2012	50,976,090
c. Interest on a. + b. to End of Year	243,028,572
d. Benefit Payments and Administrative Expenses for 2012, with Interest to End of Year	<u>244,524,192</u>
e. Expected Actuarial Accrued Liability Before Changes (a. + b. + c. - d.)	2,857,664,054
f. Change in Actuarial Accrued Liability at January 1, 2013 due to Change in Actuarial Assumptions	0
g. Change in Actuarial Accrued Liability at January 1, 2013 due to Change in Plan Provisions	0
h. Expected Actuarial Accrued Liability at January 1, 2013 (e. + f. + g.)	2,857,664,054
2. Actuarial Accrued Liability at January 1, 2013	2,867,335,313
3. Liability (Gain) / Loss (2. - 1.h.)	9,671,259
4. Expected Actuarial Value of Assets	
a. Actuarial Value of Assets at January 1, 2012	1,662,195,612
b. Interest on a. to End of Year	141,286,627
c. Contributions Made for 2012	111,130,436
d. Interest on c. to End of Year	4,626,730
e. Benefit Payments and Administrative Expenses for 2012, with Interest to End of Year	244,524,192
f. Change in Actuarial Value of Assets at January 1, 2013 due to Change in Method	0
g. Expected Actuarial Value of Assets at January 1, 2013 (a. + b. + c. + d. - e. - f.)	1,674,715,213
5. Actuarial Value of Assets as of January 1, 2013	1,702,787,884
6. Actuarial Asset (Gain) / Loss (4.g. - 5.)	(28,072,671)
7. Actuarial (Gain) / Loss (3. + 6.)	(18,401,412)

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Section 1.3

Actuarial Balance Sheet

Financial Resources	January 1, 2013	January 1, 2012
1. Actuarial Value of Assets (market)	1,702,787,884	1,662,195,612
2. Present Value of Future Contributions	485,887,087	496,188,060
3. Unfunded Actuarial Accrued Liability/(Reserve)	<u>1,164,547,429</u>	<u>1,145,987,972</u>
4. Total Assets (1 + 2 + 3)	3,353,222,400	3,304,371,644

Benefit Obligations	January 1, 2013	January 1, 2012
1. Present Value of Future Benefits		
a. Active Members	1,365,305,006	1,358,413,496
b. Inactive Members	8,660,053	7,989,433
c. Retirees, disabilities and beneficiaries	<u>1,979,257,341</u>	<u>1,937,968,715</u>
d. Total	3,353,222,400	3,304,371,644

RETIREMENT PLAN FOR CTA EMPLOYEES

Section 1.4

Analysis of Financial Experience

Analysis of Actuarial (Gains) and Losses

Resulting From Differences Between Assumed Experience and Actual Experience

Type of (Gain) or Loss	As a % of	
	Year End December 31, 2012	Last Year's AAL
(1) COLA Experience	0	0.00%
(2) Salary Experience	8,779,671	0.31%
(3) Investment Experience	(28,072,671)	-1.00%
(4) Retiree Mortality Experience	4,314,526	0.15%
(5) Contribution Shortfall	0	0.00%
(6) (Gain) or Loss During Year From Experience, (1) + (2) + (3) + (4) + (5)	(14,978,474)	-0.53%
(7) Asset Valuation Method	0	0.00%
(8) Past Service Amortization Change	0	0.00%
(9) Assumption and Method Changes	0	0.00%
(10) Benefit Changes	0	0.00%
(11) Other (turnover, retirement ages, service purchase, etc.)	(3,422,938)	-0.12%
(12) Total (Gain) or Loss During Year, (6) + (7) + (8) + (9) + (10) + (11)	(18,401,412)	-0.66%

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Section 1.5

History of UAAL and Funded Ratio (\$'s in 000's)

Valuation Date	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets (AVA)	Funded Ratio (AVA as a % of AAL)	Unfunded Actuarial Accrued Liability (UAAL)
January 1, 2013	2,867,335	1,702,788	59.4%	1,164,547
January 1, 2012	2,808,184	1,662,196	59.2%	1,145,988
January 1, 2011	2,724,191	1,909,967	70.1%	814,224
January 1, 2010	2,588,462	1,936,849	74.8%	651,613
January 1, 2009	2,632,356	1,995,953	75.8%	636,403
January 1, 2008	2,531,440	941,864	37.2%	1,589,576
January 1, 2007	2,466,106	1,007,305	40.8%	1,458,801
January 1, 2006	2,354,125	810,336	34.4%	1,543,789
January 1, 2005	2,291,162	902,117	39.4%	1,389,045
January 1, 2004	2,189,666	1,062,399	48.5%	1,127,267

RETIREMENT PLAN FOR CTA EMPLOYEES

Section 1.6

Solvency Test - Comparative Summary of Accrued Liability and Actuarial Value of Assets

Valuation as of January 1	Accrued Liability for:			Actuarial Value of Assets ¹	Portion of Accrued Liability Covered by Actuarial Value of Assets		
	(1) Active Member Contributions	(2) Retirees, Beneficiaries, TVRs and Disabled	(3) Active Member (Employer Financed Portion)		(1)	(2)	(3)
2013	306,193,043	1,987,917,394	573,224,876	1,702,787,884	100 %	70.25 %	0.00 %
2012	271,327,054	1,945,958,148	590,898,382	1,662,195,612	100 %	71.47 %	0.00 %
2011	242,723,521	1,866,770,851	594,696,243	1,909,967,120	100 %	88.36 %	0.00 %

¹ Excludes health care assets.

RETIREMENT PLAN FOR CTA EMPLOYEES

Section 1.7

Projected Actuarial Results

Year	Board Adopted Contribution Rates			Board Adopted Contributions			Actuarial Accrued Liability	Actuarial Value of Assets (Market)	Funded Ratio
	Employee Contribution Percent	Employer Contribution Percent	Total Percent	Employee Contribution	Employer Contribution	Total Contribution			
2013	10.125%	14.250%	24.375%				2,867,335,313	1,702,787,884	59.39%
2014	10.125%	14.250%	24.375%	56,215,107	79,117,557	135,332,664	2,943,941,267	1,736,958,952	59.00%
2015	10.125%	14.250%	24.375%	57,845,789	81,412,591	139,258,380	3,020,158,006	1,771,932,847	58.67%
2016	10.125%	14.250%	24.375%	59,711,865	84,038,921	143,750,786	3,082,672,751	1,809,448,686	58.70%
2017	10.125%	14.250%	24.375%	61,728,593	86,877,279	148,605,872	3,148,337,607	1,850,340,901	58.77%
2018	10.125%	14.250%	24.375%	63,898,897	89,931,780	153,830,677	3,216,996,546	1,895,115,430	58.91%
2019	10.125%	14.250%	24.375%	66,165,534	93,121,862	159,287,396	3,288,646,960	1,944,182,025	59.12%
2020	10.125%	14.250%	24.375%	68,485,514	96,387,020	164,872,534	3,362,618,679	1,997,416,641	59.40%
2021	10.125%	14.250%	24.375%	70,807,948	99,655,630	170,463,578	3,437,796,430	2,054,101,534	59.75%
2022	10.125%	14.250%	24.375%	73,115,820	102,903,747	176,019,567	3,512,701,994	2,113,392,729	60.16%
2023	10.125%	14.250%	24.375%	75,712,576	106,558,440	182,271,016	3,586,447,503	2,174,954,004	60.64%
2024	10.125%	14.250%	24.375%	78,340,832	110,257,467	188,598,299	3,659,823,074	2,240,355,504	61.21%
2025	10.125%	14.250%	24.375%	81,052,272	114,073,569	195,125,841	3,731,865,549	2,309,209,517	61.88%
2026	10.125%	14.250%	24.375%	83,885,601	118,061,217	201,946,818	3,802,572,147	2,381,611,271	62.63%
2027	10.125%	14.250%	24.375%	86,803,686	122,168,151	208,971,837	3,871,771,476	2,457,891,271	63.48%
2028	10.125%	14.250%	24.375%	89,862,742	126,473,489	216,336,231	3,938,487,303	2,538,075,422	64.44%
2029	10.125%	14.250%	24.375%	93,201,580	131,172,594	224,374,174	4,002,727,921	2,623,402,834	65.54%
2034	10.125%	14.250%	24.375%	113,463,281	159,689,063	273,152,344	4,345,301,200	3,215,729,066	74.00%
2035	10.125%	14.250%	24.375%	118,234,897	166,404,670	284,639,567	4,430,237,525	3,386,438,059	76.44%
2036	10.125%	14.250%	24.375%	123,379,301	173,644,942	297,024,243	4,525,835,068	3,582,417,228	79.15%
2037	10.125%	14.250%	24.375%	128,729,272	181,174,531	309,903,803	4,634,827,695	3,807,685,577	82.15%
2038	10.125%	14.250%	24.375%	134,394,274	189,147,497	323,541,771	4,759,306,866	4,065,543,520	85.42%
2039	10.125%	14.250%	24.375%	140,410,002	197,614,076	338,024,078	4,903,071,249	4,361,039,921	88.95%

Section 2

Plan Assets

RETIREMENT PLAN FOR CTA EMPLOYEES

Section 2.1

Statement of Net Plan Assets (\$'s in 000's)

	As of December 31	
	2012	2011
ASSETS		
1. Total investments, at fair value	1,695,644	1,657,097
2. Invested securities lending cash collateral	250,856	234,653
3. Receivables:		
a. Employer contributions	4,874	5,019
b. Employee contributions	3,667	3,924
c. Securities sold, but not received	12,957	10,706
d. Accrued interest and dividends	1,926	2,153
e. Other	<u>1,347</u>	<u>881</u>
4. Total assets	1,971,270	1,914,433
LIABILITIES		
1. Payable upon return of securities	250,856	234,653
2. Accounts payable	3,991	5,475
3. Other payables	0	0
4. Securities purchased, but not paid	<u>13,635</u>	<u>12,109</u>
5. Total liabilities	268,482	252,237
Net assets held in trust for Plan benefits	1,702,788	1,662,196

RETIREMENT PLAN FOR CTA EMPLOYEES

Section 2.2

Changes in Net Plan Assets (\$'s in 000's)

	As of December 31	
	2012	2011
ADDITIONS		
1. Net investment (loss) income	168,235	(12,976)
2. Employer contributions	62,788	60,318
3. Employee contributions	48,342	47,169
4. Other income	<u>0</u>	<u>4</u>
Total additions	279,365	94,515
DEDUCTIONS		
1. Benefit payments	232,639	222,198
2. Contribution refunds, including interest	4,022	2,879
3. Administrative expenses	<u>2,112</u>	<u>1,984</u>
Total liabilities	238,773	227,061
NET ASSETS HELD IN TRUST FOR PLAN BENEFITS		
1. Beginning of year	1,662,196	1,794,742
2. Net (decrease) increase	<u>40,592</u>	<u>(132,546)</u>
End of year	1,702,788	1,662,196

RETIREMENT PLAN FOR CTA EMPLOYEES

Section 2.3

Actuarial Value of Assets

The actuarial value of assets is the market value as of January 1, 2013 of \$1,702,787,884.

RETIREMENT PLAN FOR CTA EMPLOYEES

Section 2.4

Historical Asset Rate of Return

Year Ending December 31	Actuarial Value Annual Recognized Rate of Return	Fair Value Annual Market Rate of Return
2012	11.27% ¹	11.27% ¹
2011	3.13% ¹	3.13% ¹
2010	4.80%	11.80%

¹ As reported by the Plan.

RETIREMENT PLAN FOR CTA EMPLOYEES

Section 2.5

Forecast of Expected Benefit Payments

Year Ending December 31	Active Members	Inactive Members	Total Payments
2013	7,971,255	231,226,470	239,197,725
2014	16,947,201	226,396,135	243,343,336
2015	26,014,199	221,448,298	247,462,498
2016	35,110,749	216,238,569	251,349,318
2017	44,425,317	210,732,293	255,157,610
2018	54,045,575	205,007,656	259,053,231
2019	64,474,585	198,957,292	263,431,877
2020	75,954,430	192,810,923	268,765,354
2021	88,704,948	186,289,153	274,994,101
2022	101,943,708	179,625,380	281,569,088
2023	115,406,422	172,677,056	288,083,479
2024	129,610,165	165,609,134	295,219,299
2025	144,231,130	158,425,844	302,656,974
2026	159,407,504	150,852,310	310,259,814
2027	175,060,874	143,203,445	318,264,319
2028	190,293,138	135,377,576	325,670,715
2029	204,472,988	127,527,974	332,000,962
2030	217,467,109	119,548,108	337,015,217
2031	228,890,057	111,628,697	340,518,754
2032	239,595,992	103,682,784	343,278,776
2033	249,506,663	95,816,726	345,323,389
2034	258,064,533	88,085,892	346,150,425
2035	264,827,836	80,535,262	345,363,098
2036	270,295,251	73,209,112	343,504,363
2037	274,966,568	66,164,306	341,130,875
2038	277,613,341	59,413,513	337,026,855
2039	278,082,288	53,007,623	331,089,911
2040	277,025,279	46,978,187	324,003,466
2041	274,445,192	41,349,999	315,795,191
2042	270,563,057	36,140,527	306,703,584
2043	265,368,362	31,359,982	296,728,344
2044	259,212,082	27,011,503	286,223,586
2045	251,997,194	23,091,360	275,088,555
2046	244,170,935	19,589,202	263,760,137
2047	235,642,863	16,488,684	252,131,547
2048	226,385,579	13,768,566	240,154,145
2049	216,681,202	11,403,949	228,085,152
2050	206,638,217	9,367,427	216,005,644
2051	196,183,500	7,630,088	203,813,588
2052	185,338,733	6,162,335	191,501,068
2053	174,358,526	4,934,546	179,293,073
2054	163,303,476	3,917,721	167,221,198
2055	152,278,030	3,084,071	155,362,101
2056	141,342,208	2,407,491	143,749,699
2057	130,571,263	1,863,929	132,435,192
2058	120,064,055	1,431,619	121,495,674
2059	109,869,309	1,091,196	110,960,505
2060	100,047,426	825,741	100,873,167
2061	90,634,141	620,720	91,254,861
2062	81,675,338	463,835	82,139,174
2063	73,201,866	344,841	73,546,707
2064	65,236,920	255,330	65,492,250
2065	57,796,727	188,510	57,985,238

RETIREMENT PLAN FOR CTA EMPLOYEES

Section 2.5 (cont'd)

Forecast of Expected Benefit Payments

Year Ending December 31	Active Members	Inactive Members	Total Payments
2066	50,890,424	138,982	51,029,406
2067	44,520,517	102,508	44,623,025
2068	38,683,631	75,803	38,759,433
2069	33,371,005	56,348	33,427,353
2070	28,569,037	42,238	28,611,275
2071	24,260,050	32,042	24,292,091
2072	20,423,082	24,694	20,447,776
2073	17,034,525	19,405	17,053,931
2074	14,068,597	15,593	14,084,191
2075	11,497,604	12,834	11,510,438
2076	9,292,173	10,818	9,302,991
2077	7,421,591	9,324	7,430,915
2078	5,854,128	8,190	5,862,317
2079	4,557,493	7,299	4,564,792
2080	3,499,506	6,573	3,506,079
2081	2,648,742	5,955	2,654,697
2082	1,975,068	5,406	1,980,475
2083	1,450,148	4,901	1,455,049
2084	1,047,907	4,421	1,052,328
2085	744,922	3,958	748,880
2086	520,689	3,508	524,198
2087	357,712	3,073	360,785
2088	241,423	2,656	244,078
2089	159,996	2,261	162,256
2090	104,068	1,893	105,961
2091	66,406	1,557	67,963
2092	41,552	1,257	42,808
2093	25,484	993	26,477
2094	15,312	768	16,080
2095	9,011	580	9,590
2096	5,192	426	5,619
2097	2,929	305	3,235
2098	1,618	212	1,830
2099	875	143	1,018
2100	464	94	557
2101	241	59	300
2102	123	36	159
2103	62	21	83
2104	30	12	42
2105	15	7	21
2106	7	4	11
2107	3	2	5
2108	2	1	2
2109	1	0	1
2110	0	0	0

Note: Forecast based on the present members without assumption about replacement members.

Section 3

Accounting Information

RETIREMENT PLAN FOR CTA EMPLOYEES

Section 3.1

Schedule of Funding Progress (\$'s in 000's)

The GASB Statement No. 25 liabilities and assets resulting from the last ten actuarial valuations are as follows:

Actuarial Valuation Date		Actuarial Value of Assets (a)	Actuarial Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
January 1, 2013		1,702,788	2,867,335	1,164,546	59.39%	548,515	212.31%
January 1, 2012	1	1,662,196	2,808,184	1,145,988	59.19%	541,354	211.69%
January 1, 2011	2	1,909,967	2,724,191	814,224	70.11%	528,288	154.13%
January 1, 2010		1,936,849	2,588,462	651,613	74.83%	567,173	114.89%
January 1, 2009		1,995,953	2,632,356	636,403	75.82%	594,139	107.11%
January 1, 2008	3	941,864	2,531,440	1,589,576	37.21%	571,314	278.23%
January 1, 2007	4	1,007,305	2,466,106	1,458,801	40.85%	562,567	259.31%
January 1, 2006		810,336	2,354,125	1,543,789	34.42%	547,532	281.95%
January 1, 2005		902,117	2,291,162	1,389,045	39.37%	544,442	255.13%
January 1, 2004		1,062,399	2,189,666	1,127,267	48.52%	486,626	231.65%

¹ Effective January 1, 2012, the actuarial value of assets was changed to market value.

² Effective January 1, 2011, the rate of return for disclosure purposes was changed to 8.50 percent.

³ Effective January 1, 2008, the rate of return for disclosure purposes was changed to 8.75 percent. Prior year's information is based on a rate of 9.00 percent as defined in the terms of the bargaining agreement.

⁴ Effective January 1, 2007, retiree healthcare assets have been marked to the market value of the retiree healthcare account, and are disclosed under GASB No. 43. Previously, retiree healthcare assets disclosed under GASB No. 25 were allocated in proportion to actuarial accrued liabilities. Note that the increase in funded ratio is predominantly due to this change and without this change the funded ratio would have declined.

RETIREMENT PLAN FOR CTA EMPLOYEES

Section 3.2

Schedule of Employer Contributions (\$'s in 000's)

The GASB Statement No. 25 required contributions and actual percentages contributed over the last ten years are as follows:

Fiscal Year Ended December 31	Valuation Date December 31	Authority Contribution	Annual Required Contribution	Percentage Contributed
2012	2012	62,788	155,600	40.4%
2011	2011	60,318	123,158	49.0%
2010	2010	56,216	108,478	51.8%
2009	2009	41,448	118,717	34.9%
2008	2008	1,165,947	206,670	564.2%
2007	2007	25,038	198,457	12.6%
2006	2006	23,931	194,926	12.3%
2005	2005	19,850	180,227	11.0%
2004	2004	20,210	153,253	13.2%
2003	2003	19,570	117,305	16.7%

RETIREMENT PLAN FOR CTA EMPLOYEES

Section 3.3

Notes to Trend Data

Actuarial Assumptions, Method and Additional Information under GASB No. 25

Valuation Date:	January 1, 2013
Actuarial Cost Method:	Projected Unit Credit
Amortization Method:	Level Dollar
Amortization Period:	30
Asset Valuation Method:	Market Value
Investment Rate of Return	8.50%
Salary Increases (including merit increases and wage inflation)	1.5% for 2013-2014, and service graded table with 5% ultimate rate after 5 years of service

Section 4

Actuarial Funding Projections

RETIREMENT PLAN FOR CTA EMPLOYEES

Section 4.1

Projection Assumptions and Methods

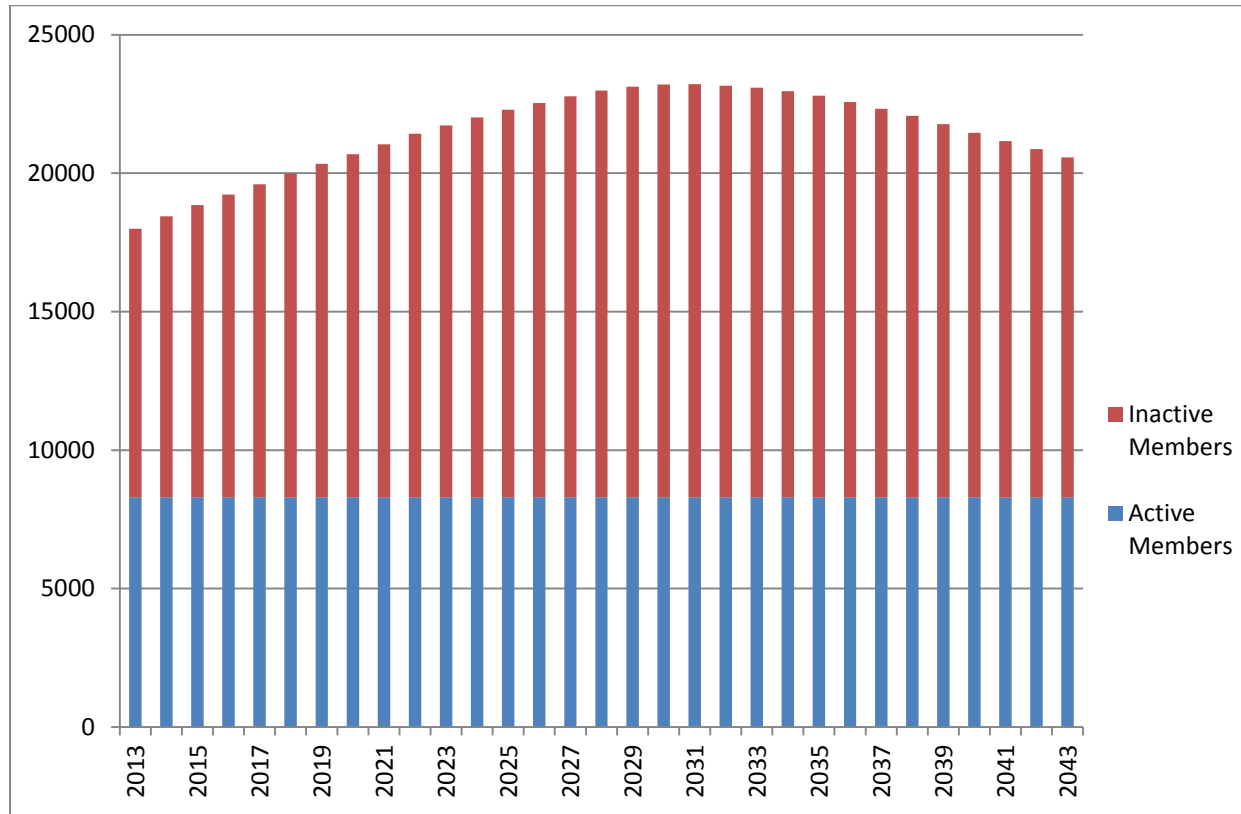
Key Assumptions

- 8.5% investment return on the Fair Value of Assets in all future years.
- The Actuarial Value of Assets is the Market Value of Assets.
- Actuarial assumptions and methods as described in Section 6. All future demographic experience is assumed to be exactly realized.
- The actuarially calculated contribution is contributed each year.
- Projections assume a 0% increase in the total active member population. All new future members are expected to enter the plan after 12 months of continuous service and contribution rates are determined as a percent of total payroll.

RETIREMENT PLAN FOR CTA EMPLOYEES

Section 4.2

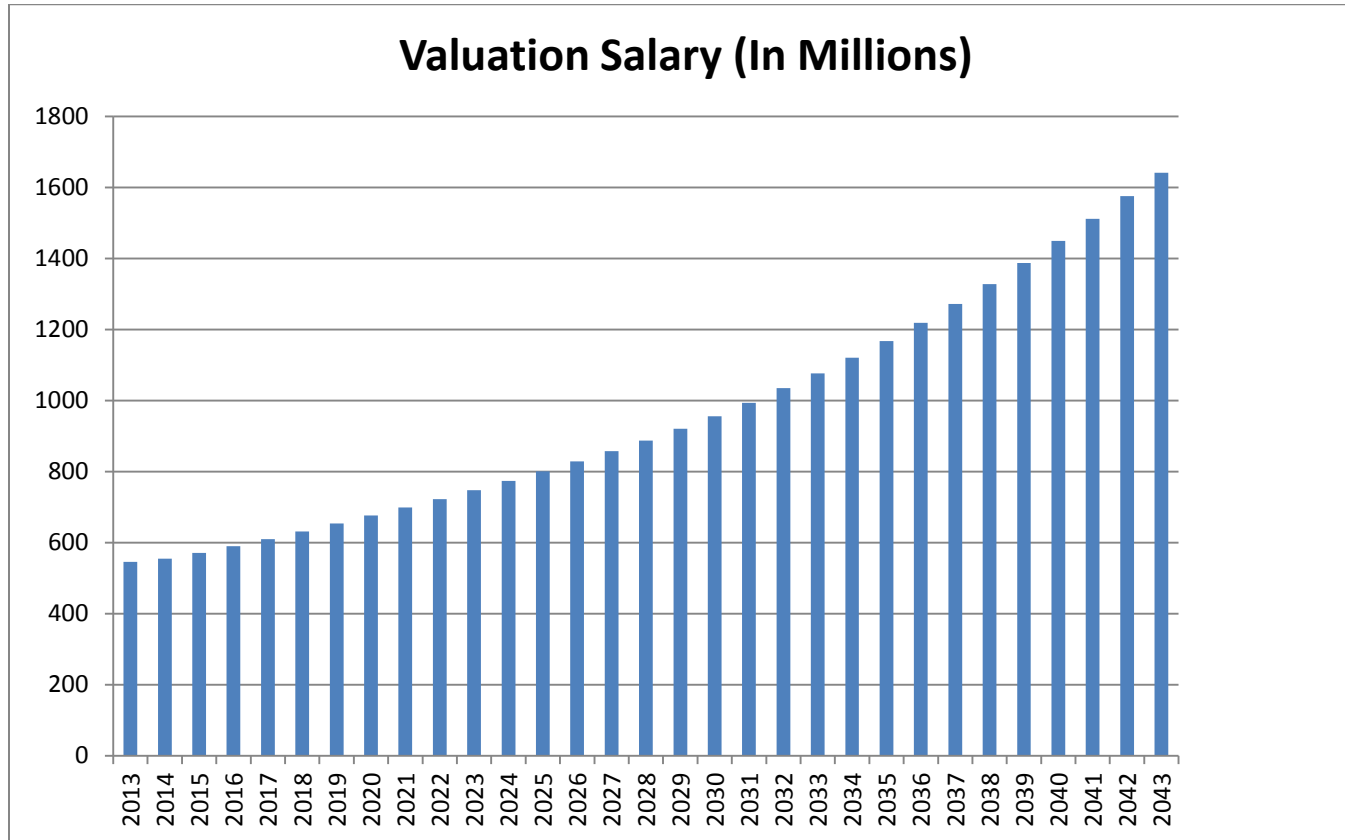
Membership Projection Projected Member Count



RETIREMENT PLAN FOR CTA EMPLOYEES

Section 4.2 (cont'd)

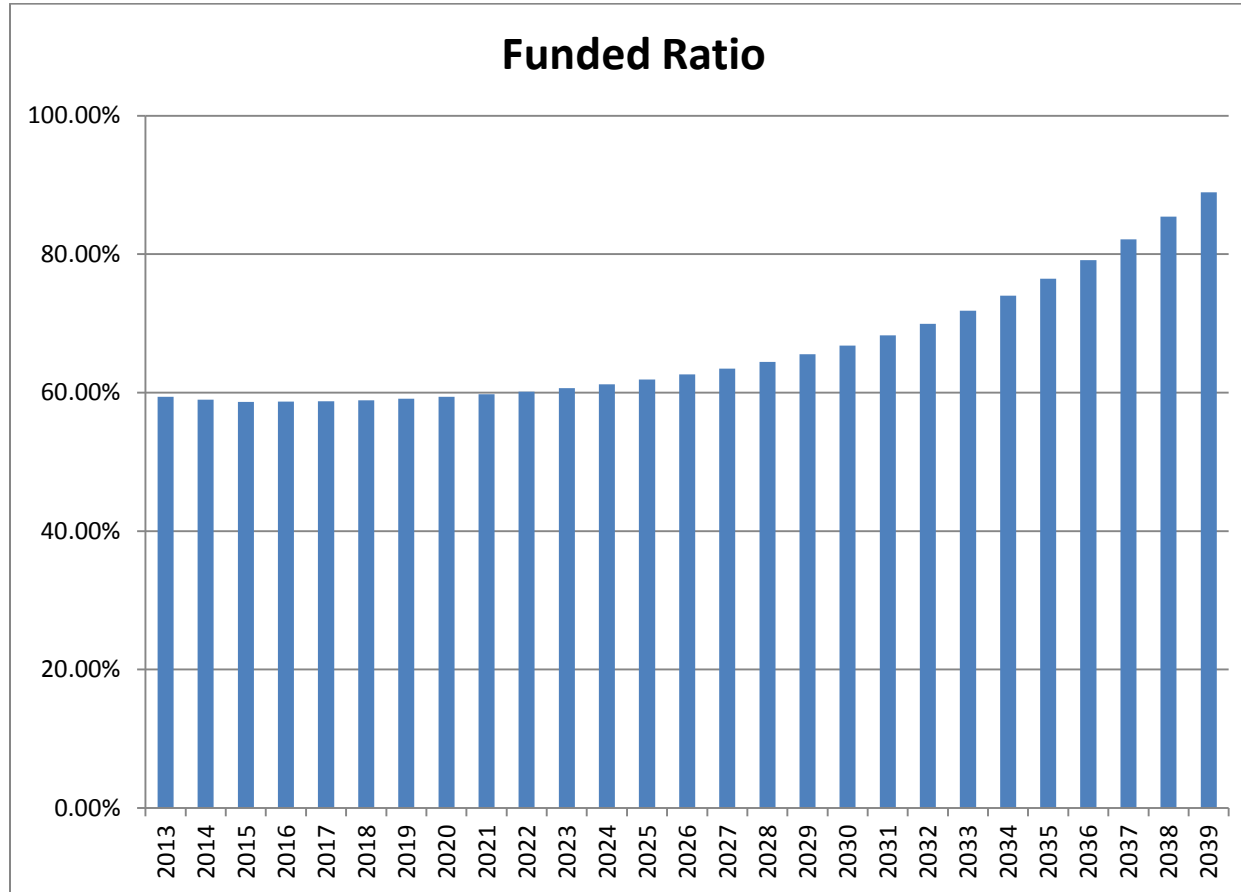
Membership Projection Projected Current and New Member Payroll



RETIREMENT PLAN FOR CTA EMPLOYEES

Section 4.3

Projection of Funded Status



Section 5

Member Data

RETIREMENT PLAN FOR CTA EMPLOYEES

Section 5.1

Summary of Membership Data as of January 1, 2013 (\$ in thousands)

Active Members

Item	Male	Female	Total
Number of Members ¹	5,801	2,516	8,317
Annual Salaries ²	\$400,469	\$148,046	\$548,515
Average Age ¹	48.19	46.84	47.78
Average Service ¹	14.83	12.90	14.25

Terminated Vested Members

Item	Male	Female	Total
Number of Members	61	20	81
Annual Accrued Benefit	\$1,550	\$533	\$2,083
Average Age	55.10	55.43	55.18

Retirees and Beneficiaries

Item	Male	Female	Total
Number of Members	6,602	1,972	8,574
Annual Retirement Benefit	\$179,828	\$36,906	\$216,734
Average Age	69.59	72.28	70.21

Disabled Retirees

Item	Male	Female	Total
Number of Members	606	411	1,017
Annual Disability Benefit	\$9,622	\$5,558	\$15,180
Average Age	63.46	61.95	62.85

¹ Active statistics include all participants who are actively employed which includes 15 participants who are on leave and 24 participants who have opted out of participating in the Plan and are only entitled to a return of their contributions.

² The salary information for the 24 participants who have opted out of participating in the Plan is not included.

RETIREMENT PLAN FOR CTA EMPLOYEES

Section 5.2

Age and Service Distribution of Active Members as of January 1, 2013 Number of Participants

Age	Years of Service									Total
	Under 5	5-9	10-14	15-19	20-24	25-29	30-34	35-39	Over 40	
Under 25	16	3	-	-	-	-	-	-	-	19
25-29	134	77	3	-	-	-	-	-	-	214
30-34	141	308	139	1	-	-	-	-	-	589
35-39	139	265	326	96	2	-	-	-	-	828
40-44	160	360	453	364	84	4	-	-	-	1,425
45-49	114	277	454	385	381	85	2	-	-	1,698
50-54	78	234	439	305	314	190	35	-	-	1,595
55-59	59	161	248	221	231	142	65	30	2	1,159
60-64	28	73	143	118	112	65	27	25	14	605
Over 65	7	26	41	33	25	18	10	7	18	185
Total	876	1,784	2,246	1,523	1,149	504	139	62	34	8,317

RETIREMENT PLAN FOR CTA EMPLOYEES

Section 5.3

Retiree and Beneficiary Data as of January 1, 2013 Number and Average Annual Allowance

Age Last Birthday	Number	Annual Allowance	Average Allowance
Retired Annuitants			
Under 50	35	\$1,367,128	\$39,061
50-54	209	\$8,186,370	\$39,169
55-59	713	\$25,879,983	\$36,297
60-64	1,524	\$46,996,681	\$30,838
65-69	2,100	\$57,830,357	\$27,538
70-74	1,497	\$37,119,404	\$24,796
75-79	816	\$16,931,824	\$20,750
Over 79	<u>900</u>	<u>\$14,474,330</u>	<u>\$16,083</u>
Total	7,794	\$208,786,077	\$26,788
Surviving Spouses			
Under 50	7	\$83,754	\$11,965
50-54	20	\$293,620	\$14,681
55-59	35	\$344,502	\$9,843
60-64	64	\$1,054,387	\$16,475
65-69	98	\$1,193,594	\$12,180
70-74	115	\$1,209,413	\$10,517
75-79	120	\$1,164,585	\$9,705
Over 79	<u>321</u>	<u>\$2,604,115</u>	<u>\$8,112</u>
Total	780	\$7,947,970	\$10,190
Disability Allowances			
Under 50	98	\$1,511,593	\$15,424
50-54	114	\$1,943,859	\$17,051
55-59	147	\$2,535,543	\$17,249
60-64	216	\$3,264,076	\$15,111
65-69	218	\$3,174,981	\$14,564
70-74	125	\$1,563,731	\$12,510
75-79	77	\$964,907	\$12,531
Over 79	<u>22</u>	<u>\$221,163</u>	<u>\$10,053</u>
Total	1,017	\$15,179,853	\$14,926

RETIREMENT PLAN FOR CTA EMPLOYEES

Section 5.4

Terminated Vested Member Data as of January 1, 2013 Number and Average Accrued Benefit

Age Last Birthday	Number	Annual Accrued Benefit	Average Accrued Benefit
Terminated Vested			
Under 35	-	-	-
35-39	-	-	-
40-44	1	\$15,592	\$15,592
45-49	9	\$241,259	\$26,807
50-54	28	\$837,471	\$29,910
55-59	23	\$627,330	\$27,275
60-64	19	\$348,493	\$18,342
65-69	1	\$12,880	\$12,880
Over 70	-	-	-
Total	81	\$2,083,025	\$25,716

Section 6

**Basis of the
Actuarial Valuation**

RETIREMENT PLAN FOR CTA EMPLOYEES

Section 6.1

Summary of Plan and Contribution Provisions

Eligibility—All full-time permanent employees of the Chicago Transit Authority are included in the Plan after completing 12 months of continuous service unless specifically excluded by the terms of a collective bargaining agreement. Exempt non-vested employees may opt out of the plan. Chicago Transit Authority Board members are not included.

Contributions—The Chicago Transit Authority will contribute a percent of compensation for all participating employees and each participating employee will contribute a percent of his compensation to the Plan according to the following schedule:

<u>Dates</u>	<u>Contribution Percentage</u>	
	<u>Authority</u>	<u>Employees</u>
July 1, 1997 until January 18, 2008	6%	3%
January 18, 2008 and thereafter	12%	6%

For years through 2040, the amount paid by the Authority with respect to debt service on bonds issued for contribution to the Retirement Plan shall be treated as a credit against the amount of required contribution up to an amount not to exceed six percent of compensation paid by the Authority in the following year. The amount paid in debt service is always greater than six percent of projected compensation.

Minimum contributions as set forth elsewhere in this report may also apply.

Normal Retirement—The normal retirement age is 65. For employees retiring on or after January 1, 2001 the annual normal retirement pension is equal to the sum of (a) and (b) below, but not greater than 70.0% of the employee's average annual compensation:

- (a) 1% of the employee's past service compensation as of May 31, 1948, for each full year of continuous service prior to June 1, 1949, plus
- (b) 2.15% of average annual compensation for each year (and fraction of completed calendar months) of continuous service after June 1, 1949.

Average annual compensation is equal to the highest average compensation over any four calendar years out of the final 10 calendar years prior to normal retirement (or actual retirement, if later). If an employee has at least 20 years of service, his minimum annual pension is \$2,220.

Summary of Plan and Contribution Provisions

Early Retirement:

Employees hired before January 18, 2008: An employee may retire early after attaining age 55 and completing at least three years of continuous service, or after completion of 25 years of continuous service. The early retirement pension is equal to the accrued normal retirement pension based on compensation and service at early retirement, reduced by 5% for each year or fraction younger than age 65. The 5% per year reduction is not applied if the employee has at least 25 years of service. Employees hired after September 5, 2001 may retire early with unreduced benefits after attaining age 55 and completing at least 25 years of service.

Employees hired on and after January 18, 2008: An employee may retire with unreduced benefits upon attainment of age 64 with 25 years of service. An employee may retire with a benefit reduced as described above upon attainment of age 55 with 10 years of continuous service.

Disability Allowance:

An employee is eligible for a disability allowance if he becomes disabled after completing 10 years of service, or if his disability after completing five years of service is covered under the Workmen's Compensation Act. An employee is disabled if he either (a) is totally and permanently disabled or (b) is unable to return to work after receiving 26 weeks of benefits under the Authority's Group Accident and Sickness Insurance or from the Authority under the Workmen's Compensation Act. The disability allowance is equal to the normal retirement pension based on compensation and service at disability subject to a minimum annual pension of \$4,800.

Death Benefits:

If an employee dies prior to retirement or disability and after one year of service, his contributions, accumulated with interest, are paid to his beneficiary. "Interest" is equal to the rate of interest earned by the Fund (to a maximum of 2%) prior to January 1, 1971, 1/2 of the rate of interest earned by the Fund (to a maximum of 3%) between January 1, 1971, and January 1, 1980, and 3% after December 31, 1979. If an employee dies after 90 days of service but prior to one year of service, his contributions, without interest, are paid to his beneficiary; and if he dies prior to 90 days of service, his contributions are not refunded.

If an employee is eligible for early retirement, he is automatically covered by a surviving spouse benefit, payable upon his death prior to retirement, in lieu of a return of his contributions. The spouse benefit is equal to 1/2 of the pension which would have been payable to the employee if he had retired on the first day of the month of his death and had elected an optional form of pension providing 1/2 of his reduced pension to his surviving spouse. Employees may elect not to be covered by this option and provide for the payment of their contributions with interest to their beneficiary in lieu thereof.

If an employee dies after his retirement pension has commenced, his beneficiary receives the excess, if any, of his contributions, accumulated with interest to his retirement date, over the sum of the pension payments made to him. However, if his surviving spouse is entitled to a pension after his death, such excess will not be paid to his beneficiary. At the death of the surviving spouse, the excess, if any, of the contributions accumulated with interest to his retirement date over the sum of the pension payments made to him and his surviving spouse will be paid.

RETIREMENT PLAN FOR CTA EMPLOYEES

Section 6.1(cont'd)

Summary of Plan and Contribution Provisions

A retired employee's beneficiary will receive a death benefit equal to the amount from the following schedule according to the employee's age and service at retirement:

<u>Age</u>	<u>Service</u>	<u>Age + Service</u>	<u>Death Benefit</u>
65	20	N/A	\$8,000
60	N/A	90	\$8,000
N/A	25	N/A	\$8,000
N/A	N/A	94	\$8,000
60-64	20	N/A	\$6,000
55-59	20	N/A	\$5,000
All Others			\$2,000

Termination Benefits:

If an employee terminates his employment prior to eligibility for retirement or disability and after completing one year of service, he receives a refund of his contributions plus interest (3% after December 31, 1979). If he terminates after 90 days but prior to one year, he receives his contributions without interest, and if he terminates less than 90 days after hire, he receives no refund. If an employee has completed 10 years of continuous service and elects to leave his contributions in the Plan, he remains entitled to his normal retirement pension beginning at age 65 but based on his compensation and service at termination.

Optional Benefit Forms:

In lieu of a normal pension, an employee may elect an optional annuity of equivalent actuarial value providing payments of 1/2, 2/3, or all of his reduced pension to his spouse after his death (Option A).

Alternatively, an employee may elect an optional annuity of equivalent actuarial value providing payments of 1/2, 2/3, or all of his reduced pension to his spouse after his death with the further provision that his benefit will be restored to the full amount to him after the death of his spouse (Option B).

Retired Employees:

Benefits for retired employees have been valued according to benefits in effect at time of retirement as modified by subsequent amendments. Such benefits are kept on records maintained by the Authority.

Voluntary Early Retirement Incentive Program:

During 1997, the Plan was amended to offer enhanced retirement benefits to all employees who have at least 25 years of continuous service on or before December 31, 1999, and who have not retired prior to January 1, 1997. Those eligible on or before June 30, 1997 must elect to participate during the period March 1, 1997, to June 30, 1997. Employees eligible during the period July 1, 1997, to December 31, 1999, must elect to participate between July 1, 1997, and February 28, 1998. All eligible employees who elect to participate must retire no later than December 31, 1999. The benefit is determined based on a formula multiplier of 2.40% of average annual compensation with the benefit cap at 70.0% of such average annual compensation.

RETIREMENT PLAN FOR CTA EMPLOYEES

Section 6.1(cont'd)

Summary of Plan and Contribution Provisions

Ad hoc increases in retiree benefits:

As part of the Arbitration Award ruling of November 13, 2003, the following ad hoc increases were given to retirees in payment status as of January 1, 2000:

- (a) \$75 per month for members retired before January 1, 1980
- (b) \$50 per month for members who retired on or after January 1, 1980, but before January 1, 1991
- (c) \$40 per month for members who retired on or after January 1, 1991, but before January 1, 2000

As part of an Arbitration Award ruling of June 26, 2007, another ad hoc adjustment was made for participants.

Contribution Requirements Under P.A. 95-0708

Beginning January 18, 2008, the Authority shall make contributions to the Retirement Plan in an amount equal to 12 percent of compensation and participating employees shall make contributions in an amount equal to six percent of compensation. For years through 2040, the amount paid by the Authority with respect to debt service on bonds issued for contribution to the Retirement Plan shall be treated as a credit against the amount of required contribution, up to an amount not to exceed six percent of compensation paid by the Authority in the following year.

If the funded ratio is projected to decline below 60 percent in any year before 2040 using reasonable actuarial assumptions and the projected unit credit funding method, the contribution shall be increased so that the funded ratio is not projected to drop below 60 percent. If the funded ratio actually drops below 60 percent in any year before 2040, the contribution shall be increased so that the funded ratio is projected to reach 60 percent within 10 years. The increase in contributions shall be effective as of the January 1 following the determination, or 30 days following the determination, whichever is later. One-third of the increase in contributions shall be paid by participating employees and two-thirds by the Authority.

Beginning in 2040, the minimum contribution for each fiscal year shall be predetermined each year as the amount required to bring the total assets of the Retirement Plan up to 90 percent of the total actuarial liabilities by the end of 2059, using the projected unit credit funding actuarial cost method and reasonable actuarial assumptions. Participating employees shall be responsible for one-third of the required contribution and the Authority shall be responsible for two-thirds of the required contribution.

Beginning in 2060, the minimum contribution for each year shall be an amount needed to maintain the total assets of the Retirement Plan at 90 percent of the total actuarial liabilities of the Plan and the contribution shall be funded one-third by participating employees and two-thirds by the Authority.

Description of Actuarial Methods and Valuation Procedures

A. Actuarial Cost Method

Liabilities and contributions shown in this report are computed using the **Projected Unit Credit Cost Method** of funding.

Sometimes called a “funding method,” this is a particular technique used by actuaries for establishing the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily the annual contribution to the plan is comprised of (1) the normal cost and (2) an amortization payment on the unfunded actuarial accrued liability.

Under the Projected Unit Credit Cost Method, the **Normal Cost** for the given year is computed as the present value of the unit of benefit attributable to that year for each active Member. The Normal Cost for the Plan is determined by summing individual results for each active Member.

The **Actuarial Accrued Liability** under this method at any point in time is equal to the present value of benefits accrued to the measurement date using a service pro-rate method.

The **Unfunded Actuarial Accrued Liability** is the excess of the Actuarial Accrued Liability over the Actuarial Value of Plan Assets actually on hand on the valuation date. The Unfunded Actuarial Accrued Liability is amortized as a level dollar amount over a fixed period of 30 years.

Under this method experience gains or losses, i.e. decreases or increases in accrued liabilities attributable to deviations in experience from the actuarial assumptions, adjust the Unfunded Actuarial Accrued Liability.

RETIREMENT PLAN FOR CTA EMPLOYEES

Description of Actuarial Methods and Valuation Procedures

B. Asset Valuation Method

The actuarial value of assets equals the market value of assets.

C. Valuation Procedures

No actuarial liability is included for members who terminated non-vested prior to the valuation date, except those due a refund of contributions.

The compensation amounts used in the projection of benefits and liabilities were January 1, 2013, rates of pay provided by staff of the Retirement Board of Trustees.

No termination or retirement benefits were projected to be greater than the dollar limitation required by the Internal Revenue Code Section 415 for governmental plans.

Annual increases in salary were limited to the dollar amount defined under Internal Revenue Code Section 401(a)(17) for affected members.

RETIREMENT PLAN FOR CTA EMPLOYEES

Section 6.3

Summary of Actuarial Assumptions and Changes in Assumptions

Rate of Covered Pay: The rate of covered pay for participants has been estimated at \$548,515,157 for 2013. The following adjustments were made to the actual covered earnings for 2012 supplied by the Authority:

- (a) No earnings or a fractional year of earnings were submitted for employees with a work status date in 2012 who were hired during 2011. We have annualized the 2012 earnings and assumed minimum earnings of \$25,000 per year for this group.
- (b) For employees on layoff, extended leave of absence, or inactive status, we have assumed minimum earnings of \$25,000 per year.
- (c) For employees whose 2012 earnings were less than \$20,000, we have assumed an annual rate of \$25,000 per year.
- (d) For all employees, 2013 salary was assumed to increase 1.50% from 2012.

Retiree Benefits: The benefit amounts received for retirees were compared to information received from the Authority for the prior valuation.

Earnings on Plan Assets: 8.50% per annum, compounded annually.

Salary Inflation:

2013-2014:	1.50%
2015 and after:	4.00%

Compensation Increases: According to the following table, compounded annually, assumed end of year (includes inflation):

Years of Service	Year-over-year Compensation Increases	
	2013-14	2015 and after
1	1.50%	15.00%
2	1.50%	13.00%
3	1.50%	11.00%
4	1.50%	9.00%
>=5	1.50%	5.00%

Mortality:

- (a) *Active Members* —The 1994 Group Annuity Mortality Table for males and females multiplied by 90 percent.
- (b) *Retirees & Survivors* —The 1994 Group Annuity Mortality Table for males and females.
- (c) *Disabled Employees* — The 1994 Group Annuity Mortality Table for males and females multiplied by 110 percent.

RETIREMENT PLAN FOR CTA EMPLOYEES

Section 6.3 (cont'd)

Summary of Actuarial Assumptions and Changes in Assumptions

Withdrawals from Service: According to the following table shown for illustrative ages:

<u>Age</u>	<u>Rates of Termination for Reasons Other than Death or Disability</u>
25	7.50%
30	5.60%
35	4.60%
40	3.40%
45	2.90%
50	2.40%
55 & Older	0.50%

If service is 25 or greater, no withdrawal is assumed.

In addition, active headcount was assumed to remain flat for all years in the future.

Recovery from disability without returning to work: Disabled members are assumed to recover according to the following table as shown for illustrative ages:

<u>Sample Attained Ages</u>	<u>Disabled Recovery ¹</u>	
	<u>Men</u>	<u>Women</u>
30	0.412%	0.461%
35	0.406%	0.447%
40	0.382%	0.422%
45	0.326%	0.393%
50	0.216%	0.343%
55	0.013%	0.248%
60	0.000%	0.012%
65	0.000%	0.000%
70	0.000%	0.000%
75	0.000%	0.000%
80	0.000%	0.000%

^{1.} Disability recovery after verification of the ability to return to work in the same position as determined by the Plan's Disability manager.

RETIREMENT PLAN FOR CTA EMPLOYEES

Section 6.3 (cont'd)

Summary of Actuarial Assumptions and Changes in Assumptions

Disability Allowance: According to the following table as shown for illustrative ages:

Age	Rate of Disability
25	0.10%
30	0.10%
35	0.20%
40	0.30%
45	0.40%
50	0.50%
55	0.60%
60	0.70%
65 & older	0.78%

If service is 25 or greater, no disability is assumed.

RETIREMENT PLAN FOR CTA EMPLOYEES

Section 6.3 (cont'd)

Summary of Actuarial Assumptions and Changes in Assumptions

Service Retirements^{1,2}:

Age	Pre 9/5/2001 Hires Probability of Retirement		Hired 9/5/2001 - 1/18/2008 Probability of Retirement		Post 1/18/2008 Hires Probability of Retirement	
	Service<25	Service>25	Service<25	Service>25	Service<25	Service>25
55	1.50%	25.00%	1.50%	25.00%	1.50%	1.50%
56	1.50%	27.50%	1.50%	27.50%	1.50%	1.50%
57	2.00%	30.00%	2.00%	30.00%	2.00%	2.00%
58	2.00%	32.50%	2.00%	32.50%	2.00%	2.00%
59	2.00%	35.00%	2.00%	35.00%	2.00%	2.00%
60	2.50%	37.50%	2.50%	37.50%	2.50%	2.50%
61	4.00%	40.00%	4.00%	40.00%	4.00%	4.00%
62	15.00%	42.50%	15.00%	42.50%	20.00%	20.00%
63	15.00%	45.00%	15.00%	45.00%	15.00%	15.00%
64	20.00%	47.50%	20.00%	47.50%	15.00%	15.00%
65	30.00%	50.00%	30.00%	50.00%	60.00%	60.00%
66	30.00%	50.00%	30.00%	50.00%	25.00%	25.00%
67	30.00%	60.00%	30.00%	60.00%	25.00%	25.00%
68	50.00%	70.00%	50.00%	70.00%	25.00%	25.00%
69	50.00%	80.00%	50.00%	80.00%	25.00%	25.00%
70	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

1. Rates apply only for members with greater than 10 years of service. Members with less than 10 years of service are assumed to defer retirement until eligible for retiree healthcare benefits. For all ages 55 and above, 10% is added to the rate at 10 years of service.

2. For ages under 65, the above rates are multiplied by 75% if service is between 22 and 23 years, 50% if service is between 23 and 24 years, and 25% if service is between 24 and 25 years.

Spouse Data: 75% of employees eligible at retirement are assumed to be married, 50% of those married are assumed to elect a spouse option (Option A–50%) and the average equivalency factor to convert their accrued pension to a spouse option (Option A–50%) is assumed to be 85%. A wife is assumed to be 3 years younger than her husband. Actual dependent coverage data was used for participants retired as of the valuation date.

RETIREMENT PLAN FOR CTA EMPLOYEES

Section 6.3 (cont'd)

Summary of Actuarial Assumptions and Changes in Assumptions

Miscellaneous and Technical Assumptions:

Pay Increase Timing:	End of (Fiscal) year.
Decrement Timing:	Decrements of all types are assumed to occur mid-year.
Eligibility Testing:	Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
Benefit Service:	Exact fractional service from date of participation is used to determine the amount of benefit payable.
Decrement Relativity:	Decrement rates are used directly based on assumptions, without adjustment for multiple decrement table effects.
Decrement Operation:	Disability and turnover do not operate after 25 years of service.

RETIREMENT PLAN FOR CTA EMPLOYEES

GLOSSARY OF TERMS

<i>Actuarial Accrued Liability</i>	Total accumulated cost to fund pension benefits arising from service in all prior years.
<i>Actuarial Cost Method</i>	Technique used to assign or allocate, in a systematic and consistent manner, the expected cost of a pension plan for a group of plan members to the years of service that give rise to that cost.
<i>Actuarial Present Value of Future Benefits</i>	Amount which, together with future interest, is expected to be sufficient to pay all future benefits.
<i>Actuarial Valuation</i>	Study of probable amounts of future pension benefits and the necessary amount of contributions to fund those benefits.
<i>Actuary</i>	Person who performs mathematical calculations pertaining to pension and insurance benefits based on specific procedures and assumptions.
<i>Annual Required Contribution</i>	Disclosure measure of annual pension cost.
<i>GASB 25</i>	Governmental Accounting Standards Board Statement Number 25 which specifies how the Annual Required Contribution (ARC) is to be calculated.
<i>Normal Cost</i>	That portion of the actuarial present value of benefits assigned to a particular year in respect to an individual participant or the plan as a whole.
<i>Unfunded Actuarial Accrued Liability (UAAL)</i>	The portion of the actuarial accrued liability not offset by plan assets.