

**Chicago Transit Authority Retiree Health Care Trust**

***Actuarial Valuation as of January 1, 2012***

***Including Accounting Disclosures for the Year Ended December 31, 2011***

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August 23, 2012

*Board of Trustees  
Chicago Transit Authority Retiree Health Care Trust  
Chicago, Illinois*

*Dear Trustees:*

*We are pleased to submit this valuation of the Retiree Health Care Trust as of January 1, 2012.*

*This report is based on information received from Group Administrators and the Retiree Health Care Trust. The Segal Company does not audit the data provided. The accuracy and comprehensiveness of the data is the responsibility of those supplying the data. Segal, however, does review the data for reasonableness and consistency.*

*The actuarial computations made are for purposes of determining compliance with certain requirements of the Illinois Pension Code, and accounting disclosures under the Governmental Accounting Standards Board Statement. Determinations for purposes other than meeting these requirements may be significantly different from the results reported here.*

*To the best of our knowledge, this report is complete and accurate and in our opinion presents the information necessary to comply with Illinois Pension Code Section 22-101B(b)(3)(iii), Illinois Pension Code Section 22-101B(b)(5), and GASB Statement 43 with respect to the benefit obligations addressed. We are members of the Society of Actuaries, the American Academy of Actuaries, and other professional actuarial organizations, and collectively meet their "General Qualification Standards for Statements of Actuarial Opinions" to render the actuarial opinion contained herein.*

*We look forward to discussing this material with you at your next meeting.*

*Sincerely,*

*THE SEGAL COMPANY*

By:

Barbara Zaveduk  
Barbara Zaveduk, EA MAAA  
Vice President and Actuary

cc:

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**SECTION 1: Chicago Transit Authority Retiree Health Care Trust Valuation as of January 1, 2012**  
**Introduction**

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**INTRODUCTION**

Prior to Public Act 095-0708, the Retirement Plan for CTA Employees reimbursed the CTA for healthcare benefits provided to retired members and their dependents.

Under Section 22-101B of Public Act 095-0708, a new Retiree Health Care Trust was established, and all retiree health benefits are paid from that trust. Since 2009, the Retiree Health Care Trust has been responsible for providing health care benefits to eligible retirees and their dependents and survivors.

Retiree health benefits are funded through a combination of active contributions, retiree self-pay contributions, proceeds from a sale of bonds, and investment return on assets.

This valuation report contains information required by the Trustees of the Retiree Health Care Trust in order to comply with various accounting and funding requirements.

The projected present value of income and payments shown in this report are contingent upon a variety of assumptions about future events. Actual experience is likely to vary from these assumptions.

**SECTION 2: Chicago Transit Authority Retiree Health Care Trust Valuation as of January 1, 2012**  
**Illinois Pension Code Requirements**

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**FUNDING ASSESSMENT**

Section 22-101B (b)(3)(iii) of the Illinois Pension Code requires the Board of Trustees of the Retiree Health Care Trust to make an annual assessment of the funding levels of the Retiree Health Care Trust and to submit a report to the Auditor General at least 90 days prior to the end of the fiscal year (i.e. by October 2).

The report must demonstrate that the present value of projected benefits is exceeded by the present value of

projected contributions and income plus assets in excess of the statutory reserve. If there is a shortfall, the report must describe a plan to eliminate the shortfall.

As of January 1, 2012, projected income and assets exceed projected benefits, and no changes are necessary.

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**Table A**  
**January 1, 2012 Funding Assessment**

<b>Actuarial Present Value of Projected Benefits</b>		<b>Actuarial Present Value of Projected Income and Assets</b>	
Current retirees			
Present value of benefits	\$511,777,301	Present value of active contributions	\$230,439,763
Less: Retiree self-payments	<u>(192,017,014)</u>	Less: Value of health-savings-type accounts	<u>(41,840,212)</u>
Net present value	\$319,760,287	Net active contributions	\$188,599,551
Future retirees		Assets	581,484,747
Present value of benefits	601,520,000	Less: Statutory reserve	<u>(36,390,856)</u>
Less: Retiree self-payments	<u>(235,594,244)</u>	Total income and assets	<u>\$733,693,442</u>
Net present value	<u>365,925,756</u>	Income and assets in excess of projected benefits	<u>\$48,007,399</u>
Total present value of projected benefits	<u>\$685,686,043</u>	Income and assets as a percentage of projected benefits	<u>107.0%</u>

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**SECTION 2: Chicago Transit Authority Retiree Health Care Trust Valuation as of January 1, 2012**  
**Illinois Pension Code Requirements**

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This year's valuation includes a number of changes since last year's valuation. These include:

- Assets less than expected;
- Changes in the covered population; and
- Changes to per capita claims, based on updated claim experience.

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**Table B**  
**Effect of Changes on Funding Levels**

	<b>Actuarial Present Value of Projected Benefits</b>	<b>Actuarial Present Value of Projected Income and Assets</b>	<b>Income and assets as a % projected benefits</b>
January 1, 2011 valuation	\$693.5 million	\$737.9 million	106.4%
Effect of assets more or less than expected	--	-34.1 million	-5.0%
Effect of other gains/losses, including changes in census data	-14.6 million	+28.8 million	+6.5%
Effect of changes in assumed per capita claims	+6.8 million	+1.1 million	-0.9%
Effect of other changes in assumptions and/or plan	--	--	--
January 1, 2012 valuation	\$685.7 million	\$733.7 million	107.0%

**SECTION 2: Chicago Transit Authority Retiree Health Care Trust Valuation as of January 1, 2012**  
**Illinois Pension Code Requirements**

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**STATUTORY RESERVE**

Section 22-101B (b)(3)(ii) of the Illinois Pension Code requires the Board of Trustees of the Retiree Health Care Trust to maintain an appropriate funding reserve level which shall not be less than the amount of incurred and unreported claims plus 12 months of expected claims and administrative expenses.

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**Table C**  
**Calculation of January 1, 2012 Statutory Reserve**

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1. 12 months of expected claims and administrative expenses	\$50,305,545
2. Less: 12 months of expected retiree and dependent contributions	<u>(17,707,289)</u>
3. 12 months of net expected claims and administrative expenses	32,598,256
4. Incurred and unreported claims*	<u>3,792,600</u>
5. Total statutory reserve: (3) + (4)	<u><u>\$36,390,856</u></u>

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\* *Incurred but not reported claims represents the amount of claims that were incurred during a certain time period but have not yet been paid due to the timing difference between when the services were rendered and day the claim was actually paid.*

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**SECTION 2: Chicago Transit Authority Retiree Health Care Trust Valuation as of January 1, 2012**  
**Illinois Pension Code Requirements**

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**45% TEST**

Section 22-101B (b)(5) of the Illinois Pension Code states that the Board of Trustees shall have the discretion to provide different contribution levels for retirees, dependents and survivors based on their years of service, level of coverage or Medicare eligibility, provided that the total contribution from all retirees, dependents and survivors shall not be more than 45% of the total cost of such benefits. The term “total cost of such benefits” is the total amount expended by the retiree health benefit program in the prior plan year.

According to the preliminary December 31, 2011 audit of the Chicago Transit Authority Retiree Health Care Trust, the aggregate amount of retiree, dependent, and survivor contributions for 2011 was \$22.2 million. The total cost of retiree health benefits paid from the Health Care Trust in 2010 was \$59.9 million.

Aggregate retiree, dependent, and survivor contributions in 2011 were less than 45% of the total cost of benefits in 2010.

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**Table D**

**45% Test (Retiree Contributions versus Cost of Benefits)**

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1. Aggregate retiree, dependent, and survivor contributions in 2011	\$22,154,002
2. Total cost of benefits in 2010	\$59,852,241
<b>3. Retiree self-pay as a percentage of total cost of benefits: (1) / (2)</b>	<b><u>37.01%</u></b>

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## SECTION 3: Chicago Transit Authority Retiree Health Care Trust Valuation as of January 1, 2012 GASB 43 Disclosures

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### ACCOUNTING REQUIREMENTS

The Governmental Accounting Standards Board (GASB) issued Statement Number 43 -- *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Under this statement, all state and local government entities that provide other post employment benefits (OPEB) are required to report the cost of these benefits on their financial statements. The accounting standards supplement cash accounting, under which the expense for postemployment benefits is equal to benefit and administrative costs paid on behalf of retirees and their dependents (*i.e.*, a pay-as-you-go basis).

The statement covers postemployment benefits of health, prescription drug, dental, vision and life insurance coverage for retirees; long-term care coverage, life insurance and death benefits that are *not* offered as part of a pension plan; and long-term disability insurance for employees. The benefits valued in this report are limited to those described in Section 4, which are based on those provided under the terms of the substantive plan in effect at the time of the valuation and on the pattern of sharing costs between the employer and plan members. The projection of benefits is not limited by legal or contractual limits on funding the plan unless those limits clearly translate into benefit limits on the substantive plan being valued.

The standard introduced an accrual-basis accounting requirement, thereby recognizing the employer cost of postemployment benefits over an employee's career. The standard also introduced a consistent accounting requirement for both pension and non-pension benefits.

The total cost of providing postemployment benefits is projected, taking into account assumptions about demographics, turnover, mortality, disability, retirement, health care trends, and other actuarial assumptions. These assumptions are summarized in Section 4. This amount is then discounted to determine the actuarial present value of the total projected benefits (APB). The actuarial accrued liability (AAL) is the portion of the present value of the total projected benefits allocated to years of employment prior to the measurement date. The unfunded actuarial accrued liability (UAAL) is the difference between the AAL and actuarial value of assets in the Plan.

Once the UAAL is determined, the Annual Required Contribution (ARC) is determined as the normal cost (the APB allocated to the current year of service) and the amortization of the UAAL. This ARC is compared to actual contributions made. In addition, Required Supplementary Information (RSI) must be reported, including historical information about the UAAL and the progress in funding the Plan.

**SECTION 3: Chicago Transit Authority Retiree Health Care Trust Valuation as of January 1, 2012**  
**GASB 43 Disclosures**

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The calculation of an accounting obligation does not, in and of itself, imply that there is any legal liability to provide the benefits valued, nor is there any implication that the Employer is required to implement a funding policy to satisfy the projected expense.

Actuarial calculations reflect a long-term perspective, and the methods and assumptions use techniques designed to reduce short term volatility in accrued liabilities and the actuarial value of assets, if any.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and the actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

**SECTION 3: Chicago Transit Authority Retiree Health Care Trust Valuation as of January 1, 2012  
GASB 43 Disclosures**

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**ACTUARIAL ACCRUED LIABILITY (AAL) AND UNFUNDED AAL (UAAL)**

The actuarial accrued liability shows that portion of the actuarial present value of total projected benefits allocated to periods prior to the valuation date by the actuarial cost method. The chart below shows the portion covered by active and retiree contributions and the portion covered by accumulated plan assets.

Employers may accumulate assets to pay for future OPEB. In order to be treated as plan assets under GASB 43, the funds must be set aside in a trust fund or equivalent arrangement that has the following characteristics:

- a. Employer contributions are irrevocable;
- b. Plan assets are dedicated to OPEB only; and
- c. Plan assets are legally protected from the creditors of the employer and the plan administrator.

Chicago Transit Authority Retiree Health Care Trust has an arrangement that meets these requirements.

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**CHART 1**

**Actuarial Accrued Liability (AAL) and Unfunded AAL (UAAL)**

	<b>December 31, 2011</b>
<b>Participant Category</b>	
Current retirees, beneficiaries, and dependents	\$319,760,287
Future retirees and dependents	<u>161,588,697</u>
<b>Total</b>	\$481,348,984
<hr/>	
<b>Effect of Active and Retiree Contributions</b>	
Actuarial accrued liability before reduction for active and retiree contributions	\$880,769,948
Less projected active contributions	67,027,174
Less projected retiree contributions	<u>332,393,790</u>
Net employer actuarial accrued liability	\$481,348,984
Actuarial value of assets	<u>581,484,747</u>
Unfunded/(Overfunded) actuarial accrued liability	(\$100,135,763)

**SECTION 3: Chicago Transit Authority Retiree Health Care Trust Valuation as of January 1, 2012**  
**GASB 43 Disclosures**

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**ANNUAL REQUIRED CONTRIBUTION (ARC)**

The Annual Required Contribution (ARC) is the annual cost of the OPEB plan for accounting purposes *as if* the plan were being funded through contributions to a trust fund. The GASB standards do not require that the contributions are actually made to a trust fund. The ARC is simply a device used to measure annual plan costs on an accrual basis. The calculation consists of adding the Normal Cost of the plan, net of active and retiree contributions, to an amortization payment.

The unfunded actuarial accrued liability may be amortized over periods of up to 30 years. Amortization payments may be calculated as level dollar amounts or as amounts designed to remain level as a percent of a growing payroll base. The Chicago Transit Authority Retiree Health Care Trust has elected to amortize the unfunded actuarial accrued liability as a level dollar amount over a period of 30 years.

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**CHART 2**

**Determination of Annual Required Contribution (ARC)**

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<b>Cost Element</b>	<b>Fiscal Year Ending December 31, 2011</b>	
	<b>Amount</b>	<b>Percentage of Compensation</b>
1. Normal cost	\$3,914,448	0.6%
2. Amortization of the unfunded actuarial accrued liability (30 years)	<u>(7,541,664)</u>	<u>(1.2%)</u>
3. Total Annual Required Contribution (ARC): (1)+(2), not less than zero	\$0	0.0%

**SECTION 3: Chicago Transit Authority Retiree Health Care Trust Valuation as of January 1, 2012**  
**GASB 43 Disclosures**

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**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

For GASB 43 (plan reporting) purposes, the schedule of employer contributions compares actual contributions to the ARC. For the fiscal year ending December 31, 2008, actual contributions include only bond proceeds. In all subsequent years, the only “employer contributions” are Medicare Part D reimbursements and payments from the Early Retiree Reinsurance Program.

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**CHART 3**

**Required Supplementary Information – Schedule of Contributions from Employer(s) and Other Contributing Entities**

<b>Fiscal Year Ended December 31,</b>	<b>Annual Required Contributions</b>	<b>Actual Contributions</b>	<b>Percentage Contributed</b>
2008	\$10,037,152	\$528,800,000	5,268.4%
2009	10,699,065	0	0.0%
2010	0	3,925,041	N/A
2011	0	8,895,704	N/A

**SECTION 3: Chicago Transit Authority Retiree Health Care Trust Valuation as of January 1, 2012**  
**GASB 43 Disclosures**

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**SCHEDULE OF FUNDING PROGRESS**

This schedule of funding progress will present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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**CHART 4**

**Required Supplementary Information – Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)
December 31, 2008	\$549,435,879	\$605,639,395	\$56,203,516	90.7%	\$588,471,442	9.6%
December 31, 2009	533,264,932	622,939,043	89,674,111	85.6%	579,379,265	15.5%
December 31, 2010	586,961,435	485,221,881	(101,739,554)	121.0%	598,267,896	(17.0%)
December 31, 2011	581,484,747	481,348,984	(100,135,763)	120.8%	617,246,244	(16.2%)

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**SECTION 3: Chicago Transit Authority Retiree Health Care Trust Valuation as of January 1, 2012**  
**GASB 43 Disclosures**

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**SUMMARY OF ASSUMPTIONS AND METHODS**

A more complete description of actuarial assumptions is included in Section 4.

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**CHART 5**

**Notes to Required Supplementary Information - Summary of Assumptions and Methods**

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<b>Valuation Date:</b>	December 31, 2011
<b>Actuarial Cost Method</b>	Projected Unit Credit
<b>Amortization Method</b>	Level dollar, open
<b>Remaining Amortization Period</b>	30 years remaining as of December 31, 2011
<b>Asset Valuation Method</b>	Market Value
<hr/>	
<b>Actuarial Assumptions:</b>	
Investment rate of return	7.00%
Projected salary increases	1.50% for 2012-2014, and 5.00% thereafter
Inflation rate	3.25%
Medical and prescription drug cost trend rate	8.50% for 2012, graded to 5.00% over 7 years
<hr/>	
<b>Participants</b> (excluding dependent children) as of January 1, 2012	
Total Retirees, Spouses, and Surviving Spouses	9,364
Active Employees	9,775
Inactive Vested Participants	84
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**SECTION 3: Chicago Transit Authority Retiree Health Care Trust Valuation as of January 1, 2012**  
**GASB 43 Disclosures**

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**DEFINITIONS OF TERMS**

The following list defines certain technical terms used in GASB Statements:

**Assumptions or Actuarial**

**Assumptions:**

The estimates on which the cost of the Plan is calculated including:

- (a) Investment return — the rate of investment yield that the Plan will earn over the long-term future;
- (b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;
- (c) Retirement rates — the rate or probability of retirement at a given age;
- (d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

**Actuarial Present Value of Total  
Projected Benefits (APB):**

Present value of all future benefit payments for current retirees and active employees taking into account assumptions about demographics, turnover, mortality, disability, retirement, health care trends, and other actuarial assumptions.

**Normal Cost:**

The amount of contributions required to fund the benefit allocated to the current year of service.

**Actuarial Accrued Liability  
For Actives:**

The equivalent of the accumulated normal costs allocated to the years before the valuation date.

**Actuarial Accrued Liability  
For Retirees:**

The single sum value of lifetime benefits to existing retirees. This sum takes account of life expectancies appropriate to the ages of the retirees and of the interest which the sum is expected to earn before it is entirely paid out in benefits.

**SECTION 3: Chicago Transit Authority Retiree Health Care Trust Valuation as of January 1, 2012**  
**GASB 43 Disclosures**

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<b>Actuarial Value of Assets (AVA):</b>	The value of assets used by the actuary in the valuation. These may be at market value or some other method used to smooth variations in market value from one valuation to the next.
<b>Funded Ratio:</b>	The ratio AVA/AAL.
<b>Unfunded Actuarial Accrued Liability (UAAL):</b>	The extent to which the actuarial accrued liability of the Plan exceeds the assets of the Plan. There is a wide range of approaches to paying off the unfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.
<b>Amortization of the Unfunded Actuarial Accrued Liability:</b>	Payments made over a period of years equal in value to the Plan's unfunded actuarial accrued liability.
<b>Investment Return (discount rate):</b>	The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next. If the plan is funded on a pay-as-you-go basis, the discount rate is tied to the expected rate of return on day-to-day employer funds.
<b>Health Care Cost Trend Rates:</b>	The annual rate of increase in net claims costs per individual benefiting from the Plan.
<b>Annual Required Contribution (ARC):</b>	The ARC is equal to the sum of the normal cost and the amortization of the unfunded actuarial accrued liability.

**SECTION 4: Chicago Transit Authority Retiree Health Care Trust Valuation as of January 1, 2012**  
**Supporting Information**

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**Exhibit I**

**Summary of Participant Data**

	<b>January 1, 2012</b>	<b>January 1, 2011</b>
<b>Retirees and Disableds</b>		
Number of retirees and disableds	6,596	6,916
Average age of retirees and disableds	68.6	68.4
Number of spouses (not including dependent children)	2,086	2,180
Average age of spouses	66.4	66.1
<b>Surviving Spouses</b>		
Number	682	758
Average age	79.2	78.8
<b>Active Employees</b> (including those not accruing service under the Retirement Plan)		
Number	9,775	10,026
Average age	46.7	46.2
Average years of service for contribution schedule	11.9	11.7
Average salary	\$62,440	\$59,893
<b>Inactive Vested Participants</b>		
Number	84	69
Average age	55.1	54.7

**SECTION 4: Chicago Transit Authority Retiree Health Care Trust Valuation as of January 1, 2012**  
**Supporting Information**

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**EXHIBIT II**  
**Summary of Income and Expenses**

	<b>Year Ended December 31, 2011</b>	<b>Year Ended December 31, 2010</b>
<b>Additions</b>		
Employee contributions	\$18,545,264	\$18,007,060
Retiree contributions	22,154,002	21,829,966
Medicare Part D subsidy	4,555,278	3,925,041
Early retirement reinsurance program	4,340,426	--
Investment income (net of investment expenses)	<u>6,509,560</u>	<u>69,786,677</u>
<b>Total additions</b>	<b>\$56,104,530</b>	<b>\$113,548,744</b>
<b>Deductions</b>		
Benefit payments (net of rebates)	\$60,005,517	\$58,767,195
Administrative expenses	<u>1,575,701</u>	<u>1,085,046</u>
<b>Total deductions</b>	<b>\$61,581,218</b>	<b>\$59,852,241</b>
<b>Net increase (decrease)</b>	<b>(\$5,476,688)</b>	<b>\$53,696,503</b>
<b>Net assets available for benefits</b>		
Beginning of year	\$586,961,435	\$533,264,932
End of year	\$581,484,747	\$586,961,435

**SECTION 4: Chicago Transit Authority Retiree Health Care Trust Valuation as of January 1, 2012**  
**Supporting Information**

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**EXHIBIT III**

**Actuarial Assumptions**

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<b>Valuation Date:</b>	January 1, 2012						
<b>Data:</b>	Claims experience and premiums were provided by the Retiree Health Care Trust and by vendors hired by the Trust. Detailed census data was provided by Group Administrators and the Trust.						
<b>Net Investment Return:</b>	7.00%						
<b>Salary Scale:</b>	According to the following table, compounded annually, including a wage inflation assumption of 1.50% for 2012 – 2014, and 4.00% thereafter:						
	<table><thead><tr><th><u>Year</u></th><th><u>Salary Increase</u></th></tr></thead><tbody><tr><td>2012 – 2014</td><td>1.50%</td></tr><tr><td>2015+</td><td>5.00%</td></tr></tbody></table>	<u>Year</u>	<u>Salary Increase</u>	2012 – 2014	1.50%	2015+	5.00%
<u>Year</u>	<u>Salary Increase</u>						
2012 – 2014	1.50%						
2015+	5.00%						
<b>Inflation Rate</b>	3.25%						

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**Decrements Prior to Retirement:**

<b>Age</b>	<b>Rates (%)</b>			
	<b>Mortality (90% of 1994 GAM)</b>		<b>Withdrawal*</b>	<b>Disability**</b>
20	0.05	0.03	10.00	0.10
25	0.06	0.03	7.50	0.10
30	0.07	0.03	5.60	0.10
35	0.08	0.04	4.60	0.20
40	0.10	0.06	3.40	0.30
45	0.14	0.09	2.90	0.40
50	0.23	0.13	2.40	0.50
55	0.40	0.21	0.50	0.60

\* None for those with 25 or more years of service.

\*\* None for those with 25 or more years of service. 50% of future disableds under age 65 are assumed to be eligible for Medicare.

**SECTION 4: Chicago Transit Authority Retiree Health Care Trust Valuation as of January 1, 2012**  
**Supporting Information**

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**Post-Retirement Mortality Rates:**

*Healthy:*

1994 Group Annuity Mortality Table (sex distinct rates)

*Disabled:*

110% of the 1994 Group Annuity Mortality Table (sex distinct rates)

The above mortality tables were determined to reasonably provide for future mortality improvement, based on a review of experience for the Retirement Plan for CTA Employees for the seven-year period ended December 31, 2007.

**Active Retirement Rates:**

Age	Rates (%)*					
	Pre 9/5/01 Hires		Hired 9/5/01-1/18/08		Post 1/18/08 Hires	
	Svc < 25	Svc >=25	Svc < 25	Svc >=25	Svc < 25	Svc >=25
55	1.5	25.0	1.5	25.0	1.5	1.5
56	1.5	27.5	1.5	27.5	1.5	1.5
57	2.0	30.0	2.0	30.0	2.0	2.0
58	2.0	32.5	2.0	32.5	2.0	2.0
59	2.0	35.0	2.0	35.0	2.0	2.0
60	2.5	37.5	2.5	37.5	2.5	2.5
61	4.0	40.0	4.0	40.0	4.0	4.0
62	15.0	42.5	15.0	42.5	20.0	20.0
63	15.0	45.0	15.0	45.0	15.0	15.0
64	20.0	47.5	20.0	47.5	15.0	15.0
65	30.0	50.0	30.0	50.0	60.0	60.0
66	30.0	50.0	30.0	50.0	25.0	25.0
67	30.0	60.0	30.0	60.0	25.0	25.0
68	50.0	70.0	50.0	70.0	25.0	25.0
69	50.0	80.0	50.0	80.0	25.0	25.0
70	100.0	100.0	100.0	100.0	100.0	100.0

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

Rates only apply for members eligible for retiree healthcare benefits. Members who are not eligible for retiree healthcare benefits are assumed to defer retirement until eligible. For all ages, 10% is added to the rate in the 1<sup>st</sup> year with at least 20 years of service.

**Retirement Age for Eligible Inactives:** Age 65.

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**Participation:**

Percent of those eligible for coverage who are assumed to elect retiree coverage is based on service at retirement.

<b>Service</b>	<b>Rate (%)</b>	<b>Service</b>	<b>Rate (%)</b>
35+	97.65	15-19	67.5
30-34	95.4	10-14	62.5
25-29	87.0	<10	55.0
20-24	81.0		

**Dependents:**

75% of future retirees are assumed to be married, with husbands assumed to be three years older than their wives. Percent of spouses assumed to opt for health coverage is based on retiree's service at retirement.

<b>Service</b>	<b>Rate (%)</b>	<b>Service</b>	<b>Rate (%)</b>
35+	55.0	15-19	30.0
30-34	55.0	10-14	25.0
25-29	40.0	<10	10.0
20-24	35.0		

**Plan Election:**

75% of future pre-Medicare retirees are assumed to elect BCBS PPO coverage, and the remaining 25% elect HMO Illinois coverage. 100% of future Medicare retirees are assumed to elect the Aetna EN Medicare Advantage plan.

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**Missing Participant Data:**

A missing census item for a given participant was assumed to equal the average value of that item over all other participants of the same status for whom the item is known. For those hired in 2011, salaries were annualized. For employees whose 2011 earnings were less than \$20,000, an annual rate of \$25,000 was assumed. Those currently in part-time status are assumed to attain full time permanent status at a salary of \$43,000. Temporary employees are assumed to have been hired 3 years ago.

**Service for Eligibility:**

Future accruals assumed to equal one credit per year.

**Service for Contribution Schedule:**

Future accruals assumed to be equal to an average of 2010 and 2011 hours divided by 2,080. If hired in 2010, only 2011 hours are used. If hired in 2011 or currently part-time, participants earn 0.95 credit in each future year.

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**Per Capita Cost Development:**

*HMO Illinois*

Based on January 1, 2012 premium rates.

*Other Pre-Medicare Medical*

Per capita claims costs were based on actual pre-Medicare retiree paid claim experience for the period August 1, 2009 through July 31, 2011, including PPO fees. Claims were adjusted as follows:

- total adjusted claims were divided by the number of adult members to yield a per capita claim; and
- the per capita claim was trended to the midpoint of the valuation year at assumed trend rates.

Per capita claims for each plan year were then combined by taking a weighted average. The weights used in this average account for a number of factors including each plan year's volatility of claims experience and distance to the valuation year. Actuarial factors were then applied to the weighted average cost to estimate individual retiree and spouse costs by age and by gender.

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*Other Pre-Medicare  
Prescription Drugs*

Per capita claims costs were based on actual retiree paid claim experience for the period August 1, 2009 through July 31, 2011. Claims were then adjusted as follows:

- total adjusted claims were divided by the number of adult members to yield a per capita claim;
- the per capita claim was trended to the midpoint of the valuation year at assumed trend rates; and
- the per-capita prescription drug claims were decreased for estimated prescription drug rebates.

Per capita claims for each plan year were then combined by taking a weighted average. The weights used in this average account for a number of factors including each plan year's volatility of claims experience and distance to the valuation year. Actuarial factors were then applied to the weighted average cost to estimate individual retiree and spouse costs by age and by gender.

*Medicare Medical*

Based on January 1, 2012 premium rates for Aetna Extended Network Medicare Advantage Plan (EN). Actuarial factors were then applied to estimate individual retiree and spouse costs by age and by gender.

*Medicare Prescription Drugs*

Based on January 1, 2012 premium rates for CVS/Caremark EGWP, plus CVS/Caremark's estimate for self-funded wrap coverage.

*Administrative Expenses*

Administrative expenses were based on experience furnished by the Plan Administrator for the period January 1, 2010 through December 31, 2010 trended to the valuation date. Expenses were divided by the number of adult members to yield a per participant cost.

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**Per Capita Health Costs:**

Medical and prescription drug claims costs for the plan year beginning January 1, 2012 are shown in the table below for retirees at selected ages. These costs are net of deductibles and other benefit plan cost sharing provisions.

Age	HMO Illinois				Other Medical				Other Prescription Drug			
	Retiree		Spouse		Retiree		Spouse		Retiree		Spouse	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
55	\$9,129	\$9,129	\$14,474	\$14,474	\$7,724	\$7,974	\$6,079	\$6,885	\$2,075	\$2,142	\$1,633	\$1,849
60	9,129	9,129	14,474	14,474	9,173	8,595	8,138	7,985	2,464	2,309	2,186	2,145
64	9,129	9,129	14,474	14,474	10,524	9,118	10,273	8,988	2,827	2,449	2,759	2,414
65					749	637	749	637	1,819	1,819	1,819	1,819
70					868	686	868	686	1,819	1,819	1,819	1,819
75					936	739	936	739	1,819	1,819	1,819	1,819

**Administrative Expenses:**

Administrative expenses of \$151 per participant were added to projected incurred claims costs.

**Medicare Part D Subsidy:**

Effective January 1, 2012, the Plan switched to an EGWP and will no longer receive Medicare Part D subsidies.

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**Health Care Cost Trend Rates:** Health care trend measures the anticipated overall rate at which health plan costs are expected to increase in future years. The rates shown below are “net” and are applied to the net per capita costs shown above.

<b>Year Ending December 31</b>	<b>Health Care Costs</b>	<b>Fees and Administrative Expenses</b>
2012	8.5%*	5.0%
2013	8.0%	5.0%
2014	7.5%	5.0%
2015	7.0%	5.0%
2016	6.5%	5.0%
2017	6.0%	5.0%
2018	5.5%	5.0%
2019 & later	5.0%	5.0%

\* 7.0% for Medicare medical due to negotiated rate

Trend rates above were adjusted as follows: (1) A multi-year contract with Caremark was assumed to reduce the trend on pre-Medicare prescription drug claims for the year ending December 31, 2012 by 1.02%. (2) All medical and prescription drug trend rates except for HMO Illinois were reduced by 0.3% to reflect the annual CPI adjustment of prescription drug copays, annual deductibles, and annual out-of-pocket maximums.

**Retiree Contribution Increase Rate:** Retiree and dependent contribution rates were assumed to increase at medical trend with adjustments.

**Plan Design:** Development of plan liabilities was based on the plan of benefits in effect as described in Exhibit II. Cost of dental coverage was not included in this valuation since retirees and dependents pay the full cost for this coverage.

**Lifetime Maximum Benefits:** No information was available regarding accumulations toward lifetime maximum benefits and no such accumulations were assumed.

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**Health Care Reform:**

This is a retiree-only plan, and most aspects of the Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act (HCERA) of 2010 do not apply. Any future aspects that do apply are assumed to have a *de minimis* effect.

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**EXHIBIT IV**

**Summary of Plan**

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This exhibit summarizes the major benefit provisions. To the best of our knowledge, the summary represents the substantive plans as of that date. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions.

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**Active Contributions:**

<b>Year</b>	<b>Rate</b>
2012-2013	3.00% of pay
2014	3.50% of pay
2015-2016	4.00% of pay
2017-2018	4.50% of pay
2019	4.75% of pay
2020	5.00% of pay
2021+	6.00% of pay

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**Benefit Eligibility:**

Retirement: Age 55 with 20 years of service, or any age with 25 years of continuous service if hired prior to September 5, 2001 and retired before the full execution of the next collective bargaining agreements.

Disability:

- o 5 years of service if covered under Workmen's Compensation; or
- o 10 years of service.

**Service for Eligibility Purposes:**

Pension service to January 18, 2008 plus RHCT service after January 17, 2008. After January 17, 2008, employees accrue one year of service for every plan year worked.

**Service for Contribution Schedule:**

Pension service to January 18, 2008 plus RHCT service after January 17, 2008. After January 17, 2008, salaried employees accrue one year of service for every plan year worked, and non-salaried employees earn service based on the actual hours worked in the plan year divided by 2,080 hours.

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<b>Benefit Types:</b>	Medical and prescription drug. Dental is available at full cost. In lieu of retiree medical coverage, participants may receive a health-savings-type account equal to their active contributions. Those who terminate prior to retiree health eligibility may receive a health-savings-type account equal to their active contributions at age 65. Rules for any health-savings-type account have not yet been defined by the Board of Trustees.
<b>Duration of Coverage:</b>	Lifetime.
<b>Dependent Benefits:</b>	Medical and prescription drug. Dental is available at full cost.
<b>Dependent Coverage:</b>	Eligible dependents covered during retirement may continue coverage after the death of the retiree.
<b>Retiree Contributions:</b>	Self-pay rates depend on service at retirement and Medicare status. Self-pay rates for disabled retirees depend on Medicare status and service at time of disability. The monthly rates effective January 1, 2012 are shown below.

Service	Non-Medicare				Medicare			
	Retiree		Dependent(s) or Surviving Spouse		Retiree		Dependent(s) or Surviving Spouse	
	PPO	HMO I	PPO	HMO I	Aetna EN	Aetna PPN	Aetna EN	Aetna PPN
35+	\$42	\$36	\$405	\$348	\$12	\$8	\$116	\$82
30 - 34	83	71	405	348	23	16	116	82
25 - 29	234	201	541	464	70	49	151	107
20 - 24	342	294	586	503	93	66	151	107
15 - 19	586	503	631	541	151	107	163	115
10 - 14	676	580	676	580	175	123	175	123
Less than 10	811	696	811	696	210	148	210	148

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**Benefit Descriptions:**

***PRE-MEDICARE***

<b>Medical</b>	<b>BCBS PPO</b>		<b>HMO Illinois</b>	
	<b>In-network</b>	<b>Out-of-network</b>		
<i>Annual Deductible (indexed*)</i>	\$322 individual/\$643 family		Not applicable	
<i>Annual Out-of-Pocket Maximum (after deductible) (indexed*)</i>	\$3,217 individual/ \$6,433 family		\$4,289 individual/ \$8,577 family	
<i>Lifetime Maximum</i>	\$2,000,000 per person		Unlimited	
<i>Coinsurance (after deductible)</i>	90%	60%	100% after co-pays	
<b>Prescription Drugs</b>				
<i>Copay** (indexed)</i>	<u>Retail*</u> (30 day)	<u>Mail*</u> (90 day)	<u>Retail</u>	<u>Mail</u>
<i>Generic</i>	\$11	\$21	\$5	\$10
<i>Brand Formulary if no generic</i>	\$21	\$43	\$10	\$20
<i>Brand Non-Formulary or brand with generic</i>	\$54	\$107	\$25	\$50

\* Indexed each year to the CPI, Chicago-Gary Kenosha, IL-IN-WI CMSA.

\*\* Mandatory mail-order for 2<sup>nd</sup> refill.

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***MEDICARE***

	<b>Aetna EN MA Plan</b>	<b>Aetna PPN MA Plan</b>
<b>Medical</b>		
<i>Annual Deductible (indexed*)</i>	\$322 individual/\$643 family	Not applicable
<i>Annual Out-of-Pocket Maximum (after deductible) (indexed*)</i>	\$3,217 individual/ \$6,433 family	Not applicable
<i>Lifetime Maximum</i>	Unlimited	Unlimited
<b>Prescription Drugs</b>		
<i>Copay (indexed*)</i>	<u>Retail</u>	<u>Mail</u>
<i>Generic</i>	\$5	\$11
<i>Brand Formulary if no generic</i>	\$11	\$21
<i>Brand Non-Formulary or brand with generic</i>	\$27	\$54
	<u>Retail</u>	<u>Mail</u>
	\$5	\$11
	\$11	\$21
	\$27	\$54

\* Indexed each year to the CPI, Chicago-Gary-Kenosha, IL-IN-WI CMSA.