Chicago Transit Authority Retiree Health Care Trust

Actuarial Valuation as of January 1, 2015
Including Accounting Disclosures for the Year Ended December 31, 2014

Segal Consulting

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September 29, 2015

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, 2015.

This report is based on information received from Group Administrators and the Retiree Health Care Trust. Segal Consulting 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,

Segal Consulting, a Member of The Segal Group, Inc.

By: Barbara Zaveduk
Barbara Zaveduk, EA MAAA
Vice President and Actuary

Yori Rubinson
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SECTION 1

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.

IMPORTANT INFORMATION ABOUT ACTUARIAL VALUATIONS

An actuarial valuation is a budgeting tool with respect to the defining future uncertain obligations of a postretirement health plan. As such, it will never forecast the precise future stream of benefit payments. It is an estimated forecast – the actual cost of the plan will be determined by the benefits and expenses paid, not by the actuarial valuation.

In order to prepare a valuation, Segal Consulting ("Segal") relies on a number of input items. These include:

- **Plan of benefits** Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. Even where they appear precise, outside factors may change how they operate. For example, a plan may require the award of a Social Security disability pension as a condition for receiving a disability pension from the plan and subsequent health benefits. If so, changes in the Social Security law or administration may change the plan's costs without any change in the terms of the plan itself. It is important for the Trustees to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan summary included in our report to confirm that Segal has correctly interpreted the plan of benefits.

- **Participant data** An actuarial valuation for a plan is based on data provided to the actuary by the plan. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. For most plans, it is not possible or desirable to take a snapshot of the actual work force on the valuation date. In any event, the actuarial valuation is based on a future work force that is presumed to be the same as the active population included in the valuation, but in fact, employment varies from year to year, sometimes quite considerably. It is not necessary to have perfect data for an actuarial valuation: the valuation is an estimated forecast, not a prediction. The uncertainties in other factors are such that even perfect data does not produce a "perfect" result. Notwithstanding the above, it is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.

- **Assets** Part of the cost of a plan will be paid from existing assets – the balance will need to come from future contributions and investment income. The valuation is based on the asset values as of the valuation date, typically reported by the auditor. Some plans include assets, such as private equity holdings, real estate, or hedge funds, that are not subject to valuation by reference to transactions in the marketplace. A snapshot as of a single date may not be an appropriate value for determining a single year's contribution requirement, especially in volatile markets. Plan sponsors often use an "actuarial value of assets" that differs from market value to gradually reflect year-to-year changes in the market value of assets in determining the contribution requirements.

- **Actuarial assumptions** In preparing an actuarial valuation, Segal starts by developing a forecast of the benefits to be paid to existing plan participants for the rest of their lives and the lives of their beneficiaries. This requires actuarial assumptions as to the probability of death, disability, withdrawal, and retirement of each participant for each year, as well as forecasts of the plan's benefits for each of those events. The forecasted benefits are then discounted to a present value, typically based on an estimate of the rate of return that will be achieved on the plan's assets or, if there are no assets, a rate of return on high quality fixed income investments. All of these factors are uncertain and unknowable. Thus, there will be a range of reasonable assumptions, and the results may vary materially based on which assumptions the actuary selects within that range. That is, there is no right answer (except with hindsight). It is important for any user of an actuarial valuation to understand and accept this constraint. The actuarial model may use approximations and estimates that will have an immaterial impact on our results and will have no impact on the actual cost of the plan. In addition, the actuarial assumptions may change over time, and while this can have a significant impact on the reported results, it does not mean that the previous assumptions or results were unreasonable or wrong.

Given the above, the user of Segal's actuarial valuation (or other actuarial calculations) needs to keep the following in mind:

- The actuarial valuation is prepared for use by the Trustees. It includes information for compliance with accounting standards and for the plan's auditor. Segal is not responsible for the use or misuse of its report, particularly by any other party.
- An actuarial snapshot is a measurement at a specific date – it is not a prediction of a plan's future financial condition.
- Critical events for a plan include, but are not limited to, decisions about changes in benefits and contributions. The basis for such decisions needs to consider many factors such as the risk of changes in employment levels and variations in claims, not just the current valuation results.
- Segal does not provide investment, legal, accounting, or tax advice. Segal's valuation is based on our understanding of applicable guidance in these areas and of the plan's provisions, but they may be subject to alternative interpretations. The Trustees should look to their other advisors for expertise in these areas.
- While Segal maintains extensive quality assurance procedures, an actuarial valuation involves complex computer models and numerous inputs. In the event that an inaccuracy is discovered after presentation of Segal's valuation, Segal may revise that valuation or make an appropriate adjustment in the next valuation.
- Segal's report shall be deemed to be final and accepted by the Trustees upon delivery and review. Trustees should notify Segal immediately of any questions or concerns about the final content.

As Segal Consulting has no discretionary authority with respect to the management or assets of the Plan, it is not a fiduciary in its capacity as actuaries and consultants with respect to the Plan.

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, 2015, projected income and assets exceed projected benefits, and no changes are necessary.

Table A

January 1, 2015 Funding Assessment

Actuarial Present Value of Projected Benefits			Actuarial Present Value of Projected Income and Assets	
Current retirees				
Present value of benefits	$540,435,544		Present value of active contributions	$173,713,786
Less: Retiree self-payments	(202,228,557)		Assets	732,599,705
Net present value		$338,206,987	Less: Statutory reserve	(32,929,853)
Future retirees			Total income and assets	$873,383,638
Present value of benefits	702,934,237			
Less: Retiree self-payments	(294,819,045)			
Net present value		408,115,192		
Present value of HRA benefits		57,486,683	Income and assets in excess of projected benefits	$69,574,776
Total present value of projected benefits		$803,808,862	Income and assets as a percentage of projected benefits	108.7%

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.
- Changes to per capita claims, based on updated claim experience, along with changes to retiree contribution rates.
- Other assumption changes include updating trend rates on future per capita health costs, and increasing contribution service accruals from 0.85 to 0.90 for those hired in 2014 or currently part time.
- Plan changes made in 2015 include removing the Medicare PPN option, and transitioning Medicare benefits to a Medicare Advantage and Prescription Drug (MAPD) plan.
- An amendment to Public Act 098-1164 allows the Trust to provide HRA benefits at age 65 to certain participants who do not receive retiree health coverage. The Trustees have not yet adopted rules regulating the HRA benefit. The estimated HRA liability is now included in the present value of benefits instead of as an offset to the present value of income and assets.

Table B

Effect of Changes on Funding Levels

	Actuarial Present Value of Projected Benefits	Actuarial Present Value of Projected Income and Assets	Income and assets as a % projected benefits
January 1, 2014 valuation	$755.4 million	$794.4 million	105.2%
Effect of expected changes	+19.0 million	+42.0 million	+2.8%
Effect of assets more or less than expected	--	-26.7 million	-3.3%
Effect of other gains/losses, including changes in census data	+26.3 million	-5.4 million	-4.2%
Effect of changes in per capita claims and retiree contribution rates	-54.3 million	+2.6 million	+7.7%
Effect of changes in other assumptions	+0.0 million	+0.8 million	+0.1%
Effect of plan changes	+57.4 million	+65.7 million	+0.4%
January 1, 2015 valuation	$803.8 million	$873.4 million	108.7%

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.

Table C

Calculation of January 1, 2015 Statutory Reserve

1.	12 months of expected claims and administrative expenses	$49,339,576
2.	Less: 12 months of expected retiree and dependent contributions	(17,597,323)
3.	12 months of net expected claims and administrative expenses	31,742,253
4.	Incurred and unreported claims*	1,187,600
5.	Total statutory reserve: (3) + (4)	$32,929,853

***** *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.*

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, 2014 audit of the Chicago Transit Authority Retiree Health Care Trust, the aggregate amount of retiree, dependent, and survivor contributions for 2014 was $18.16 million. The total cost of retiree health benefits paid from the Health Care Trust in 2013 was $49.48 million. Dental benefits and contributions are excluded from these totals, since the Fund does not provide dental benefits, but only serves as a “pass-through” for dental premiums.

Aggregate retiree, dependent, and survivor contributions in 2014 were less than 45% of the total cost of benefits in 2013.

Table D

45% Test (Retiree Contributions versus Cost of Benefits)

1.	Aggregate retiree, dependent, and survivor contributions in 2014	$18,161,632
2.	Total cost of benefits in 2013	$49,481,974
3.	**Retiree self-pay as a percentage of total cost of benefits: (1) / (2)**	**36.70%**

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.

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.

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.

CHART 1

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

	December 31, 2014
Participant Category	
Current retirees, beneficiaries, and dependents	$338,206,987
Future retirees and dependents	170,813,355
HRA benefits	37,665,341
Total	$546,685,683
Effect of Active and Retiree Contributions	
Actuarial accrued liability before reduction for active and retiree contributions	$1,009,643,428
Less projected active contributions	84,593,438
Less projected retiree contributions	378,364,307
Net employer actuarial accrued liability	$546,685,683
Actuarial value of assets	732,599,705
Unfunded/(Overfunded) actuarial accrued liability	($185,914,022)

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.

CHART 2

Determination of Annual Required Contribution (ARC)

Cost Element	Fiscal Year Ending December 31, 2014	
	Amount	Percentage of Compensation
1. Normal cost (net of active and retiree contributions)	$5,251,458	0.8%
2. Amortization of the unfunded actuarial accrued liability (30 years)	(14,002,002)	(2.2%)
3. Total Annual Required Contribution (ARC): (1)+(2), not less than zero	$0	0.0%

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.

CHART 3

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

Fiscal Year Ended December 31,	Annual Required Contributions	Actual Contributions	Percentage Contributed
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
2012	0	652,568	N/A
2013	0	79,264	N/A
2014	0	0	N/A

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.

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%)
December 31, 2012	643,201,032	455,088,976	(188,112,056)	141.3%	625,807,630	(30.1%)
December 31, 2013	722,928,591	588,433,780	(134,494,811)	122.9%	635,900,577	(21.2%)
December 31, 2014	732,599,705	546,685,683	(185,914,022)	134.0%	632,394,411	(29.4%)

SUMMARY OF ASSUMPTIONS AND METHODS

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

CHART 5

Notes to Required Supplementary Information - Summary of Assumptions and Methods

Valuation Date:	December 31, 2014
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level dollar, open
Remaining Amortization Period	30 years remaining as of December 31, 2014
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment rate of return	7.00%
Projected salary increases	9% for 1 year of service, 11% for 2 years of service, 16% for 3 years of service, 5% for 4 years of service, and 4% thereafter
Inflation rate	3.25%
Health trend rates:	
HMO & PPO (pre-Medicare)	8.00% for 2015, graded to 5.00% over 6 years
MAPD (Medicare)	4.25% for 2015, then 8.75% graded to 5.00% over 5 years, with an additional 10% in 2017 for MAPD renewal
Participants (excluding dependent children) as of January 1, 2015	
Total Retirees, Spouses, and Surviving Spouses	9,028
Active Employees	10,519
Inactive Vested Participants	99

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.

Actuarial Value of Assets (AVA):	The value of assets used by the actuary in the valution. These may be at market value or some other method used to smooth variations in market value from one valuation to the next.
Funded Ratio:	The ratio AVA/AAL.
Unfunded Actuarial Accrued Liability (UAAL):	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.
Amortization of the Unfunded Actuarial Accrued Liability:	Payments made over a period of years equal in value to the Plan's unfunded actuarial accrued liability.
Investment Return (discount rate):	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.
Health Care Cost Trend Rates:	The annual rate of increase in net claims costs per individual benefiting from the Plan.
Annual Required Contribution (ARC):	The ARC is equal to the sum of the normal cost and the amortization of the unfunded actuarial accrued liability.

Exhibit I

Summary of Participant Data

	January 1, 2015	January 1, 2014
Retirees and Disableds		
Number of retirees and disableds	6,363	6,475
Average age of retirees and disableds	69.8	69.4
Number of spouses (not including dependent children)	1,993	2,081
Average age of spouses	67.5	66.8
Surviving Spouses		
Number	672	691
Average age	78.9	79.1
Active Employees (including those not yet accruing service under the Retirement Plan)		
Number	10,519	10,684
Average age	46.1	46.1
Average years of service for contribution schedule	10.5	10.4
Average salary	$66,758	$63,774
Inactive Vested Participants		
Number	99	97
Average age	56.4	55.8

EXHIBIT II

Summary of Income and Expenses

	Year Ended December 31, 2014	Year Ended December 31, 2013
Additions		
Employee contributions	$19,965,817	$19,897,480
Retiree contributions	19,538,565	17,354,300
Medicare Part D subsidy	0	79,264
Investment income (net of investment expenses)	24,578,964	93,351,722
Total additions	$64,083,346	$130,682,766
Deductions		
Benefit payments (net of rebates)	$52,068,330	$49,873,434
Administrative expenses	2,343,902	1,081,773
Total deductions	$54,412,232	$50,955,207
Net increase (decrease)	$9,671,114	$79,727,559
Net assets available for benefits		
Beginning of year	$722,928,591	$643,201,032
End of year	$732,599,705	$722,928,591

EXHIBIT III
Actuarial Assumptions

Valuation Date: January 1, 2015

Data: 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.

Net Investment Return: 7.00%

Salary Scale:

Years of Service	Salary Increase
1	9.0%
2	11.0%
3	16.0%
4	5.0%
5+	4.0%

Inflation Rate: 3.25%

Decrements Prior to Retirement:

	Rates (%)			
	Mortality*			
Age	Male	Female	Withdrawal**	Disability
20	0.03	0.02	9.50	0.10
25	0.04	0.02	7.00	0.10
30	0.07	0.03	5.10	0.10
35	0.10	0.05	4.10	0.20
40	0.13	0.08	2.90	0.30
45	0.17	0.13	2.40	0.40
50	0.23	0.19	1.90	0.50
55	0.40	0.26	0.00	0.60

* Rates shown are those applicable for the base rate table, before any generational projection.

** None for those with 25 or more years of service. 15% assumed in first year for non-full-time permanent employees.

Post-Retirement Mortality Rates:

Healthy: RP-2000 Combined Healthy Blue Collar Mortality Tables projected to 2016 using Scale BB, then projected generationally from 2016 using Scale BB

Disabled: RP-2000 Disabled Retiree Mortality Tables projected to 2016 using Scale BB, then projected generationally from 2016 using Scale BB

Active Retirement Rates: After meeting Pension eligibility (Normal Retirement: Age 65; Early Retirement if hired before 1/18/08: Age 55 with 3 years of service or any age with 25 years of service; Early Retirement if hired on or after 1/18/08: Age 55 with 10 years of service or age 64 with 25 years of service), the following rates apply:

	Rates (%)		
	Hired Before 1/18/08		
Age	Svc < 25	Svc >=25	Hired 1/18/08 or After
45-54	0.0	20.0	0.0
55	1.5	20.0	1.5
56	1.5	22.5	1.5
57	2.0	25.0	2.0
58	2.0	27.5	2.0
59	2.0	30.0	2.0
60	2.5	32.5	2.5
61	4.0	35.0	4.0
62	15.0	42.5	20.0
63	15.0	40.0	15.0
64	20.0	42.5	15.0
65	30.0	45.0	60.0
66	30.0	45.0	25.0
67	30.0	45.0	25.0
68	30.0	45.0	25.0
69	30.0	45.0	25.0
70-74	30.0	45.0	30.0
75	100.0	100.0	100.0

Retirement Age for Eligible Inactives: Age 65.

Participation:

The percent of those eligible for coverage who are assumed to decline is equal to 50% of the percent of full cost paid by the retiree (based on contribution service at retirement). The resulting rates of retiree enrollment for January 1, 2015 are:

	Rate (%)	
Service	**Pre-Medicare**	**Medicare**
35+	97.5	97.5
30-34	95.5	94.5
25-29	86.0	84.5
20-24	77.5	76.0
15-19	62.5	60.0
10-14	57.5	56.0
<10	50.0	50.0

Dependents:

75% of future retirees are assumed to be married, with husbands assumed to be three years older than their wives. The percent of spouses assumed to decline coverage is equal to 80% of the percent of full cost paid by the spouse (based on retiree's contribution service at retirement). The resulting rates of spouse enrollment for January 1, 2015 are:

	Rate (%)	
Service	**Pre-Medicare**	**Medicare**
45+	96.0	96.0
40-44	87.2	85.6
35-39	73.6	69.6
30-34	64.0	58.4
25-29	51.2	45.6
20-24	44.0	40.8
15-19	40.0	36.0
10-14	32.0	29.6
<10	20.0	20.0

Plan Election:	70% of future pre-Medicare retirees are assumed to elect BCBS PPO coverage, and the remaining 30% elect HMO Illinois coverage. Upon retirement, 50% of pre-65 disabled retirees are assumed to be eligible for Medicare, increasing to 90% eligible for Medicare two years after retirement. All pre-Medicare disabled retirees are assumed to elect BCBS PPO coverage.
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 2014, salaries were annualized. For employees whose 2014 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.
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 2013 and 2014 hours divided by 2,080 for non-salaried actives. If hired in 2013, only 2014 hours are used. If hired in 2014 or currently part-time, participants earn 0.90 credit in each future year. Salaried actives earn one year of service each year.

Per Capita Cost Development:

HMO Illinois

Based on January 1, 2015 premium rates. Actuarial factors were then applied to estimate individual retiree and spouse costs by age and by gender.

PPO Medical

Per capita claims costs were based on actual retiree paid claim experience for the period May 1, 2012 through April 30, 2014, 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.

PPO Prescription Drugs

Per capita claims costs were based on actual retiree paid claim experience for the period May 1, 2012 through April 30, 2014. 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.

MAPD

Based on January 1, 2015 premium rates for Humana Medicare Advantage Prescription Drug (MAPD) plan. Actuarial factors were then applied to estimate individual retiree and spouse costs by age and by gender.

Administrative Expenses

Administrative expenses were based on experience furnished by the Plan Administrator for the period January 1, 2013 through December 31, 2013 trended to the valuation date. Expenses were divided by the number of adult members to yield a per participant cost. Transitional Reinsurance and Patient Centered Outcomes Research Institute (PCORI) fees and Transitional Reinsurance fees mandated by the Affordable Care Act were added to the expenses.

Per Capita Health Costs:

Medical and prescription drug claims costs for the plan year beginning January 1, 2015 are shown in the table below for retirees at selected ages. These costs are net of deductibles and other benefit plan cost sharing provisions.

	HMO Illinois				PPO Medical				PPO Prescription Drug				MAPD			
	Retiree		Spouse		Retiree		Spouse		Retiree		Spouse		Retiree		Spouse	
Age	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Male	Female	Male	Female	Male
55	$9,608	$9,919	$14,765	$16,723	$9,309	$9,611	$7,327	$8,298	$1,614	$1,667	$1,271	$1,439	$2,426	$2,426	$2,426	$2,426
60	11,410	10,692	19,766	19,395	11,055	10,360	9,808	9,624	1,917	1,797	1,701	1,669	2,426	2,426	2,426	2,426
64	13,090	11,342	24,952	21,830	12,684	10,990	12,382	10,832	2,200	1,906	2,147	1,879	2,426	2,426	2,426	2,426
65													2,554	2,171	2,554	2,171
70													2,960	2,339	2,960	2,339
75													3,190	2,518	3,190	2,518

Administrative Expenses:

Administrative expenses of $173 per participant were added to projected incurred claims costs. An additional expense for ACA reinsurance fees of $46 in 2015, $28, and $2 in years 2017 through 2019 was added for PPO participants.

Medicare Part D Subsidy:

Medicare benefits are provided through a fully insured MAPD plan, therefore, the Trust does not receive Medicare Part D subsidies.

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.

Year Ending December 31	HMO & PPO	MAPD	Fees and Administrative Expenses
2015	8.00%	4.25%	5.00%
2016	7.50%	8.75%	5.00%
2017	7.00%	8.00%	5.00%
2018	6.50%	7.25%	5.00%
2019	6.00%	6.50%	5.00%
2020	5.50%	5.75%	5.00%
2021 & later	5.00%	5.00%	5.00%

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.

An additional 10% increase is assumed in 2017 for the next MAPD renewal.

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

Active Contributions: 3.00% of pay in all future years

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.
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. Beginning in 2018, the PPACA imposes a 40% excise tax on health plans if the cost of coverage exceeds certain thresholds. When estimating the potential effect of this excise tax, we assumed that the plan would elect to treat retirees who have not attained age 65 and retirees who have attained age 65 as similarly situated beneficiaries, which produces a cost of coverage that is below the threshold for the tax.

Rational for Actuarial Assumptions:	Rates of mortality, termination, disability, and retirement, salary increases, and the rate of inflation were based on an experience study completed to determine assumptions for the January 1, 2014 through January 1, 2018 valuations of the Retirement Plan for CTA Employees. The analysis was based on historical data and projections for the five-year period ending December 31, 2012. The mortality tables were determined to reasonably provide for future mortality improvement. Rates of retiree and spouse participation, plan election assumptions, the percent of disabled participants eligible for Medicare, and rates of termination for participants who are not full time permanent employees were based on an experience study completed to determine assumptions for the January 1, 2014 through January 1, 2018 valuations of the CTA RHCT. The analysis was based on historical data and projections for various periods ending December 31, 2013. The net investment return assumption is a long-term estimate derived from historical data, current and recent market expectations, and professional judgment. The analysis was based on an experience study completed to determine assumptions for the January 1, 2014 through January 1, 2018 valuations of the CTA RHCT. As part of the analysis, a building block approach was used that reflects inflation expectations and anticipated risk premiums for each of the portfolio’s asset classes, as well as the Plan’s target asset allocation. The trend rate assumptions were developed using data sources such as the Segal Health Trend Survey, internal client results, trends from other published surveys prepared by the S&P Dow Jones Indices, consulting firms and brokers, and CPI statistics published by the Bureau of Labor Statistics.

EXHIBIT IV

Summary of Plan

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.

Active Contributions:	3% of pay as of January 1, 2015.
HRA:	The Trustees may establish a health reimbursement arrangement for retirees and former employees, and their survivors, who have contributed to the Retiree Health Care Trust but either (1) do not satisfy the eligibility requirements for retiree health coverage, or (2) satisfy the eligibility requirements but decline coverage prior to retirement. Upon reaching age 65, the health reimbursement arrangement may provide reimbursement for allowable expenses, not to exceed the retiree's total active contributions. The Trustees have not yet adopted rules regarding this benefit.
Health 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.

Benefit Types:	Medical and prescription drug. Dental is available at full cost.
Duration of Coverage:	Lifetime.
Dependent Benefits:	Medical and prescription drug. Dental is available at full cost.
Dependent Coverage:	Eligible dependents covered during retirement may continue coverage after the death of the retiree.
Retiree Contributions:	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, 2015 are shown below.

	Non-Medicare				Medicare	
	Retiree		Dependent(s) or Surviving Spouse		Retiree	Dependent(s) or Surviving Spouse
Service	**PPO**	**HMO I**	**PPO**	**HMO I**	**Humana MAPD**	**Humana MAPD**
45+	$47	$40	$47	$40	$13	$13
40 - 44	47	40	161	135	13	45
35 - 39	47	40	331	279	13	94
30 - 34	95	80	455	382	27	130
25 - 29	284	239	616	517	78	170
20 - 24	453	424	704	659	120	185
15 - 19	755	707	755	707	200	200
10 - 14	855	801	855	801	220	220
Less than 10	1,006	942	1,006	942	249	249

Benefit Descriptions:

PRE-MEDICARE

	BCBS PPO		HMO Illinois	
Medical	**In-network**	**Out-of-network**		
Annual Deductible (indexed)*	$345 individual/$690 family		Not applicable	
Annual Out-of-Pocket Maximum (after deductible) (indexed)*	$3,450 individual/ $6,900 family	$4,600 individual/ $9,200 family	$1,500 individual/ $3,000 family	
Lifetime Maximum	$2,000,000 per person		Unlimited	
Coinsurance (after deductible)	90%	60%	100% after co-pays	
Prescription Drugs				
*Copay** (indexed)*	Retail* (30 day)	Mail* (90 day)	Retail	Mail
Generic	$12	$23	$5	$10
Brand Formulary if no generic	$23	$46	$10	$20
Brand Non-Formulary or brand with generic	$58	$115	$25	$50

* *Indexed each year to the CPI, Chicago-Gary Kenosha, IL-IN-WI CMSA.*
** *Mandatory mail-order for 2nd refill.*

MEDICARE

	Humana MAPD	
Medical		
Annual Deductible (indexed)*	$345 individual/$690 family	
Annual Out-of-Pocket Maximum (after deductible) (indexed)*	$3,450 individual/ $6,900 family	
Lifetime Maximum	Unlimited	
Prescription Drugs		
Copay (indexed)*	Retail	Mail
Generic	$6	$12
Brand Formulary if no generic	$12	$23
Brand Non-Formulary or brand with generic	$29	$58

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