CHICAGO TRANSIT AUTHORITY
RETIREE HEALTH CARE PLAN

Financial Statements and Supplementary Information
For the Years Ended December 31, 2011 and 2010
With Report of Independent Auditors

CHICAGO TRANSIT AUTHORITY
RETIREE HEALTH CARE PLAN
December 31, 2011 and 2010

TABLE OF CONTENTS

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REPORT OF INDEPENDENT AUDITORS

The Board of Trustees
Chicago Transit Authority Retiree Health Care Plan

We have audited the accompanying statements of plan net assets of the Chicago Transit Authority Retiree Health Care Plan (the Plan) as of December 31, 2011 and 2010, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Plan as of December 31, 2011 and 2010, and the changes in its net assets for the years then ended, in conformity with U.S. generally accepted accounting principles.

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

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

Mitchell & Titus, LLP

September 27, 2012

This management's discussion and analysis of Chicago Transit Authority Retiree Health Care Plan (the Plan) provides an overview and analysis of the financial statements of the Plan, including highlights and discussion of current activities for the years ended December 31, 2011, 2010 and 2009. For more detailed information regarding the Plan's financial activities, readers should also review the Plan's financial statements, including the notes and supplementary schedules.

Overview of the Financial Statements

The basic financial statements are prepared in accordance with accounting principles generally accepted in the U.S. as established by the Governmental Accounting Standards Board (GASB) and are described below:

- *The Statement of Plan Net Assets* presents the Plan's assets and liabilities and the resultant net assets held in trust for plan benefits at year end. This statement reflects the Plan's investments at fair value as well as receivables and liabilities.

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

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

The required supplementary information consists of a Schedule of Funding Progress, a Schedule of Contributions from Employer and Other Contributing Entities, as well as the related notes to discuss actuarial assumptions and methods. Such schedules provide the historical trend information for the Plan since its adoption of GASB Statement No. 43 to aid in the analysis of the funded status of the Plan and the progress being made in accumulating sufficient assets to pay benefits when due.

- *The Schedule of Funding Progress* contains actuarial valuations of the status of the Plan in an ongoing as well as historical basis. Actuarial liabilities in excess of the actuarial value of assets indicate that insufficient assets have been accumulated to fund future benefits of current members and retirees. Conversely, actuarial value of assets in excess of actuarial accrued liabilities indicates that the Plan is overfunded.

- *The Schedule of Contributions from Employer and Other Contributing Entities* contains historical trend information of employer contributions and other contributing entities. It shows the value of total annual contributions the employer must pay as determined under the parameters in GASB Statement No. 43 and the related percentage the employer has contributed to meet its requirement.

- *The Notes to Required Supplementary Information* provide background information and the actuarial method and assumptions used to aid in the understanding of the required supplementary schedules.

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

Financial Highlights

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

- Public Act 095-0708, signed by the Governor on January 18, 2008, established the CTA Retiree Health Care Trust (RHCT, or the Plan) and provided for funding and benefit changes to the retiree health care benefits. Beginning January 18, 2008, all CTA employees were required to contribute 3% of their compensation into the newly formed RHCT. The legislation also required changes to eligibility for health care benefits from the RHCT. Contributions from retirees, dependents, and survivors may not exceed 45% of the total cost of their benefits under the Plan. Public Act 095-0708 also authorized the CTA to issue pension obligation bonds to fund the retiree health care trust. After the bond funding, the legislation provides that the CTA has no further obligation to provide funding for health care benefits to eligible retirees and their dependents and survivors. During 2011, 2010 and 2009, CTA employees' contributions remained at 3% of their compensation.

- The RHCT was established on May 12, 2008. Approximately $528.8 million from bond proceeds were deposited in the RHCT in August 2008.

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

- Retiree and employee contributions totaled $40.7 million, $39.8 million, and $29.2 million for the years ended December 31, 2011, 2010, and 2009, respectively.

- Net investment income was $6.5 million, $69.8 million, and $17.5 million for the years ended December 31, 2011, 2010, and 2009, respectively.

- Net assets totaled $581.5 million, $587.0 million, and $533.3 million at December 31, 2011, 2010, and 2009, respectively.

- The funded ratio of the Plan was 120.8%, 121.0%, and 85.6% at December 31, 2011, 2010, and 2009, respectively.

Plan Net Assets

A schedule of plan net assets is presented below:

Plan Net Assets
(in millions)
As of December 31, 2011, 2010, and 2009

	2011	2010	2009	2011-2010 Change $	2011-2010 Change %
Investments, at fair value	$ 590.3	$ 599.1	$ 565.8	$ (8.8)	(1.5)%
Employee contributions receivable	0.1	-	0.4	0.1	100.0
Retiree contributions receivable	1.7	1.7	1.7	-	-
Retiree subsidy receivable	1.4	2.5	-	(1.1)	(44.0)
Securities sold but not received	2.1	3.4	2.6	(1.3)	(38.2)
Accrued interest and dividends	2.2	1.9	2.0	0.3	15.8
Other receivables	2.0	-	-	2.0	100.0
Prepaid expenses	-	-	0.3	-	-
Funding security deposit	0.2	0.2	0.2	-	-
Total assets	600.0	608.8	573.0	(8.8)	
Accounts payable	7.8	10.5	5.3	(2.7)	(25.7)
Securities purchased but not paid	10.7	11.3	34.4	(0.6)	(5.3)
Total liabilities	18.5	21.8	39.7	(3.3)	
Net Plan assets	$ 581.5	$ 587.0	$ 533.3	$ (5.5)	(0.9)

Plan net assets decreased by $5.5 million, or 0.9%, at December 31, 2011 compared to the prior year, primarily due to market conditions, which decreased investments at year end by $8.8 million. Total receivables remained unchanged at December 31, 2011 from the prior year as increases in miscellaneous receivables at December 31, 2011 were offset by decreases in the Retiree Drug Subsidy Program receivable and receivable from pending sales of securities at year end. Liabilities decreased by $3.3 million at December 31, 2011, caused by a decrease in accounts payable and pending purchases of securities at year end.

Plan net assets increased by $53.7 million, or 10.1%, at December 31, 2010 compared to the prior year, primarily due to more favorable market conditions, which increased investments at year end by $33.3 million. Receivables increased $2.8 million at December 31, 2010, mainly due to receivable from the Retiree Drug Subsidy Program and pending sales of securities at year end. Liabilities decreased by $17.9 million at December 31, 2010, caused by higher accounts payable but more than offset by decreases in pending purchases of securities at year end.

Changes in Plan Net Assets

The following schedule presents changes in plan net assets during the years:

Changes in Plan Net Assets
(in millions)
For the Years Ended December 31, 2011 and 2010 and 2009

				2011-2010 Change	
	2011	**2010**	**2009**	**$**	**%**
Additions					
Employee contributions	$ 18.6	$ 18.0	$ 19.3	$ 0.6	3.3%
Retiree contributions	22.1	21.8	9.9	0.3	1.4
Medicare subsidy program	4.6	3.9	-	0.7	17.9
Early retiree reinsurance program	4.3	-	-	4.3	100.0
Rebates and reimbursements related to claims	2.7	2.2	-	0.5	22.7
Net investment income	6.5	69.8	17.5	(63.3)	(90.7)
Total additions	58.8	115.7	46.7	(56.9)	
Deductions					
Medical claims paid to providers	42.4	43.2	53.1	(0.8)	(1.9)
Dental claims paid to providers	1.7	1.7	1.0	-	-
Premium payments to insurance companies	16.5	14.0	5.9	2.5	17.9
Claim administration fee	2.1	2.0	1.0	0.1	5.0
Administrative expenses	1.6	1.1	1.9	0.5	45.5
Total deductions	64.3	62.0	62.9	2.3	
Net increase (decrease)	$ (5.5)	$ 53.7	$ (16.2)	$ (59.2)	(110.2)

Total additions of $58.8 million in 2011 were $56.9 million less than the amounts in 2010, primarily due to lower investment income related to market conditions. Total additions of $115.7 million in 2010 were $69.0 million higher than the amounts in 2009, primarily due to higher retiree contributions as more retirees enrolled into the Plan as well as higher investment income, reflecting a full year of investment returns in 2010 compared to deployment of assets for investment for part of the year in 2009.

Deductions for medical claims and administration fees for 2011 were $64.3 million compared to $62.0 million in 2010. In 2011, premium payments to insurance companies continued to increase as more retirees enrolled into the Plan. In 2010, the Plan replaced one of its medical providers with an HMO. Consequently, premium payments to insurance companies were higher in 2010 and medical claims paid to providers were lower in 2010 compared to 2009. Administrative expenses were $500,000 higher in 2011 compared to 2010 due to cost incurred for changing benefit options. Administrative expenses were approximately $800,000 less in 2010 compared to 2009 due to lower professional and legal fees in 2010.

Plan Membership

The following table presents the changes in Plan membership as of December 31, 2011, 2010, and 2009:

	2011	2010	2009	2011-2010 Change	2011-2010 %
Retirees and beneficiaries receiving benefits	9,364	9,854	10,108	(490)	4.98%
Terminated plan members entitled to but not yet receiving benefits	84	69	51	15	21.74
Active participants	9,775	10,026	9,865	(251)	(2.51)
	19,223	19,949	20,024	(726)	

Funding Results on the Retiree Health Care Trust and Plan

Section 22-101B(b)(3)(iii) of the Illinois Pension Code requires the Board of Trustees of the CTA Retiree Health Care Trust to make an annual assessment of the funding levels of the CTA Retiree Health Care Trust and to submit a report to the Auditor General regarding the assessment. The purpose of the Retiree Health Care Trust is to fund the expenses of the CTA Retiree Health Care Plan. If the actuarial present value of projected benefits exceeds the actuarial present value of projected contributions and trust income plus assets in excess of the statutory reserve, then a plan should be implemented by management of the Retiree Health Care Trust to increase the contribution levels from employees, retirees, dependents, or survivors; decrease in benefit levels or both, which is projected to cure the shortfall over a period of not more than 10 years. At December 31, 2011, 2010 and 2009, the funded ratio of the Plan was 120.8%, 121.0%, and 85.6%, respectively. The decrease in funding ratio at December 31, 2011 was primarily due to actuarial value of assets less than expected. The increase in funded ratio at December 31, 2010 was due to actual investment returns higher than expected, which increased actuarial value of assets and a reduction in actuarial accrued liabilities from projected savings in a new arrangement with certain medical providers. The decrease in funded ratio at December 31, 2009 was primarily due to investment returns less than expected and changes in plan design, which increased actuarial accrued liabilities.

Investment Activities

The return for the RHCT for 2011, 2010 and 2009 was 1.6%, 13.7% and 3.0%, respectively. After a volatile 2011, the U.S. market finished the year flat. Major themes during 2011 included European debt problems, economic uncertainty, and rising market volatility. Fiscal year 2010 was also a year of volatile returns, but finished strongly in the fourth quarter, helping to provide double-digit returns for most diversified investors.

The RHCT Board of Trustees decided to fully invest the proceeds of the Pension Obligation Bonds during the second half of 2009. By the end of 2009, the RHCT was fully invested. The RHCT avoided the down market from the time it initially received the proceeds from the Pension Obligation Bonds through March 2009. Investing later in 2009, after the market recovery had begun, caused the RHCT to miss some of the market upside in the second half of 2009, but the fact that the RHCT missed the market downturn from August 2008 through mid-2009 meant that it was far ahead of where it would have been had the money been invested initially in August 2008. The Plan's investment target asset allocation for 2011 is: 37.5% of assets in domestic equity, 40.0% in domestic fixed income, 12.5% in international equity, and 10.0% in international fixed income. For 2010, the allocation was 37.5% of assets in domestic equity, 35.0% in domestic fixed income, 12.5% in international equity, 10.0% in international fixed income, and 5.0% in cash.

Investment Return
For the Years Ended December 31, 2011 and 2010 and the
Quarter Ended December 31, 2009

	2011	2010	2009*
Total Health Care Trust	1.6%	13.7%	0.6%
Benchmark portfolio	2.7	10.7	2.3
Domestic equities	(0.9)%	19.7%	2.1%
Benchmark portfolio (Russell 2000 Growth)	(2.9)	29.1	4.1
Benchmark portfolio (Russell 2000 Value)	(5.5)	24.5	3.6
International equities	(10.8)%	10.1%	1.8%
Benchmark (MSCI EAFE)	(12.1)	7.8	2.2
Domestic fixed income	7.7%	8.7%	0.5%
Benchmark portfolio (Barclays U.S. Aggregate)	7.8	6.5	0.2
International fixed income	5.4%	11.4%	(0.9)%
Benchmark portfolio (Citigroup Non-U.S. Gov. Bond)	5.2	5.2	(2.2)

*The 2009 rates of returns are presented for the quarter ended December 31, 2009 since the Plan was fully invested in various asset categories in the fourth quarter of 2009. Total Retiree Health Care Trust and benchmark portfolio annual returns were 3.0% and 16.5%, respectively, for the year ended December 31, 2009.

Contact Information

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

Mr. John V. Kallianis
Executive Director
Chicago Transit Authority Retiree Health Care Trust
10 South LaSalle Street, Suite 1100
Chicago, Illinois 60603

CHICAGO TRANSIT AUTHORITY
RETIREE HEALTH CARE PLAN
Statements of Plan Net Assets
As of December 31, 2011 and 2010

	2011	2010
ASSETS		
Investments, at fair value	$ 590,273,196	$ 599,141,177
Receivables		
Employee contributions receivable	114,799	-
Retiree contributions receivable	1,714,372	1,659,967
Retiree drug subsidy receivable	1,421,335	2,521,604
Accured interest and dividends	2,124,558	1,894,385
Securities sold but not received	2,171,650	3,350,073
Other receivables	2,066,382	-
Total receivables	9,613,096	9,426,029
Funding security deposit	150,000	150,000
Total assets	600,036,292	608,717,206
LIABILITIES		
Accounts payable	7,825,123	10,453,172
Securities purchased but not paid	10,726,422	11,302,599
Total liabilities	18,551,545	21,755,771
Net assets held in trust for other post-employment benefits	$ 581,484,747	$ 586,961,435

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

CHICAGO TRANSIT AUTHORITY
RETIREE HEALTH CARE PLAN
Statements of Changes in Plan Net Assets
For the Years Ended December 31, 2011 and 2010

	2011	2010
ADDITIONS		
Contributions		
Employee contributions	$ 18,545,264	$ 18,007,060
Retiree contributions	22,154,002	21,829,966
Medicare's retiree drug subsidy program	4,555,278	3,925,041
Early retiree reinsurance program	4,340,426	-
Rebates and reimbursements related to claims	2,714,112	2,181,932
Total contributions	52,309,082	45,943,999
Investment income		
Net (depreciation)/appreciation in fair value of investments	(4,603,211)	58,037,980
Interest	9,366,230	4,002,076
Dividends	5,227,768	10,155,709
Total investment income	9,990,787	72,195,765
Investment activity expenses		
Investment management fees	(3,167,076)	(2,091,337)
Custodian fees	(138,651)	(156,876)
Investment consulting fees	(175,500)	(160,875)
Total investment activity expenses	(3,481,227)	(2,409,088)
Net investment income	6,509,560	69,786,677
Total additions	58,818,642	115,730,676
DEDUCTIONS		
Medical claims paid to providers	42,423,440	43,214,199
Dental claims paid to providers	1,684,127	1,710,939
Premium payments to insurance companies	16,463,156	13,960,554
Claim administration fees	2,148,906	2,063,435
	62,719,629	60,949,127
Administrative expenses	1,575,701	1,085,046
Total deductions	64,295,330	62,034,173
Net (decrease) increase	(5,476,688)	53,696,503
Net assets held in trust for other post-employment benefits		
Beginning of year	586,961,435	533,264,932
End of year	$ 581,484,747	$ 586,961,435

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

Under Public Act 095-0708, Section 22-101B, after the establishment of the Retiree Health Care Trust and starting January 1, 2010, and not later than July 1, 2010, the CTA no longer has any obligation to provide health care benefits to current or future retirees and their dependents or survivors. The retiree health care benefits are provided by the Retiree Health Care Plan.

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

Based on the above criteria, the Retiree Health Care Trust and Plan is not a component unit of another entity.

Basis of Accounting

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

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

Use of Estimates

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

Investments

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

Method Used to Value Investments

Investments are reported at fair value. Short-term investments are reported at fair value, which approximates cost. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Fixed-income securities are valued principally using quoted market prices provided by independent pricing services. For collective investments, the net asset value is determined and certified by the investment managers as of the reporting date. Venture capital and partnerships do not have established market prices and are reported at estimated net asset value by money managers.

Security Transactions

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

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

Investment Income

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

Furniture and Office Equipment

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

Administrative Expenses

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

Reclassifications

Certain items in the 2010 financial statements were reclassified to conform to current year presentation.

NOTE 2 PLAN DESCRIPTION AND CONTRIBUTION INFORMATION

Plan and Trust Description

The following brief description of the Chicago Transit Authority Retiree Health Care Plan and Trust is provided for general information purposes only. Participants should refer to the Plan and Retiree Health Care Trust documents, as amended, for complete information.

The Plan is a single-employer, defined-benefit post-employment health care plan. The Plan provides medical, prescription drug, and dental benefits to eligible retirees and their dependents and survivors starting not later than July 1, 2009, but no earlier than January 1, 2009. Pre-65 dental is also available at cost. The Plan is classified as a governmental plan and, therefore, is exempt from certain provisions of the Employee Retirement Income Security Act of 1974.

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

<u>Plan and Trust Description</u> *(continued)*

Public Act 095-0708 (the Act), enacted on January 18, 2009, provides funding for the CTA retiree health care benefits and makes substantive changes to the retirees' health care benefits. Under the Act, CTA issued pension obligation bonds and deposited approximately $529 million into the Retiree Health Care Trust in August 2008. Funding for retiree health care benefits now comes from employees' contributions, retirees' contributions, and investment earnings in the Retiree Health Care Trust.

The Retiree Health Care Trust was required to assume financial responsibility for retiree health care benefits no later than July 1, 2010, and the CTA has no further responsibility to fund the retiree health care costs. The Board of Trustees of the Retiree Health Care Trust is required by the Act to make an annual assessment of the funding levels of the Retiree Health Care Trust and has the authority to increase members' contributions, decrease benefits, or a combination of both, to eliminate any funding shortfall within 10 years.

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

- All active CTA employees are required to contribute 3% of their compensation to the Retiree Health Care Trust. This rate is subject to change every year and it is subject to a 45% test according to Section 22-101B (b)(5) of the Illinois Pension Code. Total contributions from members taken together cannot exceed 45% of total retiree health care costs in the prior plan year.

- Beginning July 1, 2009, retirees were required to make contributions for their health care coverage.

- To be eligible for retiree health care benefits, Public Act 095-0708 requires that a CTA employee must be at least 55 years old and have at least 10 continuous years of service if he or she retires after January 18, 2008. The Board of Trustees increased to 20 the minimum number of years required to get health care benefits. As a result, to be eligible for retiree health care benefits, a CTA employee must be at least 55 years old and have at least 20 years of service. However, participants are entitled to health care benefits from the Plan if years of service are equal to or higher than 25 if hired prior to September 5, 2001, regardless of age, as long as retirement occurs prior to the execution of the next collective bargaining agreement (CBA) between CTA and Locals 241 and 308. The current CBA expired on December 31, 2011, and the new CBA may or may not be executed prior to the expiration of the current CBA.

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

Plan and Trust Description *(continued)*

- Benefits, including co-insurance, cannot be higher than 90% coverage for in-network services or 70% for out-of-network services, after the deductible has been paid. For HMO Illinois and Classic Blue, coverage is 100%.

Membership

At December 31, 2011 and 2010, the number of participants was as follows:

	2011	**2010**
Retirees and beneficiaries receiving benefits	9,364	9,854
Terminated plan members entitled to but not yet receiving benefits	84	69
Active participants	9,775	10,026
	19,223	19,949

Contributions

During 2011 and 2010, retiree health care benefits were funded through active employee contributions, retiree contributions, investment return on assets, other on-behalf payments from the Federal government, rebates, and other reimbursements.

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

During 2011 and 2010, active employees were required to contribute 3% of their salary to the Retiree Health Care Trust.

Funded Status and Funding Progress

According to Public Act 095-0708, the Plan should maintain an appropriate funding reserve level which should not be less than the amount of incurred and unreported claims plus 12 months of expected claims and administrative expenses. An annual assessment of the funding level is required to be submitted to the Auditor General at least 90 days prior to the end of the fiscal year.

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

Funded Status and Funding Progress *(continued)*

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer (ARC) are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The funded status of the Plan as of December 31, 2011 and 2010 was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued 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)
12/31/11	$ 581,484,747	$ 481,348,984	$ (100,135,763)	120.8%	$ 617,246,244	(16.2)%
12/31/10	586,961,435	485,221,881	(101,739,554)	121.0	598,267,896	(17.0)

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents information about whether the actuarial values of Plan assets are increasing or decreasing over time relative to the AALs for benefits.

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

Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2011 and 2010
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions	
Investment rate of return	7.00% for 2011 and 2010
Projected salary increases	For 2011 valuation: 1.50% for 2012-2014, and 5.00% thereafter For 2010 valuation: 2.75% for 2011, 1.50% for 2012-2014, and 5.00% thereafter
Inflation rate	3.25% for 2011 and 2010
Medical and prescription drug cost trend rate	For 2011 and 2010 valuations: 8.50% for 2012, graded to 5.00% over 7 years

NOTE 3 INVESTMENT RISK

Investment Policy

The primary objective of the Plan's investment policy is to provide a structured approach in implementing its investment strategies to achieve above-average returns consistent with prudent risk and investment volatility.

The Plan's investment policy takes a long-term investment perspective by allocating its assets across major asset classes and diversified broadly within each asset class in accordance with the "prudent person rule" as prescribed by the Illinois Statutes. The initial target asset allocation is 50% total equities and 50% total fixed income, with periodic rebalancing when the allocations approach plus or minus 5% of the target allocations. This asset allocation is designed to provide a high likelihood of achieving a 7.25% rate of return per year over a long period of time.

NOTE 3 INVESTMENT RISK *(continued)*

Investment Summary

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

The following table summarizes the Plan’s investments by type at December 31, 2011 and 2010:

	2011	2010
Asset-backed securities	$ 3,471,736	$ 3,207,900
Commercial mortgage-backed securities	19,058,274	13,310,676
Corporate bonds	142,923,435	129,770,713
Corporate convertible bonds	603,533	678,227
Government agency securities	6,457,908	16,792,250
Government bonds	32,393,765	36,918,172
Government-issued commercial mortgage-backed	170,417	-
Government mortgage-backed securities	45,947,849	39,063,678
Non-government-backed CMOs	9,346,220	10,316,744
Index-linked government bonds	2,708,886	1,017,545
U.S. equities	213,684,219	223,162,538
Foreign equities	73,045,630	83,774,189
Venture capital and partnerships	10,326,928	7,089,300
Short-term investments and currency positions	30,134,396	34,039,245
Total investments at fair value	$ 590,273,196	$ 599,141,177

NOTE 3 INVESTMENT RISK *(continued)*

Investment Risks

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

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

Credit Risk: Credit risk is the risk that an issuer of fixed income securities held by the fund may default on its obligation to pay interest and repay principal. This credit risk is measured by the credit quality ratings issued by a Nationally Recognized Statistical Rating Organization (NRSRO), such as Moody's and Standard & Poor's. The fund limits its investments to securities that have short-term debt ratings at the time of purchase in the two highest rating categories of a NRSRO or that are issued or guaranteed by, or otherwise allow the fund to demand payment from, an issuer with such ratings.

NOTE 3 INVESTMENT RISK *(continued)*

Investment Risks *(continued)*

The following tables provide information on the credit ratings associated with the Plan's investments in debt securities at December 31, 2011 and 2010. Rates were obtained from Standard & Poor's:

2011

	Asset-backed securities	Commercial mortgage-backed	Corporate bonds	Corporate convertible bonds	Government agency securities	Government bonds
'AAA'	$ 1,505,694	$ 10,421,861	$ -	$ -	$ 58,412	$ 145,628
'AA'	356,765	337,043	5,414,934	-	6,399,496	-
'A'	426,496	4,063,134	23,981,919	-	-	36,106
'BBB'	-	708,826	24,002,984	44,344	-	-
'BB'	-	-	10,892,863	550,389	-	-
'B'	-	-	1,182,742	-	-	-
'CCC'	1,182,781	-	-	-	-	-
'CC'	-	-	-	-	-	-
'D'	-	-	-	-	-	-
Not rated	-	3,527,410	77,447,993	8,800	-	704,420
Agencies	-	-	-	-	-	31,507,611
Total	$ 3,471,736	$ 19,058,274	$ 142,923,435	$ 603,533	$ 6,457,908	$ 32,393,765

2011 *(continued)*

	Government-issued commercial mortgage-backed	Government mortgage-backed securities	Non-government-backed CMOs	Index-linked government bonds	Total
'AAA'	$ -	$ -	$ 301,460	$ -	$ 12,433,055
'AA'	-	1,552,350	690,257	-	14,750,845
'A'	-	-	-	-	28,507,655
'BBB'	-	-	-	-	24,756,154
'BB'	-	-	575,010	-	12,018,262
'B'	-	-	761,790	-	1,944,532
'CCC'	-	-	2,244,863	-	3,427,644
'CC'	-	-	-	-	-
'D'	-	-	2,276,694	-	2,276,694
Not rated	-	2,630,244	2,496,146	-	86,815,013
Agencies	170,417	41,765,255	-	2,708,886	76,152,169
Total	$ 170,417	$ 45,947,849	$ 9,346,220	$ 2,708,886	$ 263,082,023

NOTE 3 INVESTMENT RISK *(continued)*

Investment Risks *(continued)*

2010

	Asset-backed securities	Commercial mortgage-backed	Corporate bonds	Corporate convertible bonds	Government agency securities
'AAA'	$ 1,756,587	$ 7,144,783	$ -	$ 14,280	$ 15,414,092
'AA'	-	332,982	5,861,281	-	-
'A'	-	3,534,991	22,211,579	132,256	-
'BBB'	-	685,098	17,173,142	175,061	-
'BB'	-	-	9,646,038	125,374	-
'B'	-	-	752,963	49,755	-
'CCC'	1,451,313	-	-	-	-
'CC'	-	-	-	-	-
'D'	-	-	-	-	-
Not rated	-	1,612,822	74,125,710	181,501	1,378,158
Agencies	-	-	-	-	-
Total	$ 3,207,900	$ 13,310,676	$ 129,770,713	$ 678,227	$ 16,792,250

2010 *(continued)*

	Government bonds	Government mortgage-backed securities	Non-government-backed CMOs	Index-linked government bonds	Total
'AAA'	$ 28,884,961	$ 1,878,274	$ 297,039	$ 677,924	$ 56,067,940
'AA'	-	-	-	-	6,194,263
'A'	66,243	-	979,788	-	26,924,857
'BBB'	-	-	-	-	18,033,301
'BB'	-	-	-	-	9,771,412
'B'	-	-	1,539,744	-	2,342,462
'CCC'	-	-	1,925,799	-	3,377,112
'CC'	-	-	802,162	-	802,162
'D'	-	-	988,404	-	988,404
Not rated	211,414	-	3,783,808	-	81,293,413
Agencies	7,755,554	37,185,404	-	339,621	45,280,579
Total	$ 36,918,172	$ 39,063,678	$ 10,316,744	$ 1,017,545	$ 251,075,905

NOTE 3 INVESTMENT RISK *(continued)*

Investment Risks *(continued)*

Custodial Credit Risk: For an investment, it is the risk that, in the event of the failure of the counterparty to a transaction, the Plan will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Plan, and are held by either the counterparty or the counterparty's trust department or agent but not in the Plan's name. At December 31, 2011 and 2010, deposits of approximately $577,000 and $717,000, respectively, were exposed to custodial credit risk as uninsured and uncollateralized.

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

The following investments represented 5% or more of the Plan's net assets at December 31, 2011 and 2010:

	2011	2010
Wells Fargo International Bond Fund	$ 30,068,975	$ *
Institutional Emerging Markets Debt Fund	32,196,332	30,631,491

*Amount is less than 5% of the Plan's net assets.

The Plan did not invest in derivative instruments during the years ended December 31, 2011 and 2010.

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

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

NOTE 3 INVESTMENT RISK *(continued)*

At December 31, 2011, the Plan had the following investments and maturities related to certain fixed income securities:

Investment Type	Market Value	Investment Maturities: Less Than 1 Year	1+ to 6 Years	6+ to 10 Years	More Than 10 Years	Maturity Not Determined
Asset-backed securities	$ 3,471,736	$ -	$ -	$ -	$ 3,471,736	$ -
Commercial mortgage-backed securities	19,058,274	-	-	-	19,058,274	-
Corporate bonds	142,923,435	1,382,914	28,252,444	23,588,993	12,379,816	77,319,268
Corporate convertible bonds	603,533	-	576,800	-	26,733	
Government agency securities	6,457,908	2,341,774	1,391,647	58,412	2,666,075	-
Government bonds	32,393,765	-	11,367,435	8,236,859	12,789,471	-
Government-issued commercial mortgage back	-	-	-	170,417	-	-
Government mortgage-backed securities	45,947,849	247,457	642,349	8,441,541	32,595,536	4,020,966
Index-linked government bonds	2,708,886	1,556,687	382,580	-	769,619	-
Non-government-backed collateralized mortgage obligations	9,346,220	-	-	154,940	9,191,280	-
Total	$ 262,911,606	$ 5,528,832	$ 42,613,255	$ 40,651,162	$ 92,948,540	$ 81,340,234

At December 31, 2010, the Plan had the following investments and maturities related to certain fixed income securities:

Investment Type	Market Value	Investment Maturities: Less Than 1 Year	1+ to 6 Years	6+ to 10 Years	More Than 10 Years	Maturity Not Determined
Asset-backed securities	$ 3,207,900	$ -	$ 712,250	$ -	$ 2,495,650	$ -
Commercial mortgage-backed securities	13,310,676	-	-	-	13,310,676	-
Corporate bonds	129,770,713	-	24,663,312	20,768,215	10,213,476	74,125,710
Corporate convertible bonds	678,227	27,372	292,626	14,280	343,949	-
Government agency securities	16,792,250	3,643,827	10,615,131	262,107	2,271,185	-
Government bonds	36,918,172	-	18,837,002	8,604,107	9,477,063	-
Government mortgage-backed securities	39,063,678	-	473,946	5,582,824	33,006,908	-
Index-linked government bonds	1,017,545	339,621	677,924	-	-	-
Non-government-backed collateralized mortgage obligations	10,316,744	-	-	-	10,316,744	-
Total	$ 251,075,905	$ 4,010,820	$ 56,272,191	$ 35,231,533	$ 81,435,651	$ 74,125,710

NOTE 3 INVESTMENT RISK *(continued)*

Investment Risks *(continued)*

Foreign Currency Risk: The risk that changes in exchange rates will adversely affect the fair value of an investment. International equity securities purchased by the Plan meet exchange listing requirements and all foreign equities held by the Plan are denominated in U.S. dollars. The Plan's exposure to foreign currency risk is as follows:

Type of investment	**(US$) 2011**	**(US$) 2010**
Short-term investment and currency positions		
Swiss franc	$ 10,190	$ -
Canadian dollar	-	310
European euro	1,481	392,377
British pound sterling	-	-
Japanese yen	492,020	296,548
New Zealand dollar	37,762	-
Swedish krona	-	24,091
	$ 541,453	$ 713,326
Equities		
Australian dollar	$ 2,715,204	$ 2,390,444
Canadian dollar	1,653,947	1,602,125
Swiss franc	2,853,070	3,794,489
Danish krone	99,348	356,688
European euro	13,615,784	15,562,035
British pound sterling	15,604,461	15,681,479
Hong Kong dollar	1,778,191	2,154,483
Japanese yen	9,870,367	11,905,741
South Korean won	907,443	-
Norwegian krone	716,659	656,580
New Zealand dollar	192,162	-
Swedish krona	2,270,966	991,154
Singapore dollar	1,904,150	2,625,128
	$ 54,181,752	$ 57,720,346

NOTE 3 INVESTMENT RISK *(continued)*

Type of investment	(US$) 2011	(US$) 2010
Fixed income		
Australian dollar	$ 60,409	$ 70,599
Canadian dollar	132,577	99,720
Swiss franc	43,209	70,667
European euro	323,972	408,876
British pound sterling	109,123	99,739
Mexican peso	36,106	66,242
Malaysian ringgit	96,713	70,148
Norwegian krone	28,279	-
Swedish krona	43,185	64,688
Singapore dollar	70,994	92,869
	$ 944,567	$ 1,043,548

NOTE 4 EARLY RETIREE REINSURANCE PROGRAM

The Early Retiree Reinsurance Program (ERRP) was established by the Affordable Care Act. Congress appropriated $5 billion of funding for this temporary ERRP to provide financial assistance to employers, unions, and state and local governments to help maintain coverage for early retirees age 55 and older who are not yet eligible for Medicare, including their spouses, surviving spouses and dependents. ERRP ceased accepting applications after May 5, 2011.

The Plan submitted an application for the ERRP in 2010 and received reimbursements related to Plan year 2010 of $5,405,700 in 2011. Since the reimbursement request was approved in 2011, these 2010 reimbursements are reflected in the accompanying 2011 financial statements. Reimbursements related to Plan year 2011 of $1,395,420 were approved and received in 2011; therefore, they are reflected in the 2011 financial statements.

During 2012, the Plan received a notice from the Centers of Medicare and Medicaid Services (CMS), informing the Plan of a determination made that there has been an overpayment in the amount of $2,460,694 regarding the Plan's ERRP application. The 2011 financial statements reflect a payable due to CMS' ERRP of $2,460,694.

Reimbursements were used to reduce Plan participants' health benefit premium contributions, copayments, deductibles, or other out-of-pocket costs, or any combination of these costs.

NOTE 5 RISKS AND UNCERTAINTIES

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

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

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

NOTE 6 OPERATING LEASE

The Plan shares office facility with the Retirement Plan for CTA Employees. The lease agreement expires on December 31, 2013. At December 31, 2011, the minimum future rental lease payments for the next two years are as follows:

Years	Amounts
2012	$ 96,000
2013	97,000
	$193,000

Rent paid by the Plan was $27,408 in 2011 and $24,500 in 2010, which represents 25% of the total amount of rent paid for the shared office facility. The remaining 75% of rent was paid by the Retirement Plan for Chicago Transit Authority Employees based on management’s expense allocation.

NOTE 7 TAX STATUS

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

NOTE 8 SUBSEQUENT EVENTS

Effective January 1, 2012, the Plan changed its benefits for participants who are eligible for Medicare by providing two new Medicare Advantage benefit options to them. Aetna Life Insurance Company coordinates between the provider and Medicare in streamlining the coordination of benefits and enrollment in Medicare for the retirees. Silverscript, a CVS Caremark company, is the prescription carrier for all Medicare eligible participants. The pharmacy benefit is included with the medical election.

REQUIRED SUPPLEMENTARY INFORMATION

CHICAGO TRANSIT AUTHORITY
RETIREE HEALTH CARE PLAN
Required Supplementary Information
Schedule of Funding Progress
For the Years Ended December 31, 2011 and 2010
(Unaudited)

Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued 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)
2011	12/31/2011	$ 581,484,747	$ 481,348,984	$ (100,135,763)	120.8%	$ 617,246,244	(16.2)%
2010	12/31/2010	586,961,435	485,221,881	(101,739,554)	121.0	598,267,896	(17.0)
2009	12/31/2009	533,264,932	622,939,043	89,674,111	85.6	579,379,265	15.5
2008	12/31/2008	549,435,879	605,639,395	56,203,516	90.7	588,471,442	9.6

See notes to required supplementary information.

CHICAGO TRANSIT AUTHORITY
RETIREE HEALTH CARE PLAN
Required Supplementary Information
Schedule of Contributions from Employer and Other Contributing Entities
For the Years Ended December 31, 2011 and 2010
(Unaudited)

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

*Amount represents on-behalf reimbursements from the federal government under Medicare's Retiree Drug Subsidy Program and payments from the Early Retiree Reinsurance Program.

N/A—Not applicable

See notes to required supplementary information.

NOTE 1 ACTUARIAL ASSUMPTIONS

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

Valuation date	December 31, 2011 and 2010
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, open
Amortization period	30 years remaining
Asset valuation method	Market value
Actuarial assumptions	
Investment rate of return	7.00% for 2011 and 2010
Projected salary increases	For 2011 valuation: 1.50% for 2012-2014, and 5.00% thereafter For 2010 valuation: 2.75% for 2011, 1.50% for 2012-2014, and 5.00% thereafter
Inflation rate	3.25% for 2011 and 2010
Medical and prescription drug cost trend rate	For 2011 and 2010 valuations: 8.50% for 2012, graded to 5.00% over 7 years

OTHER SUPPLEMENTARY INFORMATION

CHICAGO TRANSIT AUTHORITY
RETIREE HEALTH CARE PLAN
Other Supplementary Information
Schedule of Investment and Administrative Expenses
For the Years Ended December 31, 2011 and 2010

	2011	2010
Investment expenses		
Investment management fees	$ 3,167,076	$ 2,091,337
Custodian fees	138,651	156,876
Investment consulting fees	175,500	160,875
Total investment expenses	$ 3,481,227	$ 2,409,088
Administrative expenses		
Staff salaries and fringe benefits	$ 423,022	$ 402,500
Outside consultants	27,924	8,052
Actuarial services	603,573	321,597
Auditing	60,327	27,892
Legal fees	226,308	169,533
Legal research	3,121	-
Data processing	17,855	1,530
Court reporting	13,878	22,744
Stationary and printing	61,544	49,696
Telephone	13,578	20,000
Postage	5,530	1,217
Office space	27,408	24,500
Supplies	6,312	3,000
Utilities	1,054	1,000
Equipment	9,260	13,000
Fiduciary insurance	65,743	-
Travel	2,205	706
Open enrollment event	6,546	13,965
Miscellaneous	513	4,114
Total administrative expenses	$ 1,575,701	$ 1,085,046

See accompanying report of independent auditors.