CHICAGO TRANSIT AUTHORITY
RETIREE HEALTH CARE PLAN

Financial Statements and Supplementary Information
For the Years Ended December 31, 2012 and 2011
With Report of Independent Auditors

CHICAGO TRANSIT AUTHORITY
RETIREE HEALTH CARE PLAN
December 31, 2012 and 2011

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REPORT OF INDEPENDENT AUDITORS

The Board of Trustees
Chicago Transit Authority Retiree Health Care Plan

Report on the financial statements

We have audited the accompanying financial statements of the Chicago Transit Authority Retiree Health Care Plan (the Plan), which comprise the statements of plan net position as of December 31, 2012 and 2011, the related statements of changes in plan net position for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's responsibility

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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plan as of December 31, 2012 and 2011, and the changes in its financial position for the years then ended, in conformity with U.S. generally accepted accounting principles.

Other matters

Required supplementary information

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 financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audits of the 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.

Supplementary information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of investment and administrative expenses is presented for purposes of additional analysis and is not a required part of the 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 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 financial statements as a whole.

Mitchell & Titus, LLP

September 26, 2013

Management's discussion and analysis of the Chicago Transit Authority (CTA) Retiree Health Care Plan (the Plan) provides an overview and analysis of the financial statements of the Plan, including highlights and a discussion of current activities for the years ended December 31, 2012, 2011 and 2010. For more detailed information regarding the Plan's financial activities, readers should also review the Plan's financial statements, including the notes and supplementary schedules.

Overview of the Financial Statements

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

- *The Statement of Plan Net Position* presents the Plan's assets and liabilities and the resultant net position 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 Position* 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.

Overview of the Financial Statements *(continued)*

- *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 RHCT. After the bond funding, the legislation provides that the CTA has no further obligation to provide funding for health care benefits to eligible retirees and their dependents and survivors. During 2012, 2011 and 2010, CTA employees' contributions remained at 3% of their compensation.

- The RHCT was established on May 12, 2008. Approximately $529 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 for retirees, dependents, and survivors. All who elected coverage with RHCT began on July 1, 2009.

- Retiree and employee contributions totaled $36.7 million, $40.7 million, and $39.8 million for the years ended December 31, 2012, 2011, and 2010, respectively.

- Net investment income was $73.4 million, $6.5 million, and $69.8 million for the years ended December 31, 2012, 2011, and 2010, respectively.

- The Plan's net position totaled $643.2 million, $581.5 million, and $587.0 million at December 31, 2012, 2011, and 2010, respectively.

- The funded ratio of the Plan was 141.3%, 120.8%, and 121.0% at December 31, 2012, 2011 and 2010, respectively.

Plan Net Position

The following schedule presents the Plan’s net position:

Plan Net Position
(in millions)
As of December 31, 2012, 2011, and 2010

	2012	2011	2010	2012-2011 Change $	2012-2011 Change %
Investments, at fair value	$ 654.2	$ 590.3	$ 599.1	$ 63.9	10.8%
Employee contributions receivable	-	0.1	-	(0.1)	(100.0)
Retiree contributions receivable	1.5	1.7	1.7	(0.2)	(11.8)
Retiree subsidy receivable	-	1.4	2.5	(1.4)	(100.0)
Securities sold but not received	3.2	2.2	3.4	1.0	45.5
Accrued interest and dividends	2.3	2.1	1.9	0.2	9.5
Other receivables	1.6	2.0	-	(0.4)	(20.0)
Funding security deposit	-	0.2	0.2	(0.2)	(100.0)
Total assets	662.8	600.0	608.8	62.8	
Accounts payable	5.0	7.8	10.5	(2.8)	(35.9)
Securities purchased but not paid	14.6	10.7	11.3	3.9	36.4
Total liabilities	19.6	18.5	21.8	1.1	
Plan net position	$ 643.2	$ 581.5	$ 587.0	$ 61.7	10.6%

Plan net position increased by $61.7 million, or 10.6%, at December 31, 2012 compared to the prior year, primarily due to market conditions, which increased investments at year end by $63.9 million. Receivables decreased by $1.0 million at December 31, 2012, mainly due to a decrease in the Retiree Drug Subsidy Program receivable. Liabilities increased by $1.1 million at December 31, 2012, caused by a decrease in accounts payable and an increased in pending purchases of securities at year end.

Plan net position 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, which was caused by a decrease in accounts payable and pending purchases of securities at year end.

Changes in Plan Net Position

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

Changes in Plan Net Position
(in millions)
For the Years Ended December 31, 2012, 2011, and 2010

	2012	2011	2010	2012-2011 Change $	2012-2011 Change %
Additions					
Employee contributions	$ 18.7	$ 18.6	$ 18.0	$ 0.1	0.5%
Retiree contributions	18.1	22.1	21.8	(4.0)	(18.1)
Medicare subsidy program	0.6	4.6	3.9	(4.0)	(87.0)
Early retiree reinsurance program	-	4.3	-	(4.3)	(100.0)
Rebates and reimbursements related to claims	1.7	2.7	2.2	(1.0)	(37.0)
Net investment income	73.4	6.5	69.8	66.9	1,029.2
Total additions	112.5	58.8	115.7	53.7	
Deductions					
Medical claims paid to providers	25.9	42.4	43.2	(16.5)	(38.9)
Dental claims paid to providers	0.2	1.7	1.7	(1.5)	(88.2)
Medical premium payments to insurance companies	20.7	16.5	14.0	4.2	25.5
Dental premium payments to insurance companies	1.4	-	-	1.4	100.0
Claim administration fee	1.5	2.1	2.0	(0.6)	(28.6)
Administrative expenses	1.1	1.6	1.1	(0.5)	(31.3)
Total deductions	50.8	64.3	62.0	(13.5)	
Net increase (decrease)	$ 61.7	$ (5.5)	$ 53.7	$ 67.2	1,221.8%

Total additions of $112.5 million in 2012 were $53.7 million more than the amounts in 2011, primarily due to increased investment income related to market conditions. 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.

Deductions related to medical claims and administrative expenses of $50.8 million in 2012 were $13.5 million less than the amounts in 2011, mainly due to the change of health care providers in 2012. Deductions for medical claims and administration fees for 2011 were $64.3 million compared to $62.0 million in 2010. In 2012 and 2011, premium payments to insurance companies continued to increase as more retirees enrolled into the Plan. Administrative expenses were $500,000 higher in 2011 compared to 2012 due to the cost incurred for changing benefit options. Such benefits options, effective on January 1, 2012, helped reduce the medical claims paid to providers by $16.5 million in 2012 compared to 2011.

Plan Membership

The following table presents the changes in Plan membership as of December 31, 2012, 2011, and 2010:

	2012	2011	2010	2012-2011 Change	%
Retirees and beneficiaries receiving benefits	9,384	9,364	9,854	20	0.2%
Terminated plan members entitled to but not yet receiving benefits	80	84	69	(4)	-4.8%
Active participants	9,816	9,775	10,026	41	0.4%
	19,280	19,223	19,949	57	

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 RHCT to make an annual assessment of the funding levels of the CTA RHCT and to submit a report to the Auditor General regarding the assessment. The purpose of the RHCT is to fund the expenses of the 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 RHCT to increase the contribution levels from employees, retirees, dependents, or survivors; to decrease benefit levels or both, which is projected to cure the shortfall over a period of not more than 10 years. At December 31, 2012, 2011, and 2010, the funded ratio of the Plan was 141.3%, 120.8%, and 121.0%, respectively. The increase in funding ratio at December 31, 2012 was due primarily to greater-than-expected investment returns. The decrease in funding ratio at December 31, 2011 was due primarily to less-than-expected actuarial value of the assets. The increase in funded ratio at December 31, 2010 was due to higher-than-expected actual investment returns, which increased the actuarial value of assets and decreased the actuarial accrued liabilities from projected savings in a new arrangement with certain medical providers.

Investment Activities

The rate of return for the RHCT for 2012, 2011, and 2010 was 13.2%, 1.6%, and 13.7%, respectively. During 2012, the stock market performance was strong and favorable for U.S. equities, with double- and single-digit returns for U.S. fixed income securities. 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.

Investment Activities *(continued)*

The Plan's investment target asset allocation for 2012 and 2011 was 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, 2012, 2011 and 2010

	2012	2011	2010
Total Health Care Trust	13.2%	1.6%	13.7%
Benchmark portfolio	10.0	2.7	10.7
Domestic equities	16.1%	(0.9)%	19.7%
Benchmark portfolio (Russell 2000 Growth)	14.6	(2.9)	29.1
Benchmark portfolio (Russell 2000 Value)	18.1	(5.5)	24.5
International equities	19.7%	(10.8)%	10.1%
Benchmark (MSCI EAFE)	17.3	(12.1)	7.8
Domestic fixed income	9.6%	7.7%	8.7%
Benchmark portfolio (Barclays U.S. Aggregate)	4.2	7.8	6.5
International fixed income	14.3%	5.4%	11.4%
Benchmark portfolio (Citigroup Non-U.S. Gov. Bond)	1.5	5.2	5.2

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 Position
As of December 31, 2012 and 2011

	2012	2011
ASSETS		
Investments, at fair value	$ 654,179,078	$ 590,273,196
Receivables		
Employee contributions receivable	5,919	114,799
Retiree contributions receivable	1,485,638	1,714,372
Retiree drug subsidy receivable	-	1,421,335
Accured interest and dividends	2,279,447	2,124,558
Securities sold but not received	3,245,956	2,171,650
Other receivables	1,626,787	2,066,382
Total receivables	8,643,747	9,613,096
Prepaid expense	9,730	-
Funding security deposit	-	150,000
Total assets	662,832,555	600,036,292
LIABILITIES		
Accounts payable	5,000,587	7,825,123
Securities purchased but not paid	14,630,936	10,726,422
Total liabilities	19,631,523	18,551,545
Plan net position held in trust for other post-employment benefits	$ 643,201,032	$ 581,484,747

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

CHICAGO TRANSIT AUTHORITY
RETIREE HEALTH CARE PLAN
Statements of Changes in Plan Net Position
For the Years Ended December 31, 2012 and 2011

	2012	2011
ADDITIONS		
Contributions		
Employee contributions	$ 18,658,507	$ 18,545,264
Retiree contributions	18,052,981	22,154,002
Medicare's retiree drug subsidy program	652,568	4,555,278
Early retiree reinsurance program	-	4,340,426
Rebates and reimbursements related to claims	1,741,280	2,714,112
Total contributions	39,105,336	52,309,082
Investment income		
Net appreciation/(depreciation) in fair value of investments	58,748,707	(4,603,211)
Interest	11,498,553	9,366,230
Dividends	6,613,847	5,227,768
Total investment income	76,861,107	9,990,787
Investment activity expenses		
Investment management fees	(3,059,649)	(3,100,216)
Investment consulting fees	(175,500)	(175,500)
Custodian fees	(127,796)	(138,651)
Reporting, monitoring and other investment fees	(62,139)	(66,860)
Total investment activity expenses	(3,425,084)	(3,481,227)
Net investment income	73,436,023	6,509,560
Total additions	112,541,359	58,818,642
DEDUCTIONS		
Medical claims paid to providers	25,861,014	42,423,440
Dental claims paid to providers	244,113	1,684,127
Medical premium payments to insurance companies	20,712,259	16,463,156
Dental premium payments to insurance companies	1,440,223	-
Claim administration fees	1,517,271	2,148,906
	49,774,880	62,719,629
Administrative expenses	1,050,194	1,575,701
Total deductions	50,825,074	64,295,330
Net increase (decrease)	61,716,285	(5,476,688)
Net position held in trust for other post-employment benefits		
Beginning of year	581,484,747	586,961,435
End of year	$ 643,201,032	$ 581,484,747

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 (the Code), as amended. 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, 2009, and not later than July 1, 2009, the CTA no longer has any obligation to provide health care benefits to current or future retirees and their dependents or survivors. The retiree health care benefits are provided by the Retiree Health Care Plan.

Generally accepted accounting principles (GAAP) in the United States 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 are not a component unit of another entity.

Basis of Accounting

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

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

Use of Estimates

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

Investments

The Plan is authorized to invest in bonds, notes, and other direct obligations of the U.S. government and U.S. government agencies; certain common stocks, and convertible bonds of U.S. companies; equity securities of foreign companies that trade in the U.S. financial markets through American Depositary Receipts (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 amortized cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Fixed-income securities are valued principally using quoted market prices provided by independent pricing services. For collective investments, the net asset value 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 position 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 the Plan's assets and investment earnings. Certain administrative expenses are allocated between the Retirement Plan for CTA employees and the Retiree Health Care Plan based on periodic time and expense studies.

Recently Issued Accounting Pronouncements

During 2012, the Plan adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) Pronouncements.* GASB Statement No. 62 brings certain FASB and AICPA accounting and financial reporting guidance into GASB's authoritative literature, modified to meet the needs of governmental financial statement users. The adoption of GASB Statement No. 62 did not have a material effect on the Plan's financial statements.

The Plan also adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* during 2012. GASB Statement No. 63 identifies transactions that result in consumption or acquisition of net assets in one period that are applicable to future periods. It defines those consumptions or acquisitions as deferred outflows of resources and deferred inflows of resources, respectively, and distinguishes them from assets and liabilities. GASB Statement No. 63 provides guidance for reporting deferred outflows of resources and deferred inflows of resources balances. The adoption of GASB Statement No. 63 did not have a material effect on the Plan's financial statements.

Other accounting standards that the Plan is currently reviewing for applicability and potential impact on the financial statements include:

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

Recently Issued Accounting Pronouncements *(continued)*

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, will be effective for the Plan beginning with its year ending December 31, 2013. The objective of this statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement No. 66, *Technical Corrections—2012—an Amendment of GASB Statements No. 10 and No. 62*, will be effective for the Plan beginning with its year ending December 31, 2013. The objective of this statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

Reclassifications

Certain items in the 2011 financial statements were reclassified to conform to the 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. Dental benefits prior to age 65 are 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)*

Plan and Trust Description *(continued)*

Public Act 095-0708 (the Act), enacted on January 18, 2008, 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 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, 2009, 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 full execution of the next collective bargaining agreement (CBA) between CTA and Locals 241 and 308 of the Amalgamated Transit Union. The current CBA expired on December 31, 2011.

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

Plan and Trust Description *(continued*

- 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. For additional information regarding benefits, coverage, services and deductible, please refer to the enrollment guide.

Membership

At December 31, 2012 and 2011, the number of participants was as follows:

	2012	2011
Retirees and beneficiaries receiving benefits	9,384	9,364
Terminated plan members entitled to but not yet receiving benefits	80	84
Active participants	9,816	9,775
	19,280	19,223

Contributions

During 2012 and 2011, 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 2012 and 2011, 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 health care cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer 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, 2012 and 2011 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)
12/31/12	$ 643,201,032	$ 455,088,976	$(188,112,056)	141.3%	$ 625,807,630	(30.1)%
12/31/11	581,484,747	481,348,984	(100,135,763)	120.8	617,246,244	(16.2)

The schedule of funding progress, presented as required supplementary information 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 actuarial accrued liabilities for benefits.

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

Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2012 and 2011
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 2012 and 2011
Projected salary increases	For 2012 valuation: 1.50% for 2013-2014, and 5.00% thereafter For 2011 valuation: 1.50% for 2012-2014, and 5.00% thereafter
Inflation rate	3.25% for 2012 and 2011
Medical and prescription drug cost trend rate	For 2012 valuation: 8:00% for 2013, graded to 5.00% over 6 years For 2011 valuation: 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 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, 2012 and 2011:

	2012	2011
Asset-backed securities	$ 2,473,019	$ 3,471,736
Commercial mortgage-backed securities	16,941,170	19,213,214
Collateralized bonds	74,338	-
Corporate bonds	156,761,902	142,923,435
Corporate convertible bonds	11,625	603,533
Government agency securities	7,886,852	6,457,908
Government bonds	38,048,952	32,393,765
Government-issued commercial mortgage-backed securities	1,561,161	170,417
Government mortgage-backed securities	48,941,965	45,947,849
Non-government-backed CMOs	7,971,473	9,191,280
Index-linked government bonds	6,543,608	2,708,886
U.S. equities	248,536,114	213,684,219
Foreign equities	80,457,245	73,045,630
Venture capital and partnerships	7,943,194	10,326,928
Short-term investments and currency positions	30,026,460	30,134,396
Total investments, at fair value	$ 654,179,078	$ 590,273,196

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 Plan may default on its obligation to pay interest and repay principal. This credit risk is measured by the credit quality ratings issued by a Nationally Recognized Statistical Rating Organization (NRSRO), such as Moody's and Standard & Poor's. The Plan 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 Plan 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, 2012 and 2011. Rates were obtained from Standard & Poor's.

2012

	Asset-backed securities	Commercial mortgage-backed securities	Collateralized bonds	Corporate bonds	Corporate convertible bonds	Government agency securities
'AAA'	$ 1,482,639	$ 9,890,517	$ -	$ 250,000	$ -	$ 71,216
'AA'	583,529	563,967	-	6,479,975	-	7,815,636
'A'	406,851	1,437,138	-	24,503,068	-	-
'BBB'	-	754,389	74,338	28,896,857	-	-
'BB'	-	-	-	10,284,479	-	-
'B'	-	-	-	1,748,368	-	-
'CCC'	-	-	-	221,950	-	-
'CC'	-	-	-	-	-	-
'D'	-	-	-	-	-	-
Not rated	-	4,295,159	-	84,377,205	11,625	-
Agencies	-	-	-	-	-	-
Total	$ 2,473,019	$ 16,941,170	$ 74,338	$ 156,761,902	$ 11,625	$ 7,886,852

2012 *(continued)*

	Government bonds	Government-issued commercial mortgage-backed securities	Government mortgage-backed securities	Non-government-backed CMOs	Index-linked government bonds	Total
'AAA'	$ 43,890	$ -	$ -	$ -	$ -	$ 11,738,262
'AA'	-	-	1,284,977	-	-	16,728,084
'A'	88,593	-	-	507,352	-	26,943,002
'BBB'	-	-	-	418,524	-	30,144,108
'BB'	-	-	-	-	-	10,284,479
'B'	-	-	-	1,006,840	-	2,755,208
'CCC'	-	-	-	1,773,290	-	1,995,240
'CC'	-	-	-	-	-	-
'D'	-	-	-	2,076,895	-	2,076,895
Not rated	1,257,682	-	3,359,109	2,188,572	-	95,489,352
Agencies	36,658,787	1,561,161	44,297,879	-	6,543,608	89,061,435
Total	$ 38,048,952	$ 1,561,161	$ 48,941,965	$ 7,971,473	$ 6,543,608	$ 287,216,065

NOTE 3 INVESTMENT RISK *(continued)*

Investment Risks *(continued)*

	2011					
	Asset-backed securities	**Commercial mortgage-backed securities**	**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	-	3,682,350	77,447,993	8,800	-	704,420
Agencies	-	-	-	-	-	31,507,611
Total	$ 3,471,736	$ 19,213,214	$ 142,923,435	$ 603,533	$ 6,457,908	$ 32,393,765

	2011 *(continued)*				
	Government-issued commercial mortgage-backed securities	**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	2,341,206	-	86,815,013
Agencies	170,417	41,765,255	-	2,708,886	76,152,169
Total	$ 170,417	$ 45,947,849	$ 9,191,280	$ 2,708,886	$ 263,082,023

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, 2012 and 2011, deposits of approximately $105,000 and $577,000, 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 position at December 31, 2012 and 2011:

	2012	2011
Wells Fargo International Bond Fund	$ *	$ 30,068,975
Institutional Emerging Markets Debt Fund	39,333,430	32,196,332

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

The Plan did not invest in derivative instruments during the years ended December 31, 2012 and 2011.

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, 2012, the Plan had the following investments and maturities related to certain fixed income securities:

		Investment Maturities				
Investment Type	**Market Value**	**Less Than 1 Year**	**1+ to 6 Years**	**6+ to 10 Years**	**More Than 10 Years**	**Maturity Not Determined**
Asset-backed securities	$ 2,473,019	$ -	$ -	$ 74,020	$ 2,398,999	$ -
Commercial mortgage-backed securities	16,941,170	-	-	-	16,941,170	-
Collateralized bonds	74,338	-	74,338	-	-	-
Corporate bonds	156,761,902	4,674,467	28,001,852	23,771,078	16,510,130	83,804,375
Corporate convertible bonds	11,625	-	-	-	11,625	-
Government agency securities	7,886,852	730,587	4,343,642	71,216	2,741,407	-
Government bonds	38,048,952	-	15,498,517	11,043,651	11,506,784	-
Government-issued commercial mortgage-backed securities	1,561,161	-	-	1,160,335	400,826	-
Government mortgage-backed securities	48,941,965	-	600,206	5,773,928	30,586,460	11,981,371
Index-linked government bonds	6,543,608	1,448,188	4,455,912	-	639,508	-
Non-government-backed collateralized mortgage obligations	7,971,473	-	-	551,146	7,420,327	-
Total	$ 287,216,065	$ 6,853,242	$ 52,974,467	$ 42,445,374	$ 89,157,236	$ 95,785,746

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

		Investment Maturities				
Investment Type	**Market Value**	**Less Than 1 Year**	**1+ to 6 Years**	**6+ to 10 Years**	**More Than 10 Years**	**Maturity Not Determined**
Asset-backed securities	$ 3,471,736	$ -	$ -	$ -	$ 3,471,736	$ -
Commercial mortgage-backed securities	19,213,214	-	-	-	19,213,214	-
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-backed securities	170,417	-	-	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	9,191,280	-	-	-	9,191,280	-
Total	$ 263,082,023	$ 5,528,832	$ 42,613,255	$ 40,496,222	$ 93,103,480	$ 81,340,234

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$) 2012**	**(US$) 2011**
Short-term investment and currency positions		
Australian dollar	$ 199,433	$ -
European euro	847,593	1,481
Japanese yen	-	492,020
New Zealand dollar	39,936	37,762
Swiss franc	-	10,190
	$ 1,086,962	$ 541,453
Equities		
Australian dollar	$ 1,914,969	$ 2,715,204
British pound sterling	15,901,168	15,604,461
Canadian dollar	2,510,023	1,653,947
Danish krone	630,447	99,348
European euro	15,333,333	13,615,784
Hong Kong dollar	4,444,134	1,778,191
Japanese yen	13,398,797	9,870,367
Mexican peso	58,727	-
New Zealand dollar	223,348	192,162
Norwegian krone	1,156,240	716,659
Singapore dollar	2,364,383	1,904,150
South Korean won	-	907,443
Swedish krona	2,978,537	2,270,966
Swiss franc	3,063,784	2,853,070
	$ 63,977,890	$ 54,181,752

NOTE 3 INVESTMENT RISK *(continued)*

Type of investment	**(US$) 2012**	**(US$) 2011**
Fixed income		
Australian dollar	$ 62,225	$ 60,409
British pound sterling	114,033	109,123
Canadian dollar	71,216	132,577
European euro	385,672	323,972
Japanese yen	102,155	-
Mexican peso	-	36,106
Malaysian ringgit	42,738	96,713
Norwegian krone	-	28,279
Singapore dollar	77,178	70,994
South African rand	29,865	-
Swedish krona	43,890	43,185
Swiss franc	29,865	43,209
	$ 958,837	$ 944,567

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 were 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 were reflected in the 2011 financial statements.

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

NOTE 4 EARLY RETIREE REINSURANCE PROGRAM *(continued)*

Reimbursements were used to reduce Plan participants' health benefit premium contributions, co-payments, 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 that are exposed to several risks such as interest rate, market volatility, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term. The changes could materially affect the amounts reported in the statements of plan net position.

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 Plan's financial position or changes in its financial position.

NOTE 6 OPERATING LEASE

The Plan shares an office facility with the Retirement Plan for CTA employees. The lease agreement expires on December 31, 2013. At December 31, 2012, the minimum future rental lease payment for the remaining year is as follow:

Year	Amount
2013	$ 97,000

Rent paid by the Plan was $23,866 in 2012 and $27,408 in 2011, which represents 25% of the total amount of rent paid for the shared office facility. The remaining 75% of rent due was paid by the Retirement Plan for CTA employees based on management's expense allocation.

NOTE 7 TAX STATUS

The IRS 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.

REQUIRED SUPPLEMENTARY INFORMATION

CHICAGO TRANSIT AUTHORITY
RETIREE HEALTH CARE PLAN
Schedule of Funding Progress
For the Years Ended December 31, 2012 and 2011
(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)
2012	12/31/2012	$ 643,201,032	$ 455,088,976	$(188,112,056)	141.3%	$ 625,807,630	(30.1)%
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 accompanying report of independent auditors.

CHICAGO TRANSIT AUTHORITY
RETIREE HEALTH CARE PLAN
Schedule of Contributions from Employer and Other Contributing Entities
For the Years Ended December 31, 2012 and 2011

(Unaudited)

Year Ended December 31	Annual Required Contributions	Actual Contributions	Percentage Contributed
2012	$ -	$ 652,568*	N/A
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/or payments from the Early Retiree Reinsurance Program.

N/A—Not applicable.

See accompanying report of independent auditors.

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, 2012 and 2011
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 2012 and 2011
Projected salary increases	For 2012 valuation: 1.50% for 2013-2014, and 5.00% thereafter For 2011 valuation: 1.50% for 2012-2014, and 5.00% thereafter
Inflation rate	3.25% for 2012 and 2011
Medical and prescription drug cost trend rate	For 2012 valuation: 8.00% for 2013, graded to 5.00% over 6 years For 2011 valuation: 8.50% for 2012, graded to 5.00% over 7 years

See accompanying report of independent auditors.

SUPPLEMENTARY INFORMATION

CHICAGO TRANSIT AUTHORITY
RETIREE HEALTH CARE PLAN
Schedule of Investment and Administrative Expenses
For the Years Ended December 31, 2012 and 2011

	2012	2011
Investment expenses		
Investment management fees	$ 3,059,649	$ 3,100,216
Investment consulting fees	175,500	175,500
Custodian fees	127,796	138,651
Other investment fees	48,139	66,860
Reporting and monitoring	14,000	-
Total investment expenses	$ 3,425,084	$ 3,481,227
Administrative expenses		
Staff salaries and fringe benefits	$ 426,332	$ 423,022
Outside consultants	6,235	27,924
Actuarial services	226,918	603,573
Auditing	92,813	60,327
Legal fees	36,064	226,308
Legal research	3,790	3,121
Data processing	21,771	17,855
Court reporting	6,637	13,878
Stationary and printing	61,007	61,544
Telephone and communication	16,914	13,578
Postage and messenger	28,506	5,530
Office space	23,866	27,408
Supplies	8,910	6,312
Utilities	1,142	1,054
Equipment	11,101	9,260
Fiduciary insurance	63,663	65,743
Travel and seminars	6,012	2,205
Seminars for retirees	7,513	6,546
Miscellaneous	1,000	513
Total administrative expenses	$ 1,050,194	$ 1,575,701

See accompanying report of independent auditors.