RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY EMPLOYEES

ACTUARIAL VALUATION REPORT

for the Year Beginning January 1, 2005

Gabriel, Roeder, Smith & Company
Actuaries and Consultants

GABRIEL, ROEDER, SMITH & COMPANY
CONSULTANTS & ACTUARIES

20 North Clark Street • Suite 2400 • Chicago, Illinois 60602 • 312-456-9800 • Fax 312-456-9801

June 23, 2005

Mr. John Kallianis
Executive Director
Chicago Transit Authority
Retirement Allowance Committee
10 S. LaSalle – Suite 1100
Chicago, IL 60602

Subject: Actuarial Valuation Report for the Year Beginning January 1, 2005

Dear John:

At your request, we have performed an actuarial valuation for the Retirement Plan for Chicago Transit Authority Employees (the "Plan") as of January 1, 2005. This valuation has been performed to measure the funding status of the Plan and determine the contribution levels for 2005. In addition, it includes disclosure information required under GASB Statement No. 25 and a summary of the retiree healthcare subordination test under Internal Revenue Code 401(h). These actuarial valuations of the Fund are performed annually.

This valuation is based upon:

> **Data relative to the members of the Plan -** Data for active members and persons receiving benefits from the Plan was provided by the Plan's staff. We have tested this data for reasonableness.
>
> **Asset Values -** The asset amounts of the Plan were provided by the Plan's auditors. The results for GASB Statement No. 25 use an actuarial value of assets.
>
> **Actuarial Method -** The actuarial method utilized by the Plan is the Projected Unit Credit Cost Method. The objective of this method is to spread the costs of Plan benefits over the career of each employee based on service earned before and after the valuation date. Any Unfunded Actuarial Accrued Liability (UAAL), under this method is separately financed. All actuarial gains and losses under this method are reflected in the UAAL.
>
> **Actuarial Assumptions -** The actuarial assumptions have remained the same since last year except for those used to value the reimbursement of healthcare costs. They are set forth in Appendix 4: Actuarial Assumptions and Methods.

The funding objective is to provide employer and employee contributions sufficient to fund the benefits of the Plan when due.

The valuation results set forth in this report are based on the data and actuarial techniques described above, and upon the provision of the Plan as of the valuation date. Based on these items, we certify these results to be true and correct.

Respectfully yours,

Michael R. Kivi, F.S.A.
Senior Consultant

Alex Rivera, A.S.A.
Senior Consultant

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Introduction

In accordance with the request of the Retirement Allowance Committee, we have prepared an actuarial valuation of the Retirement Plan for Chicago Transit Authority Employees (the "Plan") as of January 1, 2005. The purposes of an actuarial valuation of a retirement plan are:

(1) To examine the funding status of the Plan as of the valuation date, and

(2) To develop the contribution level for the next year which would support the benefits of the Plan.

PLAN PROVISIONS

- The plan provisions valued have not changed since the January 1, 2004, actuarial valuation.

ACTUARIAL METHODS

- The actuarial methods have not changed since the January 1, 2004, actuarial valuation.

ACTUARIAL ASSUMPTIONS

- The healthcare trend assumption has been changed since the January 1, 2004, actuarial valuation. There are now separate trend rates for medical and prescription drug benefits. Medical trend is assumed to be 10.0 percent in 2006 and grades down in increments of one percentage point each year until the ultimate rate of 6.0 percent is reached in 2010. Prescription trend is assumed to be 12.0 percent on 2006 and grades down to 6.0 percent by 2012.

CENSUS INFORMATION

- The census information used to value the retiree healthcare liability includes the type of healthcare plan and dependent coverage. In the previous valuations, assumptions relating to the type of plan and dependent coverage were made.

Retirement Plan for Chicago Transit Authority Employees
Actuarial Study as of January 1, 2005 (Cont'd)

PARTICIPANTS

The major characteristics of the data of the members of the Plan are summarized below.

	January 1,	
	2004	**2005**
Active Participants		
Number	10,376	10,751
Average Age	45.1 yrs	44.2 yrs
Average Service	11.7 yrs	10.4 yrs
Average Annual Salary	$ 49,479	$ 53,426
Retirees		
Number	6,851	7,211
Average Age	66.1 yrs	66.3 yrs
Average Annual Benefit	$ 21,725	$ 22,512
Disabled		
Number	810	905
Average Age	60	60
Average Annual Benefit	11,916	12,453
Survivors		
Number	738	761
Average Age	74	75
Average Annual Benefit	7,558	8,130
Per Capita Claim Costs		
Pre-Medicare	9,513	10,549
Post-Medicare	3,566	3,980

FUNDING STATUS

The funding status of the Plan is measured as a ratio of the value of pension fund assets to the actuarial present value of benefits earned to date. While there are several methods by which the present value of earned benefits may be measured, we recommend the use of the AAL (Actuarial Accrued Liability) developed in accordance with Statement #25 promulgated by the Governmental Accounting Standards Board ("GASB 25").

Using this measure, the results of the valuation are as follows ($ in millions):

	January 1,	
Funding Status - GASB #25	**2004**	**2005**
Actuarial Value of Assets	$ 1,581.0	$ 1,382.3
Actuarial Accrued Liability	3,258.6	3,510.6
Funded Ratio	48.52%	39.37%

The decrease in funded ratio is primarily attributable to the following factors:

Funded Ratio as of January 1, 2004	48.52%
Change in Funded Ratio Due to:	
Contribution Shortfall	-3.99%
Investment Return	-3.38%
Salary Scale	-0.06%
Demographic Experience and Other Factors	-0.65%
Dependent Premium Experience	-0.13%
Claims Experience	-0.21%
Additional Healthcare Coverage Data	0.26%
Change in Healthcare Trend Assumption	-0.99%
Total Change in Expected Funded Ratio	-9.15%
Funded Ratio as of January 1, 2005	39.37%

CONTRIBUTIONS

The Authority's contribution is 6.0 percent of employee compensation and the employees' contribution is 3.0 percent of compensation. The Arbitration Board ruling in August 1993 specifies that the unfunded actuarial accrued liability be funded over a 40-year period.

The chart below shows the contribution percentages specified in the collective bargaining agreement as well as contributions expected under the 40-year funding policy for plan year 2005. The chart also shows the funded status using the actuarial value of assets ($ in thousands):

		2005
Normal Cost	$	84,070
40-Year Amortization of Unfunded Actuarial Liability	$	181,514
Interest	$	11,951
Total Contribution for 40-year Amortization	$	277,535
40-year Amortization Contribution Rate		48.32%
Bargaining Agreement Contribution	$	51,695
Bargaining Agreement Contribution Rate		9.00%
Actuarial Accrued Liability	$	3,510,619
Actuarial Value of Assets	$	1,382,264
Funded Ratio		39.37%

The preceding chart shows that the Bargaining Agreement Contribution is not sufficient to amortize the unfunded actuarial accrued liability. The amortization component of the contribution is expected to increase more rapidly than compensation and will produce a 40-year amortization contribution rate that steadily increases over future years. This contribution rate is expected to continue to exceed the actual contribution rate of 9.0 percent. Accordingly, additional contribution shortfalls are expected to accumulate.

COMPUTED ACTUARIAL LIABILITIES AS OF JANUARY 1, 2005

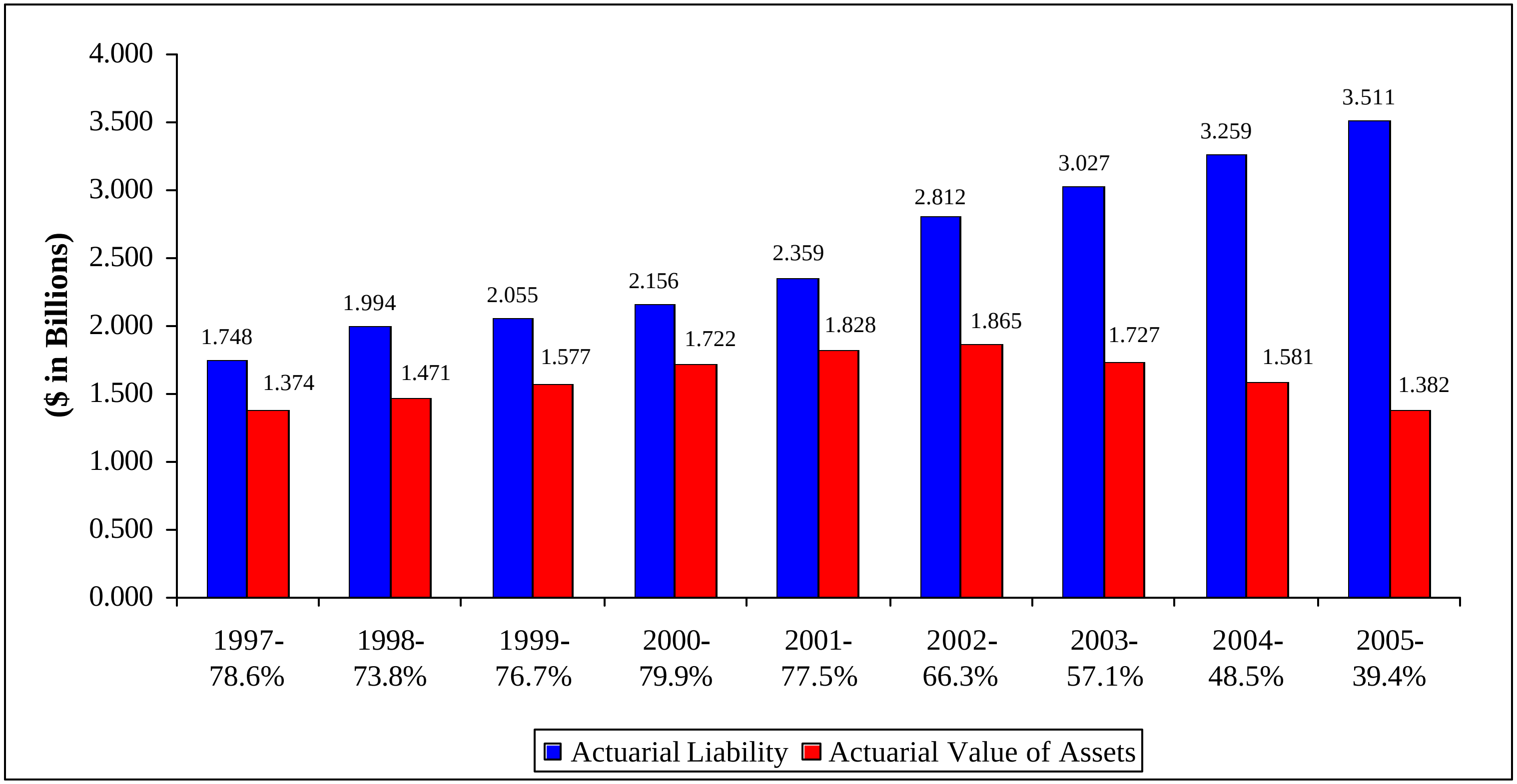
EMPLOYEE DATA	01/01/2004	01/01/2005	Expected Annual Pay 01/01/2004	Expected Annual Pay 01/01/2005
Active Employees				
Number of Employees	10,376	10,751	$ 513,390,797	$ 574,386,392
Average Age	45.1 yrs.	44.2 yrs.		
Average Past Service	11.7 yrs.	10.4 yrs.		
Terminated Vesteds				
Number of Employees	46	33		

	Number of Participants 01/01/2004	Number of Participants 01/01/2005	Monthly Pension 01/01/2004	Monthly Pension 01/01/2005
Retired Employees & Survivors				
Age/Service Retirements	6,851	7,211	$ 12,402,921	$ 13,527,793
Disability Recipients	810	905	$ 804,333	939,154
Surviving Spouses	738	761	$ 464,816	515,596
Total	8,399	8,877	$ 13,672,069	$ 14,982,543

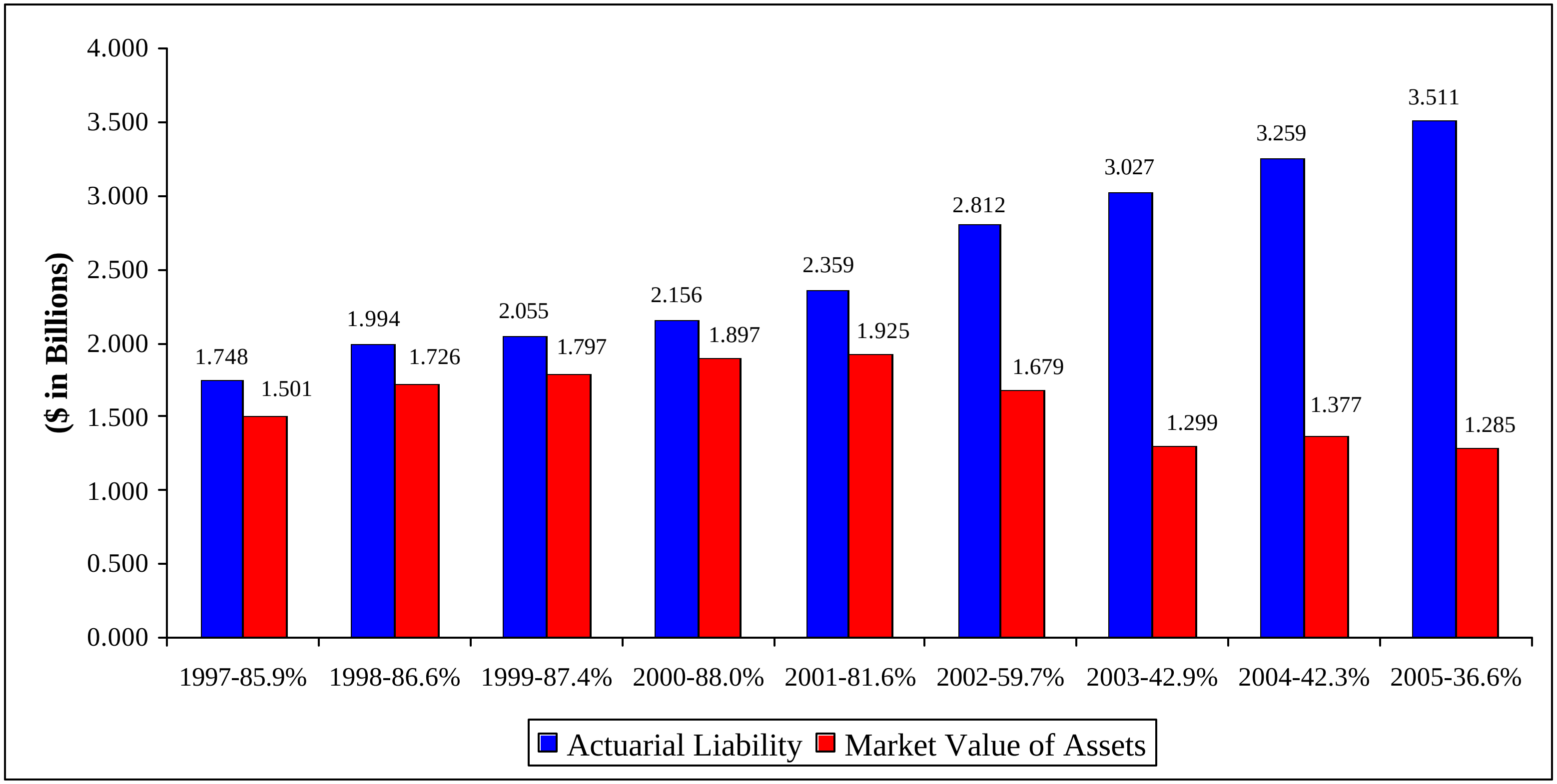
VALUATION RESULTS (In Thousands of Dollars)	01/01/2004	01/01/2005
Annual Normal Cost		
Age/Service Pensions	$ 45,800	$ 48,487
Disability Allowance	3,926	4,628
Pre-Retirement Death Benefits	790	888
Healthcare Premium Reimbursement	28,285	30,067
Total	$ 78,801	$ 84,070
Actuarial Accrued Liability		
Active Employees		
Age/Service Pensions	$ 726,728	$ 690,052
Disability Allowance	35,333	39,183
Pre-Retirement Death Benefits	10,256	10,235
Healthcare Premium Reimbursement	376,001	392,865
Total	$ 1,148,318	$ 1,132,335
Terminated Vested Employees	$ 2,396	$ 1,181
Retired Employees and Survivors		
Age/Service Pensions	$ 1,329,582	$ 1,452,515
Disability Allowance	70,396	82,090
Post-Retirement Death Benefits	14,975	15,906
Healthcare Premium Reimbursement	692,960	826,592
Total	$ 2,107,913	$ 2,377,103
Total Actuarial Accrued Liability	$ 3,258,627	$ 3,510,619
Actuarial Value of Assets	1,581,046	1,382,264
Unfunded Actuarial Accrued Liability	$ 1,677,581	$ 2,128,355
Funded Ratio	**48.52%**	**39.37%**

Chart 1

RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY EMPLOYEES
COMPONENTS OF FUNDING RATIO
ON GASB #25 BASIS



RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY EMPLOYEES
COMPONENTS OF FUNDING RATIO
BASED ON MARKET VALUE



PLAN EXPERIENCE

The unfunded actuarial accrued liability is expected to increase each year by the amount of the previous year's normal cost plus interest on both the normal cost and the unfunded actuarial accrued liability. Annual contributions are then applied to meet the normal cost plus the amortization of the unfunded actuarial accrued liability. The actual unfunded actuarial accrued liability will differ from the expected amount each year due to variations between actuarial assumptions and actual experience. Plan amendments and revisions to the assumptions will result in additional changes in the Plan's unfunded actuarial accrued liability.

The unfunded actuarial accrued liability at January 1, 2004, was $1,677,580,570. Adding normal cost and interest to the end of the year at the assumed rate of 9.0 percent and subtracting the contributions of $45,891,767 made in 2004 with interest thereon, generates an expected unfunded actuarial accrued liability as of January 1, 2005 of $1,862,920,790. As shown in the second column of Schedule A, the actual unfunded actuarial accrued liability as of January 1, 2005, was $2,128,354,972. The actual unfunded is greater than expected, so plan experience during 2004 produced an "actuarial loss" of $265,434,182. This loss is composed of the following elements:

SOURCES OF GAIN (LOSS)

Actuarial assumptions		
Economic		
Investment results	$ (113,467,054)	
Pay increases	(4,671,437)	
		$ (118,138,491)
Demographic		
Retirement	$ (47,647,656)	
Disability	(4,711,008)	
Withdrawal	18,457,915	
New entrants and rehires	(8,383,571)	
Mortality	(10,073,191)	
		$ (52,357,511)
Dependent Premium Experience		$ (11,320,251)
Claims Experience		$ (17,550,559)
Additional Healthcare Coverage Information		$ 22,545,198
Change in Healthcare Trend Assumption		$ (86,605,418)
Other Sources		$ (2,007,150)
Total		$ (265,434,182)

PLAN EXPERIENCE (Cont'd)

A loss occurred because the rate of investment return during 2004, based on the actuarial value of assets, was 1.4 percent and was less than the assumed rate of 9.0 percent. The actuarial value of assets at January 1, 2005 was $113,467,054 less than would have been expected if the rate of return on the actuarial value of assets had been 9.0 percent.

A loss was generated by pay increases in 2004. The total payroll increased more than expected. If pay had increased for each participant at the assumed rate of 5.5 percent, the actuarial accrued liability at January 1, 2005, would have been lower by $4,671,437.

Retirement experience generated a loss of $47,647,656. This loss resulted from a higher number of employees retiring than expected and greater actual benefits compared to expected benefits.

The disability assumption produced a small loss of $4,711,008 in 2004. This loss occurred because the number of employees who became disabled in 2004 was more than the number that was expected.

The data used to value healthcare benefits changed versus prior year's information. We received specific coverage codes for members receiving healthcare benefits. The improved data decreased liabilities by $22,545,198.

The withdrawal assumption produced a gain of $18,457,915 in 2004. The unfunded liability of the Plan generally decreases when an employee withdraws from service because the value of his forfeited employer provided benefit is usually greater than the value of the employee contributions that are returned. The net gain from the withdrawal assumption indicates that withdrawal from the Plan was more than expected during 2004.

Healthcare claims experience generated a loss of $17,550,559. This loss occurred because healthcare claims increased at a rate greater than what was assumed. An additional loss of $11,320,251 is attributable to dependent premiums. Our valuation assumes that dependent premiums will increase each year with trend. The current premiums have not been updated since 1995.

An additional component of the loss was a change in assumptions. We have changed the healthcare trend assumption to better reflect future increases in healthcare costs. This change increased liabilities by $86,605,418.

ASSETS

The market value of assets shown in the Schedule B is based on information provided by the auditors. The market value of assets decreased from $1.377 billion as of December 31, 2003, to $1.285 billion as of December 31, 2004. Page 11 details the development of asset values during 2004, and Page 12 shows the development of the actuarial value of assets as of January 1, 2005. In determining the actuarial value of assets, gains and losses are phased in over five years. As a result, the actuarial value of assets is $1.382 billion and the return on the actuarial value of assets was 1.4 percent even though the market return was 10.07 percent.

SCHEDULE B
RECONCILIATION OF ASSETS
AS OF JANUARY 1, 2005

		Market Value
1.	Market Value of assets as of 12/31/2003	$1,377,002,130
2.	Income for plan year:	
	a) Member contributions	$ 15,315,771
	b) CTA contributions	30,575,996
	c) Investment income net of expenses	127,553,356
	d) Miscellaneous revenue	-
	e) Total income	$ 173,445,123
3.	Disbursements for plan year:	
	a) Pension and Death Benefits	$ 191,629,332
	b) Health Benefits	71,413,210
	c) Refunds	859,196
	d) Administration	1,883,434
	e) Total disbursements	$ 265,785,172
4.	Market Value of assets as of 12/31/2004	$1,284,662,081
5.	Estimated rate of return in 2004:	
	a) Gross	10.52%
	b) Net of investment expense (Investment expense of $5,740,670)	10.07%

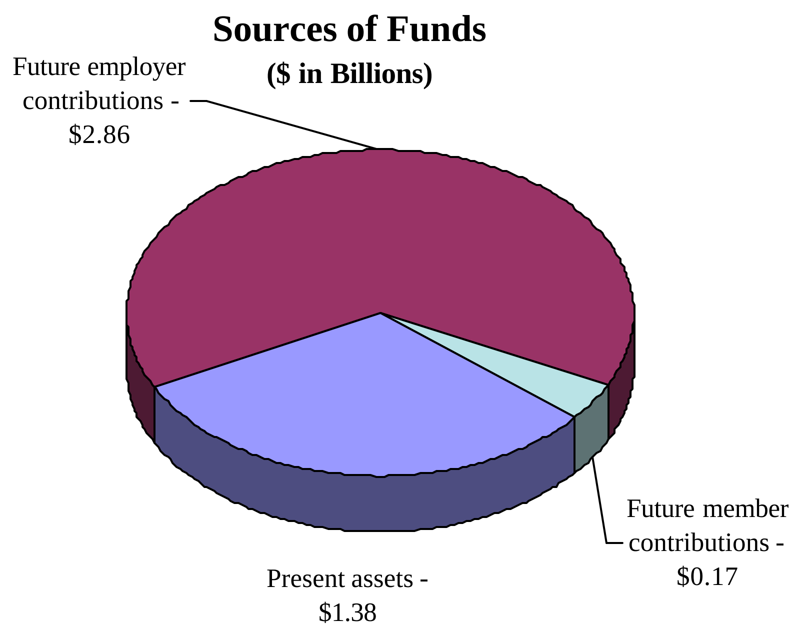
Method used for calculating rate of return does not reflect specific timing of income and outflows. It is also based on total assets, not invested assets.

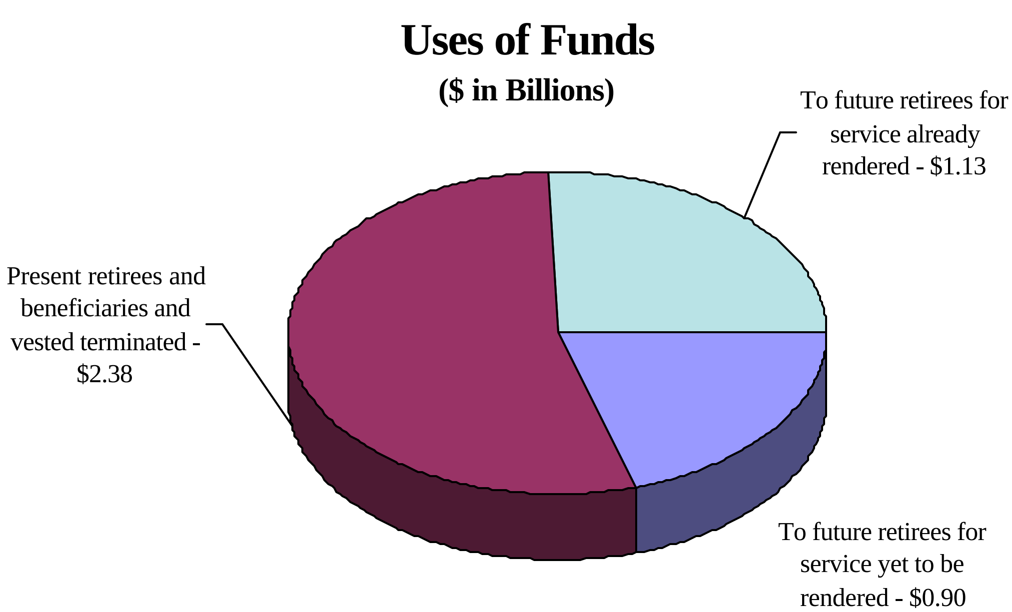
DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS

Year Ended December 31:	2000	2001	2002	2003	2004	2005	2006
A. Actuarial Value Beginning of Year	$1,896,563,000	$1,923,533,436	$1,899,066,970	$1,740,052,328	$1,581,045,979		
B. Market Value End of Year	1,925,057,781	1,679,215,503	1,298,624,027	1,377,002,130	1,284,662,081		
C. Market Value Beginning of Year	1,896,563,000	1,925,057,781	1,679,215,503	1,298,624,027	1,377,002,130		
D. Non-Investment Net Cash Flow	(137,896,000)	(136,702,461)	(178,148,646)	(172,493,059)	(219,893,405)		
E. Investment Return							
E1. Market Total: B - C - D	166,390,781	(109,139,817)	(202,442,830)	250,871,162	127,553,356		
E2. Amount for Immediate Recognition (9%)	164,485,350	167,103,590	143,112,706	109,113,975	114,034,988		
E3. Amount for Phased-In Recognition: E1-E2	1,905,431	(276,243,407)	(345,555,536)	141,757,187	13,518,368		
F. Phased-In Recognition of Investment Return							
F1. Current Year: 0.2 x E3	381,086	(55,248,681)	(69,111,107)	28,351,437	2,703,674	Unknown	Unknown
F2. First Prior Year	-	381,086	(55,248,681)	(69,111,107)	28,351,437	2,703,674	Unknown
F3. Second Prior Year	-	-	381,086	(55,248,681)	(69,111,107)	28,351,437	2,703,674
F4. Third Prior Year	-	-	-	381,086	(55,248,681)	(69,111,107)	28,351,437
F5. Fourth Prior Year	-	-	-	-	381,086	(55,248,681)	(69,111,107)
F6. Total Recognized Investment Gain	**381,086**	**(54,867,595)**	**(123,978,702)**	**(95,627,265)**	**(92,923,591)**	**(93,304,677)**	**(38,055,996)**
G. Actuarial Value End of Year: A + D + E2 + F6	1,923,533,436	1,899,066,970	1,740,052,328	1,581,045,979	1,382,263,971		
H. Actual/Projected Difference between Market and Actuarial Value	1,524,345	(219,851,467)	(441,428,301)	(204,043,849)	(97,601,890)	(4,297,213)	33,758,783
I. Market Rate of Return	9.1%	-5.9%	-12.7%	20.7%	10.1%		
J. Actuarial Rate of Return	9.0%	6.0%	1.1%	0.8%	1.4%		
K. Ratio of Market Value to Actuarial Value	100.1%	88.4%	74.6%	87.1%	92.9%		

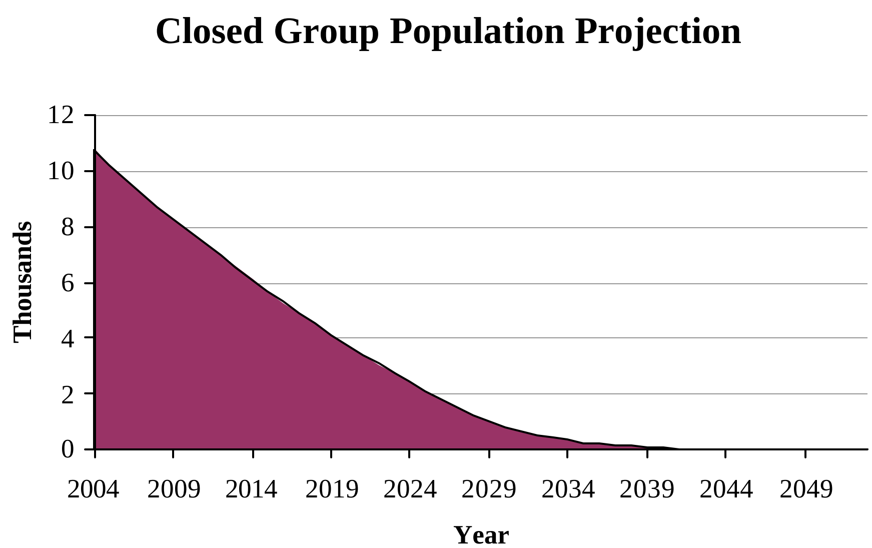
The Actuarial Value of Assets recognizes assumed investment return (line E2) fully each year. Differences between actual and assumed investment income (line E3) are recognized over a five year period at a rate of 20 percent per year. During periods when investment performance exceeds the assumed rate, Actuarial Value of Assets will tend to be less than Market Value. During periods when investment performance is less than the assumed rate, Actuarial Value of Assets will tend to be greater than Market Value. *The Actuarial Value of Assets is unbiased with respect to Market Value.* At any time it may be either greater or less than Market Value. If assumed rates are exactly realized for four consecutive years, it will become equal to Market Value.

FINANCING $4.41 BILLION OF BENEFIT PROMISES FOR PRESENT ACTIVE AND RETIRED MEMBERS JANUARY 1, 2005

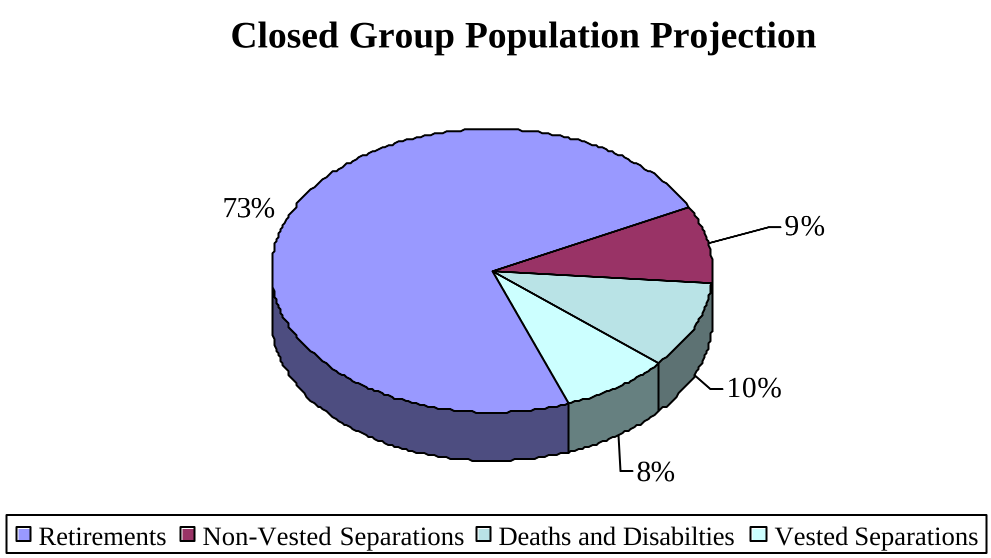




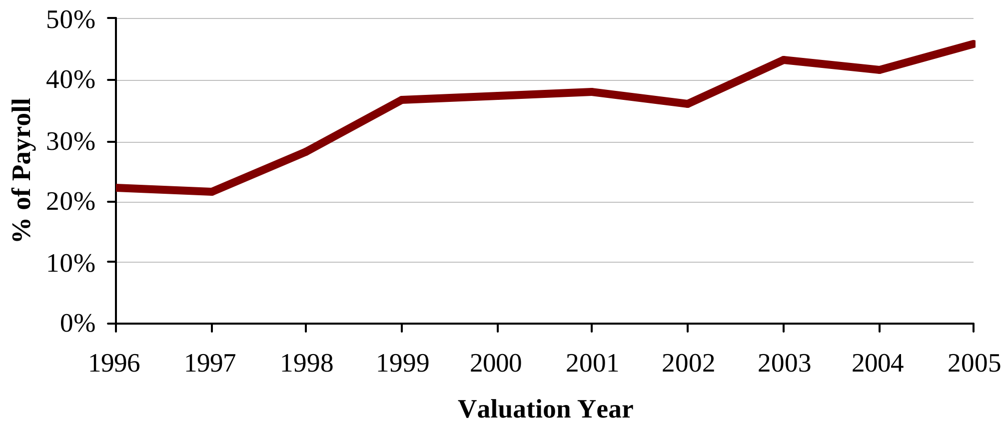
EXPECTED DEVELOPMENT OF PRESENT POPULATION
JANUARY 1, 2005



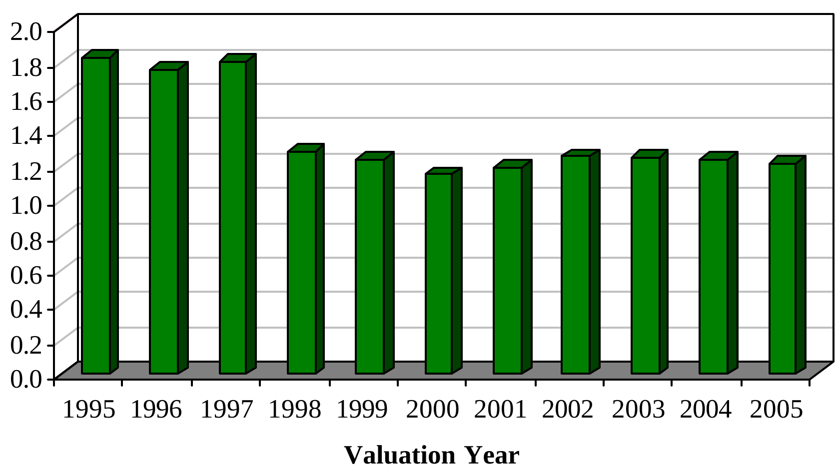
The charts show the expected future development of the present population in simplified terms. The retirement system presently covers 10,751 active members. Eventually, nine percent of the population is expected to terminate covered employment prior to retirement and forfeit eligibility for an employer provided benefit. Approximately 81 percent of the present population is expected to receive monthly retirement benefits either by retiring directly from active service, or retiring from vested deferred status. 10 percent of the present population is expected to become eligible for death-in-service or disability benefits.



Pension Benefits Being Paid as a Percent of Member Payroll



Active Members Per Retired Life



VALUATION METHOD

An essential step in the valuation process is comparing valuation assets with computed liabilities. Valuation assets are those assets that are recognized for funding purposes.

Asset valuation methods are distinguished by the timing of the recognition of investment income. Total investment income is the sum of ordinary income and capital value changes. Under a pure market value approach, ordinary investment income and all capital value changes would be recognized immediately. Because of market volatility, use of pure market values in retirement funding can result in volatile contribution rates and unstable financial ratios, contrary to Plan objectives.

Under the Plan's asset valuation method (see page 26), assumed investment return is recognized fully each year. Differences between actual and assumed investment return are phased in over a five-year period. During periods when investment performance exceeds the assumed rate, the actuarial value will tend to be less than the market value. Conversely, during periods when investment performance is less than the assumed rate, actuarial value will tend to be greater than market value. If assumed rates are exactly realized for four consecutive years, actuarial value will become equal to market value.

A multi-year comparison of market value to actuarial value is shown below ($ in millions):

Valuation Date Dec. 31	Market Value of Assets (1)	Actuarial Value of Assets (2)	Ratio of MV to AV (1)/(2)
1994	$1,174	$1,256	93.5%
1995	1,354	1,285	105.4%
1996	1,501	1,374	109.2%
1997	1,726	1,471	117.3%
1998	1,797	1,577	114.0%
1999	1,897	1,722	110.2%
2000	1,925	1,828	105.3%
2001	1,679	1,865	90.1%
2002	1,299	1,727	75.2%
2003	1,377	1,581	87.1%
2004	1,285	1,382	92.9%

Retiree Healthcare Subordination Test under IRC §401(h)

Retirement plans providing retiree healthcare through a qualified pension trust must satisfy the requirements of Internal Revenue Section Code § 401(h) which include:

- The plan sponsor should establish and maintain a 401(h) account for retiree healthcare benefits.
- The plan sponsor must allocate total contributions in a reasonable and well defined manner. Currently, total contributions are allocated ratably based on the relationship of the GASB 25 annual required contribution for pension and healthcare benefits.
- Retiree healthcare benefits must be subordinate to pension benefits. This requirement is satisfied if the cumulative value of contributions made to the 401(h) account for retiree healthcare benefits does not exceed 25 percent of the total contributions made to the trust.

The following tables show the allocation of 2004 contributions and the results of the December 31, 2004 subordination test.

Allocation of Plan Year 2004 Contributions ($ in thousands):

	Pension	Healthcare	Total
Plan Year 2004 GASB ARC	$153,253	$78,613	$231,856
Percentage	66.10%	33.90%	100.00%
Allocation of 2004 Contributions	$30,335	$15,558	$45,892

IRC § 401(h) Subordination Test Contributions ($ in thousands):

	(a) Pension	(b) Healthcare	Subordination Percentage b/(a+b)
Cumulative Contributions at 1/1/2004	$223,900	$56,838	20.25%
2004 Contributions	$30,335	$15,558	-
Cumulative Contributions at 12/31/2004	$254,235	$72,396	22.16%

Based on current plan provisions and funding policies, the projected subordination percentage for plan year end 2005 is approximately 23.93 percent, which is less than the statutory limit of 25.00 percent and the plan is expected to satisfy the subordinate test in 2005. In fiscal year 2006 the plan is projected to fail the test with a subordination percentage of 25.00 percent and approximately $16.1 million in retiree healthcare benefits will need to be financed outside the pension trust in order to remain below the 25.00 percent threshold. Our projections assume investment income after fiscal year 2005 will be allocated in proportion to market value of the pension account and 401(h) retiree healthcare account as of the beginning of the fiscal year.

RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY EMPLOYEES
GASB STATEMENT NO. 25

Schedule of Funding Progress
(Pension & Healthcare)

In Accordance with Statement No. 25 of the Governmental Accounting Standards Board ($ in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
01/01/2005	$1,382,264	$3,510,619	$2,128,355	39.4%	$544,442	390.9%
01/01/2004	1,581,046	3,258,627	1,677,581	48.5%	486,626	344.7%
01/01/2003	1,726,937	3,026,597	1,299,660	57.1%	480,740	270.3%
01/01/2002	1,864,727	2,812,194	947,467	66.3%	459,343	206.3%
01/01/2001	1,828,095	2,358,856	530,761	77.5%	431,703	122.9%
01/01/2000	1,722,215	2,156,279	434,064	79.9%	424,518	102.2%
01/01/1999	1,576,924	2,054,953	478,029	76.7%	407,406	117.3%
01/01/1998	1,470,510	1,994,422	523,912	73.7%	457,717	114.5%
01/01/1997	1,373,715	1,748,190	374,475	78.6%	443,508	84.4%
01/01/1996	1,285,155	1,669,915	384,760	77.0%	414,667	92.8%

RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY EMPLOYEES
GASB STATEMENT NO. 25

Schedule of Employer Contributions
(Pension & Healthcare)

In Accordance with Statement No. 25 of the Governmental Accounting Standards Board ($ in Thousands)

Year Ended 31-Dec	Authority Contribution (a)	Employee Contribution (b)	Total Contribution (a+b)	Annual Required Contribution (c)	Percentage Contributed ([a+b]/c)
2005	$34,463	$17,232	$51,695	$277,535	18.6%
2004	30,576	15,316	45,892	231,856	19.8%
2003	29,597	14,840	44,437	177,404	25.0%
2002	29,076	14,538	43,615	142,758	30.6%
2001	27,219	13,639	40,858	82,949	49.3%
2000	25,904	12,981	38,885	73,696	52.8%
1999	25,649	12,874	38,523	76,122	50.6%
1998	24,432	12,165	36,597	82,052	44.6%
1997	12,662	6,366	19,028	68,531	27.8%
1996	26,228	13,165	39,393	66,599	59.1%

Estimated contributions for fiscal year end 2005 based on expected covered payroll.

RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY EMPLOYEES
GASB STATEMENT NO. 25

Schedule of Funding Progress
(Pension Only)

In Accordance with Statement No. 25 of the Governmental Accounting Standards Board ($ in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
01/01/2005	$902,117	$2,291,162	$1,389,045	39.4%	$544,442	255.1%
01/01/2004	1,062,399	2,189,666	1,127,267	48.5%	486,626	231.6%
01/01/2003	1,190,087	2,085,723	895,636	57.1%	480,740	186.3%
01/01/2002	1,355,567	2,044,330	688,763	66.3%	459,343	149.9%
01/01/2001	1,595,609	2,058,871	463,262	77.5%	431,703	107.3%
01/01/2000	1,494,585	1,871,277	376,692	79.9%	424,518	88.7%
01/01/1999	1,363,625	1,776,994	413,369	76.7%	407,406	101.5%
01/01/1998	1,269,568	1,721,888	452,320	73.7%	457,717	98.8%
01/01/1997	1,182,931	1,505,398	322,467	78.6%	443,508	72.7%
0101/1996	1,098,856	1,427,840	328,984	77.0%	414,667	79.3%

RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY EMPLOYEES
GASB STATEMENT NO. 25

Schedule of Employer Contributions
(Pension Only)

In Accordance with Statement No. 25 of the Governmental Accounting Standards Board ($ in Thousands)

Year Ended 31-Dec	Authority Contribution (a)	Employee Contribution (b)	Total Contribution (a+b)	Annual Required Contribution (c)	Percentage Contributed ([a+b]/c)
2005	$22,380	$11,190	$33,570	$180,227	18.6%
2004	20,210	10,123	30,334	153,253	19.8%
2003	19,570	9,813	29,383	117,305	25.0%
2002	19,766	9,883	29,648	97,044	30.6%
2001	24,081	12,067	36,148	73,387	49.3%
2000	22,827	11,439	34,266	64,943	52.8%
1999	22,481	11,284	33,765	66,720	50.6%
1998	21,417	10,664	32,081	71,928	44.6%
1997	11,075	5,568	16,643	59,943	27.8%
1996	22,769	11,429	34,198	57,815	59.2%

Estimated contributions for fiscal year end 2005 based on expected covered payroll.

Annual Required Contribution
For Fiscal Year Ending December 31, 2005

**In Accordance with Statement No. 25 of the Governmental Accounting Standards Board
($ in Thousands)**

Fiscal Year 2005	Pension	Healthcare	Total
Assumptions and Methods			
Interest Rate	9.00%	9.00%	9.00%
Amortization Period (years)	40	40	40
Cost Method	PUC	PUC	PUC
Basic Results			
Normal Cost	$ 54,003	$ 30,067	$ 84,070
Actuarial Accrued Liability	2,291,162	1,219,457	3,510,619
Actuarial Value of Assets	902,117	480,147	1,382,264
Unfunded Actuarial Liability	$ 1,389,045	$ 739,310	$2,128,355
Annual Required Contribution (ARC)			
Normal Cost	$ 54,003	$ 30,067	$ 84,070
Amortization of Unfunded Actuarial Liability	118,463	63,051	181,514
Interest Adjustment	7,761	4,190	11,951
Total ARC	$ 180,227	$ 97,308	$ 277,535

GASB STATEMENT NO. 25 REQUIRED SUPPLEMENTARY INFORMATION

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

Valuation Date:	January 1, 2005
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar
Remaining Amortization Period for Unfunded Accrued Liabilities	40 Years
Asset Valuation Method	5-Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	9.0%
Projected Salary Increases	5.5%

Membership of the plan consisted of the following at January 1, 2005, the date of the latest actuarial valuation:

Retirees, disabled and beneficiaries receiving benefits	8,877
Terminated plan members entitled to but not yet receiving benefits	33
Active plan members	10,751
Total	19,661

SECTION II

Actuarial Assumptions and Methods

Actuarial Assumptions and Methods used in the Valuation as of January 1, 2005

1. **Rate of Covered Pay:** The rate of covered pay for participants has been estimated at $574,386,392 for 2005. The following adjustments were made to the actual covered earnings for 2004 supplied by the Authority:

    - No earnings or a fractional year of earnings were submitted for employees with a work status date in 2004 who were hired during 2003. We have annualized the 2004 earnings as a participant and assumed minimum earnings of $20,000 per year for this group.

    - For employees on layoff, extended leave of absence, or on inactive status, we have assumed minimum earnings of $25,000 per year.

    - For employees whose 2004 earnings were less than $15,000, we have assumed an annual rate of $20,000 per year.

    - For all employees, 2004 earnings were increased by 5.5% to estimate the rate of pay for 2005.

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

3. **Actuarial Cost Method:** The normal cost and actuarial liability were determined using the Projected Unit Credit cost method. The normal cost for each individual active member equals the portion of the actuarial present value of projected benefits allocated to service earned during the current year. The actuarial accrued liability for each individual active member equals the portion of the actuarial present value of projected benefits allocated to service earned during prior plan years. The actuarial accrued liability for retired and inactive members equals the present value of benefits.

4. **Mortality:**

    (a) *Retirees & Survivors*—According to the 1994 Group Annuity Mortality Table for males and females.

    (b) *Disabled Employees*—According to a blend of 50% of the 1974 Railroad Retirement Board Totally Disabled Annuitants Mortality Table (Ultimate) and 50% of the 1994 Group Annuity Mortality Table for males and females.

Actuarial Assumptions and Methods used in the Valuation as of January 1, 2005 (Cont'd)

5. **Interest on the Fund:** 9% per annum, compounded annually.

6. **Withdrawals from Service:** According to the following table as shown for illustrative ages:

Age	Rate of Termination for Reasons Other than Death or Disability
22	.0625
27	.0500
32	.0375
37	.0281
42	.0188
47	.0125
52	.0094
55 & Older	–

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

7. **Disability Retirements:** According to the following table as shown for illustrative ages:

Age	Rate of Disability
22	.0020
27	.0020
32	.0020
37	.0040
42	.0060
47	.0075
52	.0100
57	.0135
62	.0175
65 & Older	-

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

8. **Compensation Increases:** 5.5% per annum, compounded annually.

Actuarial Assumptions and Methods used in the Valuation as of January 1, 2005 (Cont'd)

9. Service Retirements:

	Probability of Retirement	
Age	**If service is less than 25***	**If service is 25 or greater**
50 or less	.000	.075
51–54	.000	.075
55–56	.015	.150
57-59	.020	.150
60	.025	.200
61	.040	.200
62	.200	.550
63–64	.150	.400
65	.600	.750
66-69	.250	.333
70	1.000	1.000

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

10. Per Capita Claim Costs: Per capita claim costs were developed using paid claims, enrollment and expense data for plan years 2002 through 2004. Separate claim costs were developed for coverage under the pre-Medicare PPO, Medicare Supplemental Plan and the Prescription Drug Plan. For members covered by an HMO plan, per capita claim costs were assumed to be 90% of the PPO per capita claim costs. Sample annual per capita claim costs are shown in the following table for PPO members.

	Male			Female		
Age	**Medical**	**Prescription**	**Total**	**Medical**	**Prescription**	**Total**
52	$ 7,014	$ 1,708	$ 8,722	$ 5,935	$ 1,445	$ 7,380
57	8,370	2,038	10,409	7,082	1,725	8,807
62	9,704	2,363	12,066	8,210	1,999	10,209
67	1,502	2,660	4,162	1,271	2,251	3,522
72	1,658	2,937	4,595	1,403	2,485	3,888
77	1,795	3,179	4,975	1,519	2,690	4,209
82	1,887	3,342	5,229	1,597	2,827	4,424

Actuarial Assumptions and Methods used in the Valuation as of January 1, 2005 (Cont'd)

11. **Dependent Contribution Rates:** Currently, dependent contributions are based on 1995 levels and it is uncertain when their rates will be increased. Consequently, for the current valuation, dependent contributions were based on 1995 levels without any adjustment for claims experience through 2004. This produced an average annual dependent contribution rate of $ 3,761 for pre-Medicare coverage and $ 1,410 for post-Medicare coverage.

12. **Healthcare Trend Rate:** Per capita claim costs and dependent contribution rates were assumed to increase as follows:

Plan Year	Medical Trend	Prescription Drug Trend
2006	10%	12%
2007	9%	11%
2008	8%	10%
2009	7%	9%
2010	6%	8%
2011	6%	7%
2012 and after	6%	6%

13. **Spouse Data:** 75% of employees eligible at retirement are assumed to be married, and the average factor to convert their accrued pension to a spouse option (Option A–50%) is assumed to be .8500. A wife is assumed to be 3 years younger than her husband. The valuation assumes 50% of all married retirees will elect healthcare coverage for their dependents. Actual dependent coverage data was used for participants retired as of the valuation date.

14. **Asset Valuation:** The actuarial value is determined by adjusting the market value of assets to reflect the investment gains and losses (the difference between the actual investment return and the expected investment return) during each of the last 5 years at the rate of 20% per year.

SECTION III

Summary of Principal Plan Provisions Recognized in the Valuation

RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY EMPLOYEES
Summary of Principal Plan Provisions upon which the Actuarial Valuation as of January 1, 2005 has been Based

Eligibility—All non-temporary employees of the Chicago Transit Authority are included in the Plan after completing 12 months of continuous service unless specifically excluded by the terms of a collective bargaining agreement.

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

	Contribution Percentage	
Dates	**Authority**	**Employees**
July 1, 1997 and thereafter	6%	3%

Normal Retirement—The normal retirement age is 65. The annual normal retirement pension is equal to the greater of (a) or (b) below, but not greater than 70.0% of the employee's average annual compensation:

(a) 1% of the employee's past service compensation as of May 31, 1948, for each full year of continuous service prior to June 1, 1949, plus 1-2/3% of the employee's compensation for continuous service after June 1, 1949.

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

[a] The Arbitration Award increased the benefit multiplier for service after June 1, 1949, from 1.85% to 2.00% for employees retiring from January 1, 2000, to December 31, 2000, and to 2.15% for employees retiring on and after January 1, 2001. The multiplier for employees retiring before January 1, 2000 remained at 1.85%.

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

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

Summary of Principal Plan Provisions upon which the Actuarial Valuation as of January 1, 2005 has been Based (Cont'd)

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

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

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

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

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

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

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

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

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

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

Reimbursement of Healthcare Costs—The Plan provides for payment towards retirees' group healthcare costs. For purposes of our valuation, we have assumed that all retirees who meet the following conditions will be eligible for group healthcare benefits.

(a) Employees, full-time and part-time, on the payroll on September 5, 2001, upon retirement will receive the hospitalization supplement paid for by the plan.

(b) Retired employees under age 65 will receive a monthly healthcare reimbursement supplement covering the full cost of benefits under the Blue Cross Blue Shield PPO and Prescription Drug Program.

(c) Retired employees age 65 or older will receive a monthly reimbursement supplement covering the full cost of benefits under the Blue Cross Blue Shield Medicare Supplemental Plan and Prescription Drug Program

(d) Dependents of retired employees are also eligible for healthcare coverage provided they make the required contribution.

Summary of Principal Plan Provisions upon which the Actuarial Valuation as of January 1, 2005 has been Based (Cont'd)

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

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

- $75 per month for members retired before January 1, 1980
- $50 per month for members who retired on or after January 1, 1980, but before January 1, 1991
- $40 per month for members who retired on or after January 1, 1991, but before January 1, 2000

SECTION IV

Participant Data

Retired Employees at January 1, 2005

Attained Ages	Retirees No.	Retirees Annual Allowances	Disability No.	Disability Annual Allowances	Beneficiaries No.	Beneficiaries Annual Allowances	Totals No.	Totals Annual Allowances
<35	0	$ 0	1	$ 8,465		$ 0	1	$ 8,465
35-39	0	0	4	41,830		0	4	41,830
40-44	5	149,974	22	207,856	1	10,176	28	368,005
45-49	118	3,533,857	64	797,710	15	157,199	197	4,488,766
50-54	601	17,453,777	150	2,053,738	24	333,300	775	19,840,814
55-59	1,446	39,810,320	235	3,055,201	40	532,443	1,721	43,397,964
60-64	1,603	40,959,731	195	2,462,498	83	787,253	1,881	44,209,482
65-69	1,235	27,132,964	132	1,604,761	83	773,298	1,450	29,511,023
70-74	787	14,059,520	58	674,492	91	759,628	936	15,493,640
75-79	595	9,275,414	24	209,936	143	1,119,517	762	10,604,868
80-84	449	6,235,656	14	115,381	140	952,432	603	7,303,469
85-89	251	2,733,743	5	31,154	108	611,594	364	3,376,492
90-94	104	868,044	1	6,828	30	138,662	135	1,013,534
95-99	14	100,420	0	0	3	11,650	17	112,069
100-104	2	13,654	0	0	0	0	2	13,654
105+	1	6,443	0	0			1	6,443
Totals	**7,211**	**$162,333,515**	**905**	**$11,269,851**	**761**	**$6,187,152**	**8,877**	**$179,790,518**

RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY EMPLOYEES
Terminated Vested Data at January 1, 2005

Terminated, Vested Participants

Attained Ages	Terminated Vested No.	Terminated Vested Annual Allowances
35-39	1	$ 7,381
40-44	0	0
45-49	6	76,874
50-54	10	98,575
55-59	8	80,504
60-64	7	61,802
65-69	1	6,132
70-74	0	0
75-79	0	0
Total	**33**	**$331,270**

RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY EMPLOYEES
Distribution of Active Employees at January 1, 2005 by Age and Length of Service

	Years of Service									
AGE	**Under 1 year**	**1 to 4**	**5 to 9**	**10 to 14**	**15 to 19**	**20 to 24**	**25 to 29**	**30 to 34**	**35 and over**	**Total**
Under 20	0	0	0	0	0	0	0	0	0	**0**
20 to 24	82	106	2	0	0	0	0	0	0	**190**
25 to 29	127	436	68	0	0	0	0	0	0	**631**
30 to 34	110	621	328	51	0	0	0	0	0	**1,110**
35 to 39	104	632	485	308	77	0	0	0	0	**1,606**
40 to 44	95	581	447	400	341	52	5	0	0	**1,921**
45 to 49	73	487	334	319	371	182	145	6	0	**1,917**
50 to 54	43	307	228	228	240	125	323	77	3	**1,574**
55 to 59	29	156	175	145	191	86	219	113	48	**1,162**
60 to 64	8	54	74	80	93	43	89	32	34	**507**
65 and over	2	12	22	25	28	12	19	6	7	**133**
Total Active	**673**	**3392**	**2163**	**1556**	**1341**	**500**	**800**	**234**	**92**	**10,751**

Number non-vested: 6,228
Number vested: 4,523