RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY EMPLOYEES

Financial Statements and Supplementary Information
For the Years Ended December 31, 2015 and 2014
With Independent Auditor's Report

MITCHELL TITUS
ACHIEVING EXCELLENCE TOGETHER

RETIREMENT PLAN FOR CHICAGO
TRANSIT AUTHORITY EMPLOYEES
For the Years Ended December 31, 2015 and 2014

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Retirement Plan for Chicago Transit Authority Employees

Report on the Financial Statements

We have audited the accompanying financial statements of the Retirement Plan for Chicago Transit Authority Employees (the Plan), which comprise the statements of fiduciary net position as of December 31, 2015 and 2014, the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Plan's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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.

333 West Wacker Drive
Chicago, IL 60606
T +1 312 332 4964
F +1 312 332 0181

mitchelltitus.com

MITCHELL TITUS

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, 2015 and 2014, and the changes in its financial position for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of changes in employer's net pension liability, employer's net pension liability, employer contributions, and money-weighted rate of return on pages 3 through 9 and pages 32 through 34, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Mitchell & Titus, LLP

September 29, 2016

Management's discussion and analysis of the Retirement Plan for Chicago Transit Authority Employees (the Plan) provides an overview and analysis of the financial statements of the Plan, including highlights and comparisons for the years ended December 31, 2015 and 2014. For more detailed information regarding the Plan's financial activities, 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 generally accepted accounting principles in the United States (GAAP) as established by the Governmental Accounting Standards Board (GASB) and are described below:

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

- *The Statement of Changes in Fiduciary 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; and then benefit payments, refunds, 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 changes in the employer's net pension liability and related ratios, a schedule of employer contributions and a schedule of money-weighted rate of return as well as the related notes to discuss actuarial assumptions and methods. Such schedules provide information to aid in the analysis of the Plan's funded status and the internal rate of return on pension plan investments.

- *The Schedule of Changes in the Employer's Net Pension Liability and Related Ratios* shows the liability of the employer to plan members and retirees for benefits provided through the pension plan and the changes thereof during the year.

- *The Schedule of Employer Contributions* contains historical trend information of employer contributions. It shows the amounts of required employer contributions and the related amounts the employer has contributed to meet its requirement.

- *The Schedule of Money-Weighted Rate of Return* shows the period-by-period returns on pension plan investments that adjust for the changing amounts actually invested. It represents an internal rate of return on pension plan investments, net of pension plan investment expenses.

- *The Notes to the Required Supplementary Information* describes 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 defined benefit pension plan.

Financial Highlights

- The fiduciary net position held in trust for Plan benefits totaled approximately $1.74 billion at December 31, 2015, compared to $1.86 billion at December 31, 2014 and $1.89 billion at December 31, 2013. The fiduciary net position is available for payment of members' pensions.

- For the 2015 Plan year, the addition to fiduciary net position was $150.0 million, and consisted of contribution revenue of $141.8 million, increased by net investment gain of $8.2 million. The addition to fiduciary net position for the 2014 Plan year was $219.5 million, which consisted of contribution revenue of $140.8 million, increased by net investment gain of $78.7 million.

- Benefit payments to retirees increased by $7.8 million in 2015, $7.2 million in 2014, and $6.1 million in 2013. Refunds of member contributions decreased by $0.9 in 2015, increased by $2.3 in 2014, and increased by $0.9 million in 2013.

- The funded ratio of the Plan for pension benefits was 53.3% at December 31, 2015, 58.2% at December 31, 2014, compared to 60.9% at December 31, 2013. The decrease in the funded ratio at December 31, 2015 compared to December 31, 2014 was for a number of reasons, including market value returns of -0.2% compared to 8.25% assumed, payroll and salaries increased less than expected and demographic experience. The decrease in the funded ratio at December 31, 2014 compared to December 31, 2013 was mainly caused by market value returns of 4.8% compared to 8.25% assumed, payroll and salaries increased slightly less than expected and demographic experience.

Fiduciary Net Position

A condensed schedule of the Plan's fiduciary net position is presented below:

Fiduciary Net Position
(in millions)
As of December 31, 2015, 2014 and 2013

	2015	2014	2013	2015-2014 Change $	2015-2014 Change %
Receivables	$ 17.2	$ 17.6	$ 26.9	$ (0.4)	(2.3)%
Brokers–unsettled trades	4.7	2.7	14.5	2.0	74.1
Investments, at fair value	1,728.7	1,842.2	1,876.1	(113.5)	(6.2)
Invested securities lending collateral	192.4	257.4	274.2	(65.0)	(25.3)
Total assets	1,943.0	2,119.9	2,191.7	(176.9)	
Brokers–unsettled trades	3.7	2.6	21.0	1.1	42.3
Securities lending payable	192.4	257.4	274.2	(65.0)	(25.3)
Accounts payable and accrued expenses	3.7	4.0	3.8	(0.3)	(7.5)
Total liabilities	199.8	264.0	299.0	(64.2)	
Fiduciary net position	$ 1,743.2	$ 1,855.9	$ 1,892.7	$(112.7)	(6.1)%

Fiduciary net position decreased by $112.7 million, or 6.1%, at December 31, 2015 from $1,855.9 million at December 31, 2014. It decreased by $36.8 million, or 1.9%, at December 31, 2014 from $1,892.7 million at December 31, 2013.

The decrease in fiduciary net position at December 31, 2015 and 2014 was primarily due to member and employer contributions and investment returns less than benefit payments. The overall reduction of fiduciary net position was impacted by the liquidation of marketable securities to meet monthly benefit obligations.

Changes in Fiduciary Net Position

The following schedule presents a condensed comparison of various changes in the Plan's fiduciary net position:

Changes in Fiduciary Net Position
(in millions)
Years Ended December 31, 2015, 2014 and 2013

				2015-2014 Change	
	2015	**2014**	**2013**	**$**	**%**
Additions					
Member contributions	$ 59.0	$ 58.5	$ 56.8	$ 0.5	0.9%
Employer contributions	82.8	82.3	79.5	0.5	0.6
Net investment gains and investment income	8.2	78.7	299.3	(70.5)	(89.6)
Total additions	150.0	219.5	435.6	(69.5)	
Deductions					
Annuity and disability benefits	253.5	245.7	238.5	7.8	3.2
Refunds of contributions	6.3	7.2	4.9	(0.9)	(12.5)
Administrative expenses	2.9	3.4	2.3	(0.5)	(14.7)
Total deductions	262.7	256.3	245.7	6.4	
Net (decrease) increase	$ (112.7)	$ (36.8)	$ 189.9	$ (75.9)	(206.3)%

Additions to the Plan's fiduciary net position are derived from member contributions, employer contributions and investment income. Total additions were $150.0 million in 2015, $219.5 in 2014 and $435.6 in 2013.

Total additions of $150.0 million in 2015 were lower than the amounts in 2014, primarily due to a net investment gain of $8.2 million in 2015 compared to a net investment gain of $78.7 million in 2014. This represents a decrease of $70.5 million, or 89.6%, in 2015 compared to 2014. In 2015, member contributions increased slightly by $0.5 million, or 0.9%, and employer contributions increased by $0.5 million, or 0.6%, compared to 2014 due to negotiated wage increases.

Total additions of $219.5 million in 2014 were lower than the amounts in 2013, primarily due to a net investment gain of $78.7 million in 2014 compared to a net investment gain of $299.3 million in 2013. This represents a decrease of $220.6 million, or 73.7%, in 2014 compared to 2013. In 2014, member contributions increased by $1.7 million, or 3.0%, and employer contributions increased by $2.8 million, or 3.5%, compared to 2013 due to negotiated wage increases.

Deductions increased by $6.4 million in 2015, $10.6 million in 2014, and $7.0 million in 2013. The increases in 2015, 2014 and 2013 were mainly due to increases in annuity and disability benefits. Administrative expenses decreased by $0.5 million in 2015, mainly due to a decrease in legal and professional services during the year. Administrative expenses increased by $1.1 million in 2014, or 47.8%, mainly due to an increase in legal and professional services during the year.

Plan Membership

The following table presents the changes in Plan membership as of December 31, 2015, 2014 and 2013:

	2015	2014	2013	2015-2014 Change	2015-2014 %
Retirees and beneficiaries receiving benefits	10,028	9,890	9,693	138	1.4%
Active employees	8,204	8,251	8,186	(47)	(0.6)
Terminated (inactive members) employees entitled to benefits or refunds of contributions	98	103	95	(5)	(4.9)
Total	18,330	18,244	17,974	86	0.5%

Funding Status

The Plan's funding status for pension benefits is as follows:

Funding Status for Pension Benefits
At December 31, 2015, 2014 and 2013
(in millions)

	2015	2014	2013
GASB Statement No. 67			
Employer's net pension liability	$1,609	$1,427	N/A
Plan fiduciary net position as a percentage of the total pension liability	52.00%	56.53%	N/A
GASB Statement No. 25			
Unfunded actuarial accrued liability	$1,524	$1,330	$1,213
Funded ratio	53.36%	58.25%	60.95%

The Plan adopted GASB Statement No. 67, *Financial Reporting for Pension Plans,* during the year ended December 31, 2014. See Note 1 in the financial statements for further information.

The above table presents funding information for pension benefits reflecting the requirements under both the recently adopted GASB Statement No. 67 and the superseded GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* for comparison purposes. Information regarding the employer's net pension liability and plan fiduciary net position as a percentage of the total pension liability as of December 2013, under GASB Statement No. 67 parameters, is not available.

The primary difference between the employer's net pension liability (GASB Statement No. 67) and the unfunded actuarial accrued liability (GASB Statement No. 25) is the use of a blended investment rate of return as required under GASB Statement No. 67.

Effects of Economic Factors

Funding

The Plan's funding objective is to meet long-term benefit obligations by accumulating sufficient assets through contributions and investment income. The Plan is well funded when it has sufficient assets to meet all expected future obligations to participants.

The funded ratio of the Plan was 53.4% at December 31, 2015, compared to 58.3% at December 31, 2014. The decrease in the funded ratio from December 31, 2014 to December 31, 2015 was mainly due to losses from a combination of two principal factors: demographic experience and investment performance. The funded ratio of the Plan decreased from 61.0% at December 31, 2013 to 58.3% at December 31, 2014, mainly due to demographic experience and investment performance.

Effective January 1, 2007, the retiree healthcare assets included in the Retirement Plan were marked to the fair market value of the retiree healthcare account and allocated in proportion to the actuarial accrued liabilities. During 2009, the retiree healthcare liability was transferred from the Retirement Plan to the Retiree Health Care Plan.

Public Act 095-0708 changed the structure and funding of the Retirement Plan significantly. The Act requires that the funding and liability for retiree healthcare be removed from the Retirement Plan. The Act also changed the eligibility for retirement benefits for Chicago Transit Authority (CTA) employees hired after January 17, 2008 and created a separate Retiree Healthcare Trust to administer the benefits for retirees. Further, the Act gave the CTA the authority to issue debt in order to fund the Retirement Plan and the Retiree Healthcare Trust, created in May 2008.

Changes to the Plan from Public Act 095-0708 effectively removed the liability for retiree healthcare benefits from the Retirement Plan, effective January 1, 2009. There were no Plan assets available for retiree healthcare benefits in the Retirement Plan since December 31, 2009, as the retiree healthcare liability was transferred to the CTA Retiree Health Care Plan in 2009. There were no legislative or administrative changes that affected the Plan's funding during the years ended December 31, 2015, 2014 and 2013.

Investment Activities

The Plan's fiduciary net position held for investment was $1.7 billion at year-end 2015, a decrease of $112.7 million over 2014, with a total Plan rate of return of 0.2%. Domestic equity investment managers returned a negative 3.4%, while non-U.S. equity investment managers returned a negative 3.9%, and total fixed income returned a negative 0.4% for the year ended December 31, 2015. The Plan's fiduciary net position held for investment was $1.8 billion at year-end 2014, a decrease of $33.9 million over 2013, with a total Plan rate of return of 5.2%. Domestic equity investment managers returned 9.5%, while non-U.S. equity investment managers returned a negative 6.1%, and total fixed income returned 2.9% for the year ended December 31, 2014.

During 2014, new investment asset allocation was approved by the Board of Trustees as recommended by our Investment Consultants; therefore, the Retirement Plan began to move assets in-line with the newly adopted policy target. Investment asset allocation for 2015 and 2014 was 28% of assets invested in domestic equity, 21% in international equity, 17% in real estate (including 5% in infrastructure), 10% in private equity, 7% in hedge funds, and 17% in fixed income. During 2015 and 2014, the Plan's investment asset allocation stayed within its target asset allocation ranges.

Investment Returns
(Calendar Year Performance Basis)
Years Ended December 31, 2015, 2014 and 2013

	2015	2014	2013
Total Plan	0.2%	5.2%	19.5%
Benchmark portfolio	0.1	6.3	19.0
Domestic equities	(3.4)%	9.5%	37.4%
Benchmark (Russell 3000)	0.5	12.6	33.6
International equities	(3.9)%	(6.1)%	16.9%
Benchmark (MSCI EAFE)	(5.7)	(3.9)	22.8
Fixed income	(0.4)%	2.9%	0.2%
Benchmark (Barclays Aggregate)	0.6	6.0	(2.0)
Real estate	15.6%	13.8%	16.6%
Benchmark (CPI+5.5% over rolling five-year periods)	5.8	5.8	7.0

Subsequent Event

Starting January 1, 2017, covered employees are required to contribute 11.962% of their salary to the Plan and the employer is required to contribute 17.925%, which is net of a credit for debt service on pension obligation bonds.

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
Retirement Plan for
Chicago Transit Authority Employees
55 West Monroe Street, Suite 1950
Chicago, Illinois 60603

RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY EMPLOYEES
Statements of Fiduciary Net Position
December 31, 2015 and 2014
(Amounts in thousands)

	2015	2014
ASSETS		
Deposits	$ 100	$ 100
Securities lending cash collateral	192,405	257,370
Total cash	192,505	257,470
Receivables		
Employer contributions	7,943	7,974
Employee contributions	5,652	5,669
Securities sold, but not received	4,735	2,718
Accrued interest and dividends	2,125	2,253
Other	1,400	1,668
Total receivables	21,855	20,282
Prepaid expense	20	-
Investments		
Fixed income	351,067	328,505
Domestic equities	564,884	718,093
International equities	303,445	289,988
Venture capital and partnerships	72,241	83,002
Real estate	210,758	157,669
Hedge funds	193,335	183,704
Short-term investments	32,917	81,247
Total investments	1,728,647	1,842,208
Total assets	1,943,027	2,119,960
LIABILITIES		
Payables		
Collateral payable for securities lending	192,405	257,370
Accounts payable	2,144	2,437
Other payables	1,536	1,602
Securities purchased, but not paid	3,726	2,639
Total liabilities	199,811	264,048
Net position restricted for pensions	$ 1,743,216	$ 1,855,912

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

RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY EMPLOYEES
Statements of Changes in Fiduciary Net Position
For the Years Ended December 31, 2015 and 2014
(Amounts in thousands)

	2015	2014
ADDITIONS		
Contributions		
Employer	$ 82,800	$ 82,269
Employee	58,993	58,566
Total contributions	141,793	140,835
Investment income		
Net (depreciation) appreciation in fair value of investments	(18,701)	49,061
Interest and dividends	33,639	37,496
Miscellaneous	98	99
Less: Investment expense, other than from securities lending	(7,797)	(8,954)
Net income from investing, other than from securities lending	7,239	77,702
Securities lending income	1,328	1,214
Less: Securities lending expense	(337)	(255)
Net income from securities lending	991	959
Net investment income	8,230	78,661
Total additions	150,023	219,496
DEDUCTIONS		
Benefit payments and contribution refunds		
Benefit payments	253,436	245,746
Contribution refunds, including interest	6,354	7,137
Administrative expenses	2,929	3,415
Total deductions	262,719	256,298
Net decrease in net position	(112,696)	(36,802)
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of year	1,855,912	1,892,714
End of year	$ 1,743,216	$ 1,855,912

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Based on the above criteria, the Retirement Plan for Chicago Transit Authority Employees (the Plan) has no component units and is not a component unit of any other entity.

Basis of Accounting

The Plan's financial statements are prepared on the accrual basis of accounting. Employee and employer contributions are recognized as additions in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan; expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of fiduciary net position at the date of the financial statements and the actuarial information included in the required supplementary information as of the benefit information date, the changes in fiduciary 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.

Deposit and Investments

The Plan is authorized to invest in bonds, notes, and other direct obligations of the U.S. Government and U.S. Government agencies; corporate bonds, debentures, and notes; certain notes secured by mortgages (including pass-through securities); common and preferred stocks; and certain real estate funds, private equity funds, hedge funds, and stable value funds.

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

Deposit and Investments *(continued)*

The Plan does not have a formal deposit and investment risk policy. Investment risk management is a function of the Plan's asset allocation process. Plan assets are diversified over a broad range of asset classes, utilizing multiple investment strategies to limit concentration risk.

Method Used to Value Investments

Deposit and investments are reported at fair value. Deposit and 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 (NAV) is determined and certified by the investment managers as of the reporting date. Guaranteed investment contracts are valued by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the creditworthiness of the issuers. The pooled real estate investment funds are reported at NAV of shares held by the Plan at year end based on independent appraisals of underlying properties. Hedge funds, venture capital, and private equity funds do not have established market prices and are reported at NAV of shares held by the Plan at year end as estimated 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 fiduciary net position in the year in which they occur.

Investment Income

Dividend income is recorded on the ex-dividend date. Income from other investments is recorded when earned.

Furniture and Office Equipment

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

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

Administrative Expenses

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

Securities Lending Transactions

Cash received as collateral on securities lending transactions and investments made with that cash are reported as assets in the statement of fiduciary net position at fair value. Securities received as collateral are reported as assets only if the Plan has the ability to pledge or sell them without a borrower default. Liabilities resulting from these transactions are reported in the statement of fiduciary net position.

Interest on Refunds of Participant Contributions

Interest on refunds of participant contributions is expensed when the refunds are recorded. Interest on accumulated contributions from continuing participants is reflected in each participant's account annually.

Recently Issued Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application.* The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. This Statement is effective for the periods beginning after June 15, 2016. Management has not determined what impact, if any, this GASB Statement might have on its financial statements.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* This Statement amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans.* The requirements of this Statement for pension plans that are within the scope of Statement No. 67 are effective for fiscal years beginning after June 15, 2016. Management has not determined what impact, if any, this GASB Statement might have on its financial statements.

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

Recently Issued Accounting Pronouncements *(continued)*

In March 2016, the GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73.* This Statement addresses certain issues raised by GASB Statement No. 67, No. 68 and No. 73 regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Early application is encouraged. Management has not determined what impact, if any, this GASB Statement might have on its financial statements.

NOTE 2 PLAN DESCRIPTION

Plan Administration: The following brief description of the Plan is provided for general information purposes only. Arbitration awards are periodically handed down and negotiated changes occur. Certain aspects of the Plan are now governed by Illinois state statute (40 ILCS 5/22-101). These changes can revise certain provisions of the Plan regarding the Chicago Transit Authority (CTA), employee contributions, and employee death benefits. Those changes that have affected the Plan are summarized in the following notes. Participants should refer to the Plan document, as amended, for complete information.

The Plan is a single-employer, contributory defined-benefit public pension plan, covering all full-time CTA permanent employees. The Plan is administered by an 11-member Board of Trustees composed of members appointed by the CTA, the Amalgamated Transit Union (ATU), the Regional Transportation Authority and a member appointed to represent the employees not represented by the ATU. The Board of Trustees has the authority to establish or amend the contribution and benefit provisions under the Plan. The Plan is classified as a “governmental plan” and is, therefore, exempt from certain provisions of the Employee Retirement Income Security Act of 1974.

The Plan was recently amended, effective January 31, 2012, to comply with applicable laws. Employees who have completed one year of continuous service are eligible for participation.

NOTE 2 PLAN DESCRIPTION *(continued)*

Plan Membership: At December 31, 2015 and 2014, pension plan membership consisted of the following:

	2015	2014
Retirees, disabled participants, and beneficiaries of deceased retirees currently receiving benefits	10,028	9,890
Terminated employees entitled to benefits but not yet receiving benefits	98	103
Active	8,204	8,251
	18,330	18,244

Benefits Provided: Employees are entitled to annual pension benefits upon normal retirement at age 65, in an amount generally based on a percentage of their average annual compensation in the highest four of the 10 preceding years, multiplied by the number of years of continuous participating service. For employees retiring before December 1, 1987, the percentage was 1.65%. The agreement between the CTA and its unions, signed September 1987, raised the percentage to 1.70% and 1.75% for retirements on or after December 1, 1987 and 1989, respectively. The agreement between the CTA and its unions, signed August 1993, raised the percentage to 1.80% and 1.85% for retirements on or after January 1, 1993 and January 1, 1995, respectively. The Arbitration Award of November 12, 2003, increased the benefit multiplier for service after June 1, 1949 to 2.00% from 1.85% 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%.

During 1995, a Voluntary Early Retirement Incentive Program was offered, which provided a percentage of 2.05% for employees retiring after January 1, 1994. Employees who met the requirements for early retirement had to respond by February 28, 1995. During 1997, the Plan offered a Voluntary Early Retirement Program to eligible employees who had 25 years of continuous service on or before December 31, 1999, and had not retired prior to January 1, 1997, in the form of a retirement allowance of 2.40% for each year of continuous service, with a maximum retirement allowance of 70% of the employee's annual compensation. All eligible employees who elected to participate were allowed to retire as soon as possible, but no later than December 31, 1999.

The Plan permits early retirement at age 55, generally with reduced benefits. However, in the event of early retirement by an employee who has 25 years or more of continuous service, regardless of their age, benefits will not be reduced. In accordance with Public Act 095-0708, for all employees hired after January 17, 2008, eligibility for an unreduced pension benefit has changed to age 64 with 25 years of service. All retirees receive a monthly pension benefit. Married employees can elect to receive their pension benefits in the form of a joint and survivor option.

NOTE 2 PLAN DESCRIPTION *(continued)*

Death Benefits: Lump-sum death benefits based on age and years of service, ranging from $2,000 to $8,000, are paid to the designated beneficiaries. Also, the excess, if any, of employee contributions plus interest on such contributions over pension benefits previously paid to the retiree, and spouse in the case of a survivorship option, is paid to the designated beneficiary.

Disability Allowance: An employee is eligible for a disability allowance if he or she becomes disabled after completing 10 years of continuous service or, if the disability is covered under the Illinois Workers Compensation Act, after completing five years of continuous service. The disability allowance is based on compensation and service to date of the disability, with a minimum benefit of $400 per month.

Refund of Contributions: A participant's accumulated contributions plus interest (currently 3% annually) are refunded when the participant is separated from service and has less than 10 years of continuous participation, or when a participant with more than 10 years of service is separated and elects to receive a refund of his or her contributions.

Deferred, Vested Retirement: A participant who is separated from service after completing 10 or more years of continuous service is not eligible for a retirement or disability allowance at separation, and elects not to receive a refund of his contributions, is entitled to receive, at normal retirement age, a deferred vested pension based on length of service and compensation to date of the separation.

Contributions and Vesting: Contributions from the CTA and employees are based on a percentage of compensation pursuant to various agreements between the CTA and the unions. For years beginning January 1, 2009 through 2040, the amount of contributions to be paid by the CTA, with respect to debt service on bonds issued for contribution to the Plan, is treated as a credit against the amount of required contribution, up to an amount not to exceed 6% of compensation.

NOTE 2 PLAN DESCRIPTION *(continued)*

Starting January 1, 2013, covered employees are required to contribute 10.125% of their salary to the Plan and the employer is required to contribute 20.25% of compensation less a credit for debt service of 6% with a total net employer contribution of 14.250%. During 2012, covered employees are required to contribute 8.65% of their salary to the Plan and the employer is required to contribute 17.30% of compensation less a credit for debt service of 6%, with a total net employer contribution of 11.30%. During 2011, the employee contribution rate was 8.345% of salary to the Plan and the employer was required to contribute 16.69% of compensation less credit for debt service of 6%, with a total net employer contribution of 10.69%. During 2010, the employee contribution rate was 8.35% of salary and the required employer contribution rate was 16.69% of compensation less debt service paid of 6%, with a net employer contribution of 10.69% of compensation. For Plan year 2009, the employee contribution rate was 6% of salary and the employer contribution rate was 12% of compensation less debt service paid, with a total net employer contribution of 6% after the credit. From January 18, 2008 through December 31, 2008, covered employees were required to contribute 6% of salary to the Plan and the employer was required to contribute 12% of compensation. Prior to January 18, 2008, the CTA's contribution was 6% of total compensation and the employee contribution rate was 3% of total compensation. From January 1997 to June 1997, there were no employer or employee contributions to the pension fund because of a union contract agreement, which enforced a pension holiday. Contributions resumed in July 1997.

In accordance with Public Act 095-0708 (effective January 18, 2008), the CTA issued bonds and notes in the aggregate amount of $1,348,550,000, of which net proceeds of $1,110,500,000 were deposited into the Plan during the year ended December 31, 2008. No bond proceeds were received in 2015 and 2014.

Funding Ratio: According to Public Act 095-0708, beginning in 2009 and ending on December 31, 2039, if the funding ratio is projected to decline below 60% in any year before 2040, the Board of Trustees will determine the increased contribution required each year as a level percentage of payroll over the years remaining until 2040, using the projected-unit credit actuarial cost method, so that the funded ratio does not decline below 60%.

NOTE 3 INVESTMENTS

Investment Policy: The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board of Trustees. The primary objective of the Plan's investment policy is to provide a structured approach in implementing the Plan's investment strategies to achieve above-average returns consistent with prudent risk and investment volatility.

NOTE 3 INVESTMENTS *(continued)*

To minimize the impact of large losses and to reduce annual variability of returns, the Plan's assets are allocated across major asset classes and diversified broadly within each asset class.

The following was the Board of Trustees' adopted asset allocation policy as of December 31, 2015 and 2014:

	Target Allocation At December 31	
	2015	**2014**
Asset Class		
Fixed income	17%	17%
Domestic equities	28	28
International equities	21	21
Venture capital and partnerships	10	10
Real estate	12	12
Hedge funds	7	7
Infrastructure	5	5

There were no changes to the target asset allocation between December 31, 2015 and 2014. The December 31, 2014 target allocation as shown above was amended by the Board of Trustees during 2014 to reduce the previous allocation to fixed income, domestic equities, and hedge funds and to increase the allocation to international equities, venture capital and partnerships, real estate and infrastructure.

Rate of Return: For the years ended December 31, 2015 and 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -0.27% and 4.70%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 4 INVESTMENT SUMMARY

The Plan's investments were held by the Northern Trust Company (TNT) as Trustee under a 1996 trust agreement. TNT is also the custodian for the Plan.

The following table summarizes the Plan's investments by type at December 31, 2015 and 2014 (amounts in thousands):

	2015	2014
Asset-backed securities	$ 11,226	$ 10,666
Commercial mortgage-backed securities	5,145	6,794
Corporate bonds	44,347	38,340
Corporate bonds funds	-	51,537
Emerging market	52,288	-
Global aggregate	54,573	-
Government agency securities	4,664	9,787
Government bonds	58,057	48,473
Government mortgage-backed securities	33,581	28,155
Government-issued commercial mortgage-backed securities	873	816
Index-linked government bonds	3,088	1,651
Municipal/provincial bonds	1,173	947
Non-government-backed CMOs	1,351	2,484
Guaranteed investment contracts	44,334	70,350
Synthetic GIC	36,367	58,505
U.S. equities	564,884	718,093
Foreign equities	303,445	289,988
Venture capital and partnerships	72,241	83,002
Real estate—pooled funds	210,758	157,669
Hedge funds	193,335	183,704
Short-term investments and currency positions	32,917	81,247
Total investments, at fair value	$ 1,728,647	$ 1,842,208

NOTE 5 DEPOSIT AND INVESTMENT RISK

The Plan's deposit and investments are subject to risks, including credit risk, custodial credit risk, concentration of credit risk, interest rate risk and foreign currency risk. The following describes those risks:

NOTE 5 DEPOSIT AND INVESTMENT RISK *(continued)*

Credit Risk: Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations to pay interest or principal in a timely manner, or that a negative perception of the issuer's ability to make payments will cause a decline in the security's price. One measure of credit risk is the quality ratings issued by national credit rating agencies, such as Moody's Investors Service and Standard & Poor's Financial Services (S&P). The Plan does not have a formal policy in regard to aggregate credit quality of fixed-income holdings.

The Plan utilizes external investment management firms to invest in fixed-income securities and credit quality is addressed within the guidelines of the mandate to the investment managers. Unless allowed by the mutually agreed-upon guidelines of the mandate, all securities invested in are investment grade. If a holding falls below investment grade, the manager will immediately notify the Trustees in writing of the event and describe the portfolio manager's plans for dealing with the security.

The following tables provide information on the credit ratings associated with the Plan's investments in debt securities. Ratings were obtained from Standard & Poor's (amounts in thousands):

NOTE 5 DEPOSIT AND INVESTMENT RISK *(continued)*

		December 31, 2015										
Investment Type	Total	AAA	AA	A	BBB	BB	B	CCC	CC	D	Not Rated	U.S. Gov't. Agencies
Asset-backed securities	$ 11,226	$ 2,987	$ 98	$ 198	$ -	$ 139	$ 92	$ 199	$ -	$ -	$ 7,513	$ -
Commercial mortgage-backed securities	5,145	1,992	-	-	921	-	-	-	-	-	2,232	-
Corporate bonds	44,347	669	3,279	13,676	23,882	1,992	397	-	-	-	452	-
Emerging market	52,288	-	-	-	-	-	-	-	-	-	52,288	-
Global aggregate	54,573	-	-	-	-	-	-	-	-	-	54,573	-
Government agency securities	4,664	595	4,069	-	-	-	-	-	-	-	-	-
Government bonds	58,057	-	-	-	704	192	-	-	-	-	188	56,973
Government mortgage-backed securities	33,581	-	8	-	-	-	-	-	-	-	-	33,573
Government-issued commercial mortgage-backed securities	873	-	98	-	-	-	-	-	-	-	-	775
Index-linked government bonds	3,088	-	-	-	-	-	-	-	-	-	-	3,088
Municipal/provincial bonds	1,173	-	605	-	-	-	-	-	-	-	568	-
Non-government-backed CMOs	1,351	-	491	414	136	-	-	143	-	136	31	-
Guaranteed investment contracts	44,334	-	-	-	-	-	-	-	-	-	44,334	-
Synthetic GIC	36,367	-	-	-	-	-	-	-	-	-	36,367	-
Total	$ 351,067	$ 6,243	$ 8,648	$ 14,288	$ 25,643	$ 2,323	$ 489	$ 342	$ -	$ 136	$ 198,546	$ 94,409

		December 31, 2014										
Investment Type	Total	AAA	AA	A	BBB	BB	B	CCC	CC	D	Not Rated	U.S. Gov't. Agencies
Asset-backed securities	$ 10,666	$ 2,012	$ 447	$ 233	$ 108	$ 49	$ 328	$ 253	$ -	$ -	$ 7,236	$ -
Commercial mortgage-backed securities	6,794	3,861	546	-	-	-	-	-	-	-	2,387	-
Corporate bonds	38,340	814	2,979	12,110	20,051	1,392	-	-	-	-	994	-
Corporate bond funds	51,537	-	-	-	-	-	-	-	-	-	51,537	-
Government agency securities	9,787	792	8,926	-	69	-	-	-	-	-	-	-
Government bonds	48,473	-	-	890	441	-	-	-	-	-	228	46,914
Government mortgage-backed securities	28,155	-	60	-	-	-	-	-	-	-	-	28,095
Government-issued commercial mortgage-backed securities	816	180	-	-	-	-	-	-	-	-	-	636
Index-linked government bonds	1,651	-	-	-	-	-	-	-	-	-	-	1,651
Municipal/provincial bonds	947	-	325	31	-	-	-	-	-	-	591	-
Non-government-backed CMOs	2,484	-	657	1,222	167	-	-	201	-	170	67	-
Guaranteed investment contracts	70,350	-	-	-	-	-	-	-	-	-	70,350	-
Synthetic GIC	58,505	-	-	-	-	-	-	-	-	-	58,505	-
Total	$ 328,505	$ 7,659	$ 13,940	$ 14,486	$ 20,836	$ 1,441	$ 328	$ 454	$ -	$ 170	$ 191,895	$ 77,296

U.S. Government Agencies: Guaranteed by U.S. Government.

NOTE 5 DEPOSIT AND INVESTMENT RISK *(continued)*

Custodial Credit Risk: The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Plan will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments 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 its investments or collateral securities that are in the possession of an outside party.

Deposits consist of a certificate of deposit held in the Plan's name by TNT Company; such certificate of deposit is insured by the Federal Deposit Insurance Corporation. Deposits balance at December 31, 2015 and 2014 was $100,511 and $100,265, respectively.

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. The Plan's master custodian holds all investments of the Plan in the Plan's name. As of December 31, 2015 and 2014, deposits of $557,576 and $640,275, respectively, were exposed to custodial credit risk as uninsured and uncollateralized.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. According to the Plan's investment policy, no purchase shall be made which would cause the holding of any one issuer to exceed 10% of the investment manager's portfolio value at market. The Plan does not have a formal policy in regard to aggregate concentration of credit risk. The following investments represent 5% or more of the Plan's fiduciary net position at December 31, 2015 and 2014 (amount in thousands):

	2015	2014
Northern Trust Collective S&P 500 Index Fund	$ 99,043	$ *

* Amount is less than 5% of Plan fiduciary net position.

Interest Rate Risk: The risk that the fair value of debt securities will decrease due to increases in the prevailing market interest rate. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Plan manages its exposure to interest rate risks by purchasing a combination of short- and long-term investments and by timing cash flow from maturity evenly over time, as necessary, to provide cash flow and liquidity needed for operations.

The following tables show the segmented time distribution of the Plan's investment maturities based on the investments' cash flows.

NOTE 5 DEPOSIT AND INVESTMENT RISK *(continued)*

At December 31, 2015 and 2014, the Plan had the following investments and maturities related to certain fixed-income securities (amounts in thousands):

	2015	Investment Maturities				
Investment Type	Fair Value	Less Than 1 Year	1+ to 6 Years	6+ to 10 Years	More Than 10 Years	Not Determined
Asset-backed securities	$ 11,226	$ -	$ 3,220	$ 618	$ 7,388	$ -
Commercial mortgage-backed securities	5,145	-	-	-	5,145	-
Corporate bonds	44,347	3,832	25,056	10,554	4,905	-
Emerging market	52,288	-	-	-	-	52,288
Global aggregate	54,573	-	-	-	-	54,573
Government agency securities	4,664	-	2,765	1,899	-	-
Government bonds	58,057	724	34,264	12,320	10,749	-
Government mortgage-backed securities	33,581	-	1,003	514	32,064	-
Government-issued commercial mortgage-backed securities	873	-	873	-	-	-
Index-linked government bonds	3,088	-	1,445	1,512	131	-
Municipal/provincial bonds	1,173	-	-	-	1,173	-
Non-government-backed CMOs	1,351	-	242	136	973	-
Guaranteed investment contracts	44,334	-	40,900	-	-	3,434
Synthetic GIC	36,367	-	10,816	-	-	25,551
Total	$ 351,067	$ 4,556	$ 120,584	$ 27,553	$ 62,528	$ 135,846

	2014	Investment Maturities				
Investment Type	Fair Value	Less Than 1 Year	1+ to 6 Years	6+ to 10 Years	More Than 10 Years	Not Determined
Asset-backed securities	$ 10,666	$ -	$ 3,777	$ 660	$ 6,229	$ -
Commercial mortgage-backed securities	6,794	-	-	-	6,794	-
Corporate bonds	38,340	1,727	21,677	9,918	5,018	-
Corporate bond funds	51,537	-	-	-	-	51,537
Government agency securities	9,787	1,359	5,160	3,199	69	-
Government bonds	48,473	-	31,817	7,827	8,829	-
Government mortgage-backed securities	28,155	-	687	1,117	26,351	-
Government-issued commercial mortgage-backed securities	816	-	816	-	-	-
Index-linked government bonds	1,651	-	-	1,429	222	-
Municipal/provincial bonds	947	-	-	-	947	-
Non-government-backed CMOs	2,484	-	385	171	1,928	-
Guaranteed investment contracts	70,350	-	66,954	-	-	3,396
Synthetic GIC	58,505	-	12,704	-	-	45,801
Total	$ 328,505	$ 3,086	$ 143,977	$ 24,321	$ 56,387	$ 100,734

NOTE 5 DEPOSIT AND INVESTMENT RISK *(continued)*

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. International equity securities purchased by the Plan meet exchange listing requirements; all foreign equities held by the Plan are denominated in U.S. dollars. The Plan has no formal foreign currency risk policy. The Plan's exposure to foreign currency risk is as follows (amounts in thousands):

Type of Investment	**(US$) 2015**	**(US$) 2014**
Short-term investments and currency position		
Australian dollar	$ 14	$ -
British pound sterling	213	111
Canadian dollar	93	-
Danish krone	2	3
European euro	11	5
Japanese yen	104	58
New Israeli shekel	-	24
New Zealand dollar	26	11
Norwegian krone	1	25
Singapore dollar	10	11
Swedish krona	83	210
	$ 557	$ 458

NOTE 5 DEPOSIT AND INVESTMENT RISK *(continued)*

Type of Investment	(US$) 2015	(US$) 2014
Equities		
Australian dollar	$ 3,173	$ 3,733
British pound sterling	25,640	24,982
Canadian dollar	5,680	4,871
Danish krone	4,400	1,911
European euro	34,967	37,101
Hong Kong dollar	7,018	12,466
Japanese yen	22,944	27,270
Mexican peso	618	586
New Israeli shekel	494	747
New Zealand dollar	852	233
Norwegian krone	532	2,426
Singapore dollar	1,673	4,378
South Korean won	5,130	1,279
Swedish krona	2,318	3,080
Swiss franc	9,214	10,554
Thai baht	1,295	1,400
	$ 125,948	$ 137,017

Investment Management Fees

Investment management fees from equity and fixed-income managers, including most of the collective funds, are included in the investment management fees on the statements of changes in fiduciary net position. Investment management fees from funds of short-term investments, hedge, real estate, venture capital and private equity are reflected in the net investment income from such investment products. Such investment management fees are not significant to the Plan.

NOTE 6 NET PENSION LIABILITY OF THE EMPLOYER (CTA)

The components of the net pension liability of the CTA at December 2015 and 2014 were as follows (amounts in thousands):

	2015	2014
Total pension liability	$3,352,031	$ 3,283,154
Plan fiduciary net position	(1,743,216)	(1,855,912)
CTA's net pension liability	$ 1,608,815	$ 1,427,242
Plan fiduciary net position as a percentage of the total pension liability	52.00%	56.53%

NOTE 6 NET PENSION LIABILITY OF THE EMPLOYER (CTA) *(continued)*

Actuarial Assumptions: The total pension liability was determined by an actuarial valuation as of December 31, 2015 and 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

	2015	2014
Inflation	3.25%	3.25%
Salary increases		
Years of Service		
1	9%	9%
2	11%	11%
3	16%	16%
4	5%	5%
Equal to or more than 5	4%	4%
Investment rate of return (net of pension plan investment expense, including inflation)	8.25%	8.25%

Mortality rates for active members and retirees and survivors were based on the RP-2000 Blue Collar Table, generational to 2016 based on Scale BB and then fully generational. Mortality rates for Disabled Employees were based on the RP-2000 Disabled Table, generational to 2016 based on Scale BB and then fully generational.

The actuarial assumptions used in the December 31, 2015 and 2014 valuation were based on the results of an actuarial experience study covering plan years from January 1, 2008 through December 31, 2013.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2015 and 2014 are summarized in the following table:

NOTE 6 NET PENSION LIABILITY OF THE EMPLOYER (CTA) *(continued)*

Long-Term Expected Real Rate of Return

Asset Class	2015	2014
Fixed income	1.45%	1.23%
Domestic equities	9.27	9.27
International equities	8.62	8.66
Venture capital and partnerships	12.40	12.41
Real estate	6.91	6.83
Hedge funds	4.68	4.72
Infrastructure	6.61	6.61

Discount Rate: The discount rate used to measure the total pension liability was 8.25%. The projection of cash flows used to determine the discount rate assumed that Plan members and employer contributions will continue to follow the current funding policy. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the CTA, calculated using the discount rate of 8.25%, as well as what the CTA's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.25%) or 1 percentage point higher (9.25%) than the current rate (amounts in thousands):

Net Pension Liability	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
December 31, 2015	$ 1,937,759	$ 1,608,815	$ 1,327,140

NOTE 7 DERIVATIVES

The Plan's investment managers may enter into derivative transactions as permitted by their guidelines for hedging or risk reduction, but not for speculative purposes. A derivative financial instrument's payoff depends on the value of an underlying security, such as bond or stock prices, a market index, or commodity prices. Derivative financial instruments involve credit risk and market risk in varying degrees. The Plan did not invest in derivative instruments during 2015 and 2014.

NOTE 8 SECURITIES LENDING PROGRAM

On July 10, 1996, the Board of Trustees entered into a securities lending agreement with TNT. The Plan participates in TNT's securities lending program by lending certain securities to borrowers, thereby earning additional income, which is included in net investment income on the statement of changes in fiduciary net position. Loans of securities through TNT are collateralized by cash, letters of credit, or securities issued or guaranteed by the U.S. government or its agencies, equal to at least 102% of the current fair value of the loaned U.S. securities and 105% of the current fair value of the loaned non-U.S. securities. There are risks associated with lending securities, with the most significant being the risk that a borrower may fail to return a portfolio security.

Additionally, the Plan would be exposed to the credit risk of the borrower should the market value of the securities loaned exceed the market value of the collateral pledged. At year end 2015 and 2014, the Plan has no credit risk exposure to borrowers because the amounts the Plan owes the borrowers exceed the amounts the borrowers owe the Plan.

All securities loans can be terminated on demand by either the Plan or the borrower. At December 31, 2015 and 2014, the average term of the loans was 114 days and 108, respectively. Cash collateral is invested in the lending agent's short-term investment pool, which at year-ended 2015 and 2014 had an interest sensitivity of 29 days and 39 days, respectively. The relationship between the maturities of the investment pool and the Plan's loans is affected by the maturities of the securities loans made by other entities that use the agent's pool, which the Plan cannot determine. The Plan cannot pledge or sell collateral securities received unless the borrower defaults.

Loans outstanding as of December 31, 2015 and 2014 were as follows (amounts in thousands):

	2015	2014
Fair value of securities loaned for cash collateral	$ 186,956	$ 250,562
Fair value of securities loaned for non-cash collateral	-	-
Total fair value of securities loaned	$ 186,956	$ 250,562
Fair value of cash collateral from borrowers	$ 192,405	$ 257,370
Fair value of non-cash collateral from borrowers	-	-
Total fair value of collateral from borrowers	$ 192,405	$ 257,370

NOTE 9 UNFUNDED INVESTMENT COMMITMENTS

The Plan had unfunded commitments of approximately $40.5 million at December 31, 2015 and $69.1 million at December 31, 2014 in connection with real estate and private equity investments.

NOTE 10 RISKS AND UNCERTAINTIES

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

Contributions to the Plan and the actuarial information included in the required supplementary information are reported based on certain assumptions pertaining to interest rates, inflation rates, and employee compensation and demographics. Due to the changing nature of these assumptions, it is reasonably possible that changes in these assumptions may occur in the near term and, due to the uncertainties inherent in setting assumptions, that the effect of such changes could be material to the financial statements.

The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Because actuarial calculations reflect a long-term perspective, actuarially determined amounts are subject to continual revision, as results are compared to past expectations and new estimates made about the future. Examples include assumptions about mortality, investment returns, and future employment.

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 11 PRIORITIES AT PLAN TERMINATION

While the CTA intends to maintain the Plan permanently, should the Plan terminate, the Plan’s fiduciary net position held in trust for pension benefits would be allocated and used generally to provide the following, in the order indicated:

a. Refunds of participant contributions plus interest, less benefits paid.
b. Retirement and disability benefits to participants who have retired or reached age 65 on the date of termination.
c. In the event a balance remains, it will be used to provide for reduced retirement and disability benefits for all other participants.

NOTE 12 TAX STATUS

The Internal Revenue Service (IRS) issued a letter of determination dated April 11, 2013, stating that the Plan is qualified under Section 401 of the Internal Revenue Code (the Code) and is, therefore, exempt from Federal income taxes under the provisions of Section 501(a) of the Code. The Plan is required to operate in conformity with the Code to maintain this qualification. The Plan's management is not aware of any course of action or series of events that have occurred, which may adversely affect the Plan's tax status.

NOTE 13 OPERATING LEASE

During 2013, the Plan entered into a new lease agreement for office space, which expires on December 31, 2028. Concurrently with the execution of the lease, the Plan has deposited $100,000 in the form of an irrevocable letter of credit. At December 31, 2015, the remaining future rental lease payments are as follow (amounts in thousands):

Year	Amount
2016	$ 79
2017	81
2018	83
2019	85
2020	87
Thereafter	726
	$ 1,141

Rent and utilities paid by the Plan were $99 in 2015 and $74 in 2014. The amount of rent paid for 2015 and 2014 represents 75% of the total amount paid by the Plan. The other 25% is reimbursed by the CTA Retiree Health Care Plan based on management's expense allocation for the shared office space.

NOTE 14 SUBSEQUENT EVENTS

Starting January 1, 2017, covered employees are required to contribute 11.962% of their salary to the Plan and the employer is required to contribute 17.925%, which is net of a credit for debt service on pension obligation bonds.

REQUIRED SUPPLEMENTARY INFORMATION

RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY EMPLOYEES
Schedule of Changes in the Employer’s Net Pension Liability and Related Ratios
(Unaudited)

	2015	2014
Total pension liability		
Service cost	$ 51,357,649	$ 49,066,078
Interest	264,578,983	259,592,822
Benefit payments, including refunds of member contributions	(247,059,219)	(246,037,562)
Net change in total pension liability	68,877,413	62,621,338
Total pension liability - beginning	3,283,153,697	3,220,532,359
Total pension liability - ending	$ 3,352,031,110	$3,283,153,697
Plan's fiduciary net position		
Contributions - employer	$ 82,799,918	$ 82,268,465
Contributions - member	58,993,284	58,566,279
Net investment income	8,230,003	71,524,132
Benefit payments, including refunds of member contributions	(260,141,627)	(246,037,562)
Administrative expense	(2,577,197)	(3,123,365)
Net change in plan fiduciary net position	(112,695,619)	(36,802,051)
Plan's fiduciary net position - beginning	1,855,912,051	1,892,714,102
Plan's fiduciary net position - ending	$ 1,743,216,432	$1,855,912,051
Net pension liability - ending	$ 1,608,814,678	$1,427,241,646
Plan's fiduciary net position as a percentage of the total pension liability	52.00%	56.53%
Covered-employee payroll	$ 573,548,196	$ 564,827,965
Employer's net pension liability as a percentage of covered-employee payroll	280.50%	252.69%

The above information is required beginning in 2014. Information for the next 10 years will be presented in future years.

See accompanying Independent Auditor’s Report.

RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY EMPLOYEES

Schedule of Employer Contributions

(Amounts in thousands)

(Unaudited)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution	$ 178,861	$ 165,500	$ 157,594	$ 155,600	$ 123,158	$ 108,478	$ 118,717	$ 206,670	$ 198,457	$ 194,926
Contributions in relation the the actuarially determined contribution	82,800	82,268	79,518	62,788	60,318	56,216	41,448	1,165,947	25,038	23,931
Contribution deficiency (excess)	$ 96,061	$ 83,232	$ 78,076	$ 92,812	$ 62,840	$ 52,262	$ 77,269	$ (959,277)	$ 173,419	$ 170,995
Covered-employee payroll	$ 573,548	$ 564,827	$ 550,616	$ 548,515	$ 541,354	$ 528,288	$ 567,173	$ 594,139	$ 571,314	$ 562,567
Contributions as a percentage of covered-employee payroll	31.19%	29.30%	28.62%	28.37%	22.75%	20.53%	20.93%	34.78%	34.74%	34.65%

See accompanying Independent Auditor’s Report.

RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY EMPLOYEES
Schedule of Investment Returns
(Amounts in thousands)
(Unaudited)

	2015	**2014**
Annual money-weighted rate of return, net of investment expense	(0.27)%	4.70%

The above information is required beginning in 2014. Information for the next 10 years will be presented in future years.

See accompanying Independent Auditor's Report.

Actuarial Methods and Assumptions

The total pension liability as of December 31, 2015 was determined by rolling forward the total pension liability as of January 1, 2014 to December 31, 2015 using the following actuarial methods and assumptions, applied to all periods included in the measurement.

Valuation date:	January 1, 2015
Actuarial cost method:	Entry Age Normal – Level Percentage of Pay
Amortization method:	For pension expense, the difference between expected and actual liability experience and changes of assumptions are amortized over the average of the expected remaining service lives of all members. The difference between projected and actual earnings is amortized over a closed period of five years.
Inflation rate:	3.25%
Projected salary increases:	9% for 1 year of service, 11% for 2 years of service, 16% for 3 years of service, 5% for 4 years of service, and 4% thereafter.
Investment rate of return:	8.25%
Retirement age:	Normal retirement age is 65
Mortality:	Active – RP2000 Blue Collar Table, generational to 2016 based on Scale BB and then fully generational. Healthy pensioners – RP2000 Blue Collar Table, generational to 2016 based on Scale BB and then fully generational.
Experience study:	The actuarial assumptions used were based on the results of an actuarial experience study covering plan years from January 1, 2008 through December 31, 2013.

OTHER INFORMATION

RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY EMPLOYEES
Schedule of Investment and Administrative Expenses
For the Years Ended December 31, 2015 and 2014
(Amounts in thousands)

	2015	2014
INVESTMENT EXPENSES		
Investment management fees	$ 7,125	$ 7,783
Investment consultant	325	823
Trustee fees	319	320
Reporting and monitoring	28	28
Total investment expenses	$ 7,797	$ 8,954
ADMINISTRATIVE EXPENSES		
Personal services		
Staff salaries and fringe benefits	$ 1,084	$ 1,238
Professional services		
Actuarial	54	111
Auditing	76	97
Data processing	178	183
Legal	649	979
Benefit payments administration	258	248
Disability administration	352	292
	1,567	1,910
Communication		
Stationery and printing	6	9
Telephone	6	9
Postage and messenger	8	14
	20	32
Office and equipment		
Office space	96	69
Utilities	3	5
Equipment	5	12
Equipment rental	10	10
	114	96
Insurance		
Fiduciary and other insurance	78	81
Miscellaneous		
Seminars and travel	8	8
Supplies	13	10
Legal research	2	5
Court reporting	17	14
Seminars for retirees	4	6
Moving expense	-	3
Settlement agreement – legal cost	15	5
Other	7	7
	66	58
Total administrative expenses	$ 2,929	$ 3,415

See accompanying Independent Auditor's Report.