



STATE OF ILLINOIS
**OFFICE OF THE
AUDITOR GENERAL**

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

**REVIEW OF INFORMATION SUBMITTED BY THE
CHICAGO TRANSIT AUTHORITY'S RETIREE HEALTH CARE TRUST**

2011 ANNUAL REVIEW

Release Date: December 2011

SYNOPSIS

The Board of Trustees of the Chicago Transit Authority Retiree Health Care Trust is required by the Illinois Pension Code to submit a report to the Office of the Auditor General (OAG). The report is intended to annually assess the funding level of the Retiree Health Care Trust.

The Illinois State Auditing Act (Section 5/3-2.3(f)) requires the OAG to examine the information on the funding level of the Retiree Health Care Trust submitted pursuant to Section 22-101B(b)(3)(iii) of the Illinois Pension Code.

The OAG is required to review the Retiree Health Care Trust's assumptions to ensure they are not unreasonable in the aggregate. Our review was limited to the specific conclusions required by the Pension Code. This report does not constitute an audit as that term is defined in generally accepted government auditing standards.

- The Retiree Health Care Trust submitted its Funding Valuation Report as of January 1, 2011 to the Office of the Auditor General on September 30, 2011.
- The Report concluded that the actuarial present value of projected contributions, trust income, and assets, in excess of the statutory reserve, exceeded the actuarial present value of the projected benefits. Consequently, no change in benefits or contributions was required.
- We examined the assumptions in the Retiree Health Care Trust's Funding Valuation Report and found that they were not unreasonable in the aggregate.

ANNUAL REVIEW
RESULTS AND CONCLUSIONS

STATUTORY REQUIREMENTS

The Illinois State Auditing Act (Section 5/3-2.3(f)) requires the Auditor General to annually examine the information on the funding level of the Retiree Health Care Trust (RHCT) submitted pursuant to Section 22-101B(b)(3)(iii) of the Illinois Pension Code. The Pension Code requires the Retiree Health Care Trust to prepare a report that meets the requirements delineated in the Code and to submit it to the Auditor General at least 90 days prior to the end of its fiscal year.

The Pension Code (Section 22-101B(b)(3)(iv)) provides the OAG 90 days to review the information submitted by the RHCT. If the RHCT projects a funding shortfall, it shall provide a plan to (1) increase contributions by employees, retirees, dependents, or survivors, or (2) decrease benefits, or (3) make other plan changes, or (4) any combination thereof to cure the shortfall within 10 years. If the RHCT projects a surplus, it may decrease contributions, increase benefits, or make other plan changes, to the extent of the surplus.

If the OAG review determines the RHCT's assumptions are not unreasonable in the aggregate, the Trust shall implement the plan. Otherwise, the OAG shall explain the basis for its determination to the RHCT and may recommend an alternative.

This report does not constitute an audit as that term is defined in generally accepted government auditing standards. The scope of OAG's review, established by the Pension Code, focused on whether the actuarial assumptions used in the RHCT report were not unreasonable in the aggregate.

REPORT DETERMINATION

The Board of Trustees of the Chicago Transit Authority RHCT submitted its Funding Valuation Report as of January 1, 2011 to the Office of the Auditor General on September 30, 2011, which was subsequently revised on November 8, 2011. The Funding Valuation Report included information required by the Pension Code. As shown in Digest Exhibit 1, the Funding Valuation Report concluded that the actuarial present value of projected contributions and trust income plus assets in excess of the statutory reserve exceeded the actuarial present value of the projected benefits:

The RHCT's Funding Valuation Report concluded that the actuarial present value of projected contributions and trust income plus assets in excess of the statutory reserve exceeded the actuarial present value of the projected benefits.

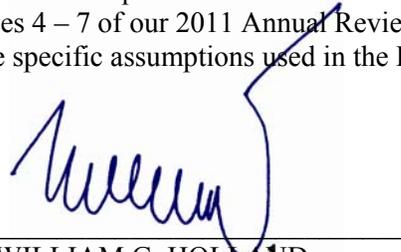
- The net actuarial present value of projected benefits was \$693,547,803.
- The actuarial present value of projected active contributions, trust income, and assets was \$737,920,275 (after subtracting \$38,834,808 for the required statutory reserve).

- Consequently, projected income and assets exceeded projected benefits by 6.4 percent, and as such, no reduction in benefits or increase in contributions was necessary.

Digest Exhibit 1 RETIREE HEALTH CARE TRUST ANNUAL ASSESSMENT OF ADEQUACY OF TRUST FUNDING			
ACTUARIAL PRESENT VALUE OF PROJECTED BENEFITS		ACTUARIAL PRESENT VALUE OF PROJECTED INCOME AND ASSETS	
Actuarial present value of projected benefits prior to reduction for retiree contributions	\$1,110,006,950	Actuarial present value of projected active contributions and trust income plus assets	\$776,755,083
<u>Less:</u> Projected current and future retiree contributions	(\$416,459,147)	<u>Less:</u> Statutory Reserve ¹	(\$38,834,808) ¹
Net actuarial present value of projected benefits	\$693,547,803	Present value of projected income and assets, net of statutory reserve	\$737,920,275
Projected income and assets exceed projected benefits by 6.4%			
Note: ¹ The Statutory Reserve is net of retiree contributions. Source: Retiree Health Care Trust Funding Valuation Report as of January 1, 2011.			

The assumptions used in the RHCT’s Funding Valuation Report were not unreasonable in the aggregate.

With the assistance of our consulting actuary, Aon Hewitt, we examined the RHCT’s assumptions in the Funding Valuation Report. Overall, these assumptions were not unreasonable in the aggregate. Pages 4 – 7 of our 2011 Annual Review contain observations on the specific assumptions used in the Funding Valuation Report.



WILLIAM G. HOLLAND
Auditor General

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This Annual Review was conducted by OAG staff with the assistance of our consultants, Aon Hewitt.