



STATE OF ILLINOIS
OFFICE OF THE
AUDITOR GENERAL

Frank J. Mautino, Auditor General

REPORT DIGEST

**2016
ANNUAL REVIEW**

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Review performed in
accordance with
Public Act 95-708

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EXECUTIVE SUMMARY

**Review of Information Submitted by the Chicago
Transit Authority's Retiree Health Care Trust**

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. 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 Auditor General 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 Auditor General is required to review the Retiree Health Care Trust's assumptions to ensure they are not unreasonable in the aggregate.

- The Retiree Health Care Trust submitted its Actuarial Valuation Report as of January 1, 2016 to the Office of the Auditor General on September 30, 2016.
- 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 Actuarial Valuation Report and found that they were not unreasonable in the aggregate.

This report does not constitute an audit as that term is defined in generally accepted government auditing standards.

ANNUAL REVIEW RESULTS AND CONCLUSIONS

STATUTORY REQUIREMENTS

The Illinois State Auditing Act (30 ILCS 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 or Trust) 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 5/22-101B(b)(3)(iv)) provides the Auditor General 90 days to review the information submitted by the Retiree Health Care Trust. If the Retiree Health Care Trust projects a funding shortfall, it shall provide a plan which may (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 Retiree Health Care Trust projects a surplus, it may decrease contributions, increase benefits, or make other plan changes, to the extent of the surplus.

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

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

REPORT DETERMINATION

The Board of Trustees of the Chicago Transit Authority Retiree Health Care Trust submitted its Actuarial Valuation as of January 1, 2016 to the Office of the Auditor General on September 30, 2016. The Actuarial Valuation included information required by the Pension Code. As shown in Digest Exhibit 1, the Actuarial Valuation 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 Trust's Actuarial Valuation 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 \$811,153,306.
- The actuarial present value of projected active contributions, trust income, and assets was \$853,931,550 (after subtracting \$34,085,663 for the required statutory reserve).
- Consequently, projected income and assets exceeded projected benefits by 5.3 percent, and as such, no reduction in benefits or increase in contributions was necessary.

Digest Exhibit 1 RETIREE HEALTH CARE TRUST ANNUAL ASSESSMENT January 1, 2016 RHCT Actuarial Valuation Report			
ACTUARIAL PRESENT VALUE OF PROJECTED BENEFITS		ACTUARIAL PRESENT VALUE OF PROJECTED INCOME AND ASSETS	
Actuarial present value of projected benefits prior to reduction of retiree contributions	\$1,296,048,957	Actuarial present value of projected active contributions and trust income plus assets	\$888,017,213
<u>Less:</u> Projected current and future retiree contributions	(\$484,895,651)	<u>Less:</u> Statutory Reserve ¹	(\$34,085,663) ¹
Net actuarial present value of projected benefits	\$811,153,306	Actuarial present value of projected income and assets, net of statutory reserve	\$853,931,550
Projected income and assets exceed projected benefits by 5.3%			
Note: ¹ The Statutory Reserve is net of retiree contributions.			
Source: Retiree Health Care Trust Actuarial Valuation report as of January 1, 2016.			

The assumptions used in the Trust's Actuarial Valuation were not unreasonable in the aggregate.

With the assistance of our consulting actuary, Aon Hewitt, we examined the assumptions in the Trust's Actuarial Valuation. Overall, these assumptions were not unreasonable in the aggregate. Pages 3 – 7 of our 2016 Annual Review contain observations on the specific assumptions used in the Actuarial Valuation.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:DJB

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