State of Illinois
Office of the Auditor General

2025 Annual Review

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

December 23, 2025

Frank J. Mautino
Auditor General

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OFFICE OF THE AUDITOR GENERAL
FRANK J. MAUTINO

To the Legislative Audit Commission, the Speaker and Minority Leader of the House of Representatives, the President and Minority Leader of the Senate, the members of the General Assembly, and the Governor:

This is our 2025 Annual Review of Information Submitted by the Chicago Transit Authority Retiree Health Care Trust.

The review was conducted pursuant to Public Act 95-708 which amended the Illinois State Auditing Act by adding a requirement for the Auditor General to annually review and report on information submitted by the Board of Trustees of the Chicago Transit Authority Retiree Health Care Trust.

The report for this review is transmitted in conformance with Section 5/22-101B(b)(3)(iv) of the Illinois Pension Code.

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FRANK J. MAUTINO
Auditor General

Springfield, Illinois
December 2025

Annual Review of the

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

Background:

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.

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; (2) decrease benefits; (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.

Key Findings:

- The Retiree Health Care Trust submitted its Actuarial Valuation Report as of January 1, 2025 to the Office of the Auditor General on September 25, 2025.
- 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**.
- With the assistance of our consulting actuary, Aon, we examined the assumptions in the Retiree Health Care Trust's Actuarial Valuation Report and found that they were not unreasonable in the aggregate.

Key Recommendations:

- The investment return and inflation assumptions should continue to be monitored and justified on an annual basis.
- The Retirement Plan should conduct a mortality experience study, potentially outside the standard five-year experience study cycle, once sufficient mortality experience has been observed (excluding 2020 and 2021 experience due to the unique effect of the COVID-19 pandemic on mortality experience during those years). As part of the next experience study, the Trust actuary should consider updating to the latest base mortality tables released by the Society of Actuaries, the Pub-2016 base mortality tables.
- The trend rate assumption should be reviewed on a by component basis each year and incorporated in the valuation report.
- Once experience has been observed, the Trust actuary should develop unique claims and trend assumptions for the vision and hearing benefits.
- Additional documentation should be added to the Actuarial Valuation Report as follows:
  - Documentation of the inflation assumption underlying the salary increase assumption and underlying the expected return.
  - Documentation on how regulatory changes have been (or have not been) incorporated (e.g., the Inflation Reduction Act (IRA) and the Centers for Medicare & Medicaid Services (CMS) fee-for-service normalization).
  - Documentation on Medicare premiums.

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

Report Digest

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; (2) decrease benefits; (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 Retiree Health Care 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.

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, 2025 to the Office of the Auditor General on September 25, 2025. 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 net actuarial present value of projected benefits was $783,097,207.
- The actuarial present value of projected active contributions, trust income, and assets was $1,127,110,855 (after subtracting $36,019,562 for the required statutory reserve).
- Consequently, projected income and assets exceeded projected benefits by 43.9 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, 2025 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	$1,068,451,762	Actuarial present value of projected contributions and trust income plus assets	$1,163,130,417
Less: Projected current and future retiree contributions	$(285,354,555)	Less: Statutory Reserve[1]	$(36,019,562)[1]
Net actuarial present value of projected benefits	$783,097,207	Actuarial present value of projected contributions and trust income plus assets (net of statutory reserve)	$1,127,110,855
Projected income and assets exceed projected benefits by 43.9%			

[1]The Statutory Reserve is net of retiree contributions.

Source: Retiree Health Care Trust Actuarial Valuation report as of January 1, 2025.

With the assistance of our consulting actuary, Aon, we examined the assumptions in the Trust's Actuarial Valuation. Overall, Aon found that the assumptions are not unreasonable in the aggregate. However, Aon did have some suggestions for the CTA and the Trust actuary for select assumptions, as outlined below:

- **Investment Return and Inflation Assumptions:** While Aon recognizes the plan's policy is to complete an experience study every five years, Aon believes the investment return and inflation assumptions should continue to be monitored and justified on an annual basis.
- **Mortality Assumptions:** Aon suggests the Retirement Plan conduct a mortality experience study, potentially outside the standard five-year experience study cycle, once sufficient mortality experience has been observed (excluding 2020 and 2021 experience due to the unique effect of the COVID-19 pandemic on mortality experience during those years). As part of the next experience study, Aon recommends the actuary consider updating to the latest base mortality tables released by the Society of Actuaries, the Pub-2016 base mortality tables.
- **Trend Rate Assumption:** Aon believes it is best practice to review trend rates by component (medical vs. prescription drug) and encourage the Trust actuary to review these assumptions on a by component basis each year and incorporate in the valuation report, regardless of whether the trend rates used in the valuation are by component or on a composite basis.
- **Vision and Hearing Benefits:** The addition of vision and hearing benefits this year resulted in some simplified approaches for estimated claims costs and the application of trend. Once experience has been observed for these

benefits, Aon recommends the Trust actuary develop unique claims and trend assumptions for the vision and hearing benefits.

- **Assumption Documentation in Valuation Report:** Aon suggests the Trust actuary add documentation of the inflation assumption underlying the salary increase assumption and underlying the expected return in the actuarial valuation report. Additionally, Aon recommends the Trust actuary add documentation to the actuarial valuation report further documenting how regulatory changes have been (or have not been) incorporated (e.g., the Inflation Reduction Act (IRA) and the Centers for Medicare & Medicaid Services (CMS) fee-for-service normalization). Aon also recommends the Medicare premiums be added to the actuarial valuation report.

Pages 5 through 14 of our 2025 Annual Review contain observations on the specific assumptions used in the Actuarial Valuation.

Agency Review

A draft of this Review was provided to the Retirement Plan for their review.

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

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

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JOE BUTCHER
Division Director

This report is transmitted in accordance with Sections 3-14 of the Illinois State Auditing Act.

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FRANK J. MAUTINO
Auditor General

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Contents

Introduction

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

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 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 (see Exhibit 1) 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; (2) decrease benefits; (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.

Exhibit 1
ILLINOIS PENSION CODE REQUIREMENTS

(iii) The Board of Trustees shall make an annual assessment of the funding levels of the Retiree Health Care Trust and shall submit a report to the Auditor General at least 90 days prior to the end of the fiscal year. The report shall provide the following:

(A) the actuarial present value of projected benefits expected to be paid to current and future retirees and their dependents and survivors;

(B) the actuarial present value of projected contributions and trust income plus assets;

(C) the reserve required by subsection (b)(3)(ii); and

(D) an assessment of whether the actuarial present value of projected benefits expected to be paid to current and future retirees and their dependents and survivors exceeds or is less than the actuarial present value of projected contributions and trust income plus assets in excess of the reserve required by subsection (b)(3)(ii).

Source: 40 ILCS 5/22-101B(b)(3)(iii).

If the Auditor General's review determines the Retiree Health Care 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.

Report Determination

The Board of Trustees of the Chicago Transit Authority Retiree Health Care Trust submitted its Actuarial Valuation as of January 1, 2025 to the Office of the Auditor General on September 25, 2025. The Actuarial Valuation included information required by the Pension Code. As shown in Exhibit 2, 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 net actuarial present value of projected benefits was $783,097,207.
- The actuarial present value of projected active contributions, trust income, and assets was $1,127,110,855 (after subtracting $36,019,562 for the required statutory reserve).
- Consequently, projected income and assets exceeded projected benefits by 43.9 percent and, as such, no reduction in benefits or increase in contributions was necessary.

Exhibit 2
RETIREE HEALTH CARE TRUST ANNUAL ASSESSMENT
January 1, 2025 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	$1,068,451,762	Actuarial present value of projected contributions and trust income plus assets	$1,163,130,417
Less: Projected current and future retiree contributions	$(285,354,555)	Less: Statutory Reserve[1]	$(36,019,562)[1]
Net actuarial present value of projected benefits	$783,097,207	Actuarial present value of projected contributions and trust income plus assets (net of statutory reserve)	$1,127,110,855

Projected income and assets exceed projected benefits by 43.9%

[1]The Statutory Reserve is net of retiree contributions.

Source: Retiree Health Care Trust Actuarial Valuation report as of January 1, 2025.

With the assistance of our consulting actuary, Aon, we examined the Retiree Health Care Trust's Actuarial Valuation and concluded that:

- The Board of Trustees of the Retiree Health Care Trust has made an assessment of the funding levels of the Retiree Health Care Trust which concluded that the actuarial present value of projected benefits expected to be paid to current and future retirees and their dependents and their survivors are less than the actuarial present value of projected contributions and Trust income plus assets in excess of the reserve required by Section 22-101B(b)(3)(ii) of the Illinois Pension Code, and

- The assumptions stated in the Actuarial Valuation submitted pursuant to Section 22-101B(b)(3)(iii) of the Pension Code are not unreasonable in the aggregate.

Calculation of the Statutory Reserve

The Pension Code requires the Retiree Health Care Trust to establish *"an appropriate funding reserve level which* ***shall not be less than the amount of incurred and unreported claims plus 12 months of expected claims and administrative expenses.****"* (40 ILCS 5/22-101B(b)(3)(ii)) [emphasis added] The Actuarial Valuation submitted by the Trust contains a calculation of the statutory reserve. The calculation includes $43.5 million for *"12 months of expected claims and administrative expenses,"* and $3.3 million for *"incurred and unreported claims,"* for a claims expense total of $46.8 million. It also subtracts $10.8 million from the claims expense for *"12 months of expected retiree and dependent contributions."* The netting or subtraction of expected contributions from the expected claims and administrative expenses is not specifically delineated in the Pension Code.

The statutory reserve is one of the figures used in the annual assessment of the Trust funding level required by Section 22-101B(b)(3)(iii) of the Pension Code. A change in the statutory reserve figure, therefore, would impact the calculation as to whether the Trust is adequately funded. As shown in Exhibit 2, when the statutory reserve is calculated by netting expected retiree contributions from expected claims (benefit payments), the actuarial present value of projected income and assets exceeds the actuarial present value of projected benefits by 43.9 percent. When expected claims are not reduced by expected retiree contributions, the statutory reserve increases from $36.0 million to $46.8 million. However, even increasing the statutory reserve to $46.8 million, the actuarial present value of projected income and assets of $1,116.3 million still exceeds the actuarial present value of projected benefits of $783.1 million by 42.5 percent.

As part of our 2009 Annual Review, we inquired of Trust officials why the statutory reserve was calculated by netting out expected retiree contributions. The Trust's actuary responded that they interpreted *"12 months of expected claims and administrative expenses"* to mean 12 months of **net** expenses. They noted that their understanding is that "contributions" means active contributions and "benefits" or "claims" to be net of retiree and dependent self-pay contributions. The actuary stated they used this interpretation for the initial January 1, 2008 Actuarial Valuation under Section 3-2.3(a)(7) of the Auditing Act as well as the January 1, 2009 Actuarial Valuation under Section 22-101B(b)(3) of the Pension Code. Our consulting actuary, Aon, indicated that it is not unreasonable to subtract the contributions from the anticipated benefit payments when calculating a reserve because no benefits could be paid without corresponding contributions being received.

Actuarial Assumptions

Aon examined the Retiree Health Care Trust's assumptions as disclosed in the January 1, 2025 Actuarial Valuation. Aon found that the assumptions stated in the report are not unreasonable in the aggregate. However, Aon did have some suggestions for the CTA and the Trust actuary for select assumptions, as outlined below:

- **Investment Return and Inflation Assumptions:** While Aon recognizes the plan's policy is to complete an experience study every five years, Aon believes the investment return and inflation assumptions should continue to be monitored and justified on an annual basis.
- **Mortality Assumptions:** Aon suggests the Retirement Plan conduct a mortality experience study, potentially outside the standard five-year experience study cycle, once sufficient mortality experience has been observed (excluding 2020 and 2021 experience due to the unique effect of the COVID-19 pandemic on mortality experience during those years). As part of the next experience study, Aon recommends the actuary consider updating to the latest base mortality tables released by the Society of Actuaries, the Pub-2016 base mortality tables.
- **Trend Rate Assumption:** Aon believes it is best practice to review trend rates by component (medical vs. prescription drug) and encourage the Trust actuary to review these assumptions on a by component basis each year and incorporate in the valuation report, regardless of whether the trend rates used in the valuation are by component or on a composite basis.
- **Vision and Hearing Benefits:** The addition of vision and hearing benefits this year resulted in some simplified approaches for estimated claims costs and the application of trend. Once experience has been observed for these benefits, Aon recommends the Trust actuary develop unique claims and trend assumptions for the vision and hearing benefits.
- **Assumption Documentation in Valuation Report:** Aon suggests the Trust actuary add documentation of the inflation assumption underlying the salary increase assumption and underlying the expected return in the actuarial valuation report. Additionally, Aon recommends the Trust actuary add documentation to the actuarial valuation report further documenting how regulatory changes have been (or have not been) incorporated (e.g., the Inflation Reduction Act (IRA) and the Centers for Medicare & Medicaid Services (CMS) fee-for-service normalization). Aon also recommends the Medicare premiums be added to the actuarial valuation report.

Aon had the following observations regarding specific assumptions:

(A) **Investment Return.** The investment return assumption for the plan is 6.85 percent. This assumption is unchanged from the previous valuation.

The investment policy allocation in 2025 is unchanged from the prior valuation; however, changes were made to the portfolio allocation. The subsequent analysis reviews the 6.85 percent investment return assumption against the new portfolio allocation which reflects the following changes from the prior year:

Asset Class	Target Allocation for 2024 Valuation	Target Allocation for 2025 Valuation
U.S. All Cap Equities	30.00%	35.00%
U.S. Small Cap Equities	5.00%	0.00%
Broad Non-US Equity	8.00%	10.00%
Non-US Small Cap	2.00%	0.00%

Aon reviewed the investment return assumption based on the target asset allocation. To the extent there is significant deviation from the target allocation or a lack of rebalancing to the target allocation, the 6.85 percent investment return assumption may not be reasonable.

In April 2025, the Trust's investment consultant, prepared an analysis based on the target asset allocation and found an expected ten-year return of 7.33 percent (median return of 7.50 percent) and 25th to 75th percentile range of investment returns of 9.20 percent to 5.60 percent, respectively. This expected return assumes a dynamic inflation that varies across the different projected environments. The average inflation across these projected environments is 2.50 percent. The analysis does not model active manager performance and thus the expected return assumes no alpha.

The Trust actuary provided information in the actuarial valuation report related to the development of the long-term rate of return. The report includes the target allocation and long-term expected real rate of return by asset class. From this information Aon was able to calculate a weighted average real rate of return equal to 4.68 percent. Adding the expected inflation rate of 2.40 percent to the average real rate of return then implies the Trust actuary's analysis supports an average expected rate of return equal to 7.08 percent under the target allocation. The Trust actuary further provided analysis based on the target allocation and their capital market assumptions (including volatility and correlation assumptions) which produced a geometric average return of 6.60 percent over a 10-year period and 6.95 percent over a 20-year period, with 20-year 25th and 75th percentiles of 8.56 percent and 5.33 percent, respectively.

Aon calculated the investment return that could be expected based on the target asset allocation and underlying inflation assumption of 2.40 percent. Aon reviewed the expected return based on the Aon Expected Return Model (as of December 31, 2024). As illustrated in the table below, based on the target asset allocation and Aon's expected return assumptions by asset class, Aon would expect a weighted average investment return of 6.47 percent. However, Aon's Expected Return Model indicates that the median return over a thirty-year time horizon based on the target asset allocation is 7.10 percent. The weighted average investment return assumes that the asset classes are one hundred percent correlated, while the median and percentile returns take into account that the asset classes are not one hundred percent correlated. Therefore, Aon believes the median is a better representation of the true expected return. Further, Aon finds that the 25th to 75th percentile range of investment returns is 8.36 percent to 5.85 percent and that the probability of achieving a return of 6.85 percent or greater over a thirty-year time horizon is 55.3 percent.

Asset Class	Target Asset Allocation	Aon Expected Return Model with 2.4% Assumed Inflation
U.S. Large Cap Equities	35.00%	6.90%
International (Non-U.S.) Equities	10.00%	6.80%
Emerging Market Equities	2.00%	7.00%
Core U.S. Fixed Income	10.00%	5.00%
Core Plus – Fixed Income	17.00%	5.50%
Real Estate	8.00%	5.80%
Hedge Funds	8.00%	7.20%
Infrastructure	5.00%	7.30%
Private Debt	5.00%	7.80%
Weighted Average Return		**6.47%**
Median Return (over 30 years)		**7.10%**

The 25th, 50th, and 75th percentile returns for the analyses completed by the investment consultant, Trust actuary, and Aon are summarized in the table below. It is not uncommon for different firms to have different outlooks with respect to capital market expectations, which will give rise to variances in the expected return.

Percentile	Trust Investment Consultant (10-year)	Trust Actuary (20-year)	Aon (30-year)
25th	9.20%	8.56%	8.36%
50th	7.50%	6.95%	7.10%
75th	5.60%	5.33%	5.85%

The Trust's inflation assumption underlying the development of the expected return assumption is 2.40 percent, which is higher than the underlying inflation assumption used in Aon's Expected Return Model as of December 31, 2024, of 2.30 percent. This assumption is unchanged from the 2.40 percent inflation assumption used in the prior year and was reviewed by the Trust actuary for reasonableness along with the investment return assumption. Aon recognizes there is a wide range of expectations concerning long-term inflation, and would consider the Trust's current assumption to be reasonable based on recent history and current capital market assumptions. It should be noted that this assumption was not included in the assumption section of the actuarial valuation report. Aon encourages the Trust actuary to include this assumption in the assumptions section of the actuarial valuation report.

Actuarial Standard of Practice No. 27 (ASOP No. 27) provides guidance on the selection of economic assumptions for measuring pension obligations and is referenced as part of Actuarial Standard of Practice No. 6, Measuring Retiree Group Benefit Obligations (ASOP No. 6). ASOP No. 27 was revised and effective for plans with a measurement date on or after September 30, 2014. ASOP No. 27 states that each economic assumption should be reasonable and have no significant bias ("is not anticipated to produce significant cumulate gains or losses over the measurement period") but also recognizes that a range of reasonable assumptions may develop across actuarial practice. Further, the ASOP also states that it should not be assumed that superior returns will be achieved from an active investment management strategy (alpha) compared to a passive investment management strategy unless the actuary believes, based on relevant supporting data, that such superior or inferior returns represent a reasonable expectation over the measurement period.

Aon believes the 6.85 percent investment return assumption is within the reasonable range based on the investment return analysis conducted by the Trust actuary and investment consultant. Aon recommends that the Trust actuary and investment consultant continue performing separate analyses to support this assumption on an annual basis.

The discount rate assumption used to measure the Trust liability is equal to the long-term investment return assumption. In determining the discount rate, it was assumed active members continue to contribute 1.00 percent of payroll.

(B) **Inflation and Salary Increase.** The salary inflation and salary increase assumptions are consistent with the Retirement Plan assumptions. The underlying salary inflation assumption of 2.50 percent was last reviewed as part of the 2024 Retirement Plan experience study performed by the Plan actuary. This assumption is higher than Aon's long-term inflation expectation of 2.30 percent and the Trust's general inflation for purposes of investment return of 2.40 percent but is within a reasonable range. Aon finds this approach is not unreasonable due to multi-year negotiated salary contracts not being "subject to short-term changes in inflation rates."

Aon suggests the Trust actuary include the underlying salary inflation assumption or note that it is consistent with the Retirement Plan, in the actuarial valuation report.

(C) **Disability and Turnover Rates.** Disability rates and turnover rates for full-time permanent employees' match those of the Retirement Plan and continue to vary by age, service, and gender. Withdrawal rates for non-full-time permanent employees are assumed to be 12 percent.

These assumptions were analyzed in the 2024 Retirement Plan experience study performed by the Retirement Plan actuary and are unchanged from the prior valuation. Aon finds that the assumptions utilized are not unreasonable based on the information available/provided in the actuarial report and the 2024 experience study conducted by the Trust actuary.

(D) **Mortality.** Pre-retirement and post-retirement mortality rates follow the Society of Actuaries (SOA) Public 2010 General Healthy Retiree Headcount-

Weighted Below-Median mortality tables increased by 113 percent for females, fully generational using Scale MP-2021. Mortality rates for disabled employees are set at the SOA Public 2010 Non-Safety Disabled Retiree Headcount-Weighted mortality tables, fully generational with Scale MP-2021.

The base mortality table was adopted as a result of the Retirement Plan experience study conducted in 2019 and reflects the mortality tables released January 22, 2019, in the Society of Actuaries Pub-2010 Public Retirement Plans Mortality Tables Report. The mortality improvement scale was updated from MP-2018 to MP-2021 as a result of the 2024 Retirement Plan experience study.

During the 2019 experience study, the Retirement Plan actuary found that the "Below Median" mortality table was the best fit with actual plan experience, regardless of the participant's actual "Below-median" status. The selected headcount-weighted mortality table is inconsistent with the Retirement Plan mortality assumption. This is not unreasonable given the differences in the plan benefits. According to the Pub-2010 report: "Per [Actuarial Standard of Practice No. 35 (ASOP No. 35)], the actuary should select a mortality assumption that is appropriate for the purpose of the measurement. Therefore, it would not necessarily be inappropriate— or inconsistent—to use amount-weighted tables to measure pension obligations and the corresponding headcount-weighted tables to measure most postretirement medical obligations, even when the two covered populations are identical."

During the 2024 experience study, the Retirement Plan actuary reviewed aggregate mortality counts, but due to 2020-2022 deaths being higher than expected and an inability to isolate those deaths which were due to COVID-19, no recommendation was made for adjustments to the assumption. In May 2025, the SOA released new "Pub-2016" mortality tables, as an update to the Pub-2010 tables, reflecting additional mortality experience through 2019. The report states, "in conjunction with knowledge of the individual characteristics and recent experience of the covered group, actuaries could use the Pub-2016 tables as relevant published tables for mortality assumption under ASOP 27." As such, Aon recommends the actuary consider updating the base mortality table to the most recently published Pub-2016 mortality tables the next time the plan's mortality experience is formally reviewed.

Overall, the mortality table assumption appears to be reasonable based on the information available in the 2019 experience study and was the latest mortality table released by the SOA at that time. Insufficient data was available as part of the 2024 experience study to assess the continued reasonability of this assumption. However, using the Public sector "below-median" headcount weighted mortality table is not unreasonable.

ASOP No. 35 provides guidance with respect to mortality improvement before and after the measurement date. After the 2014 experience study, the plan adopted generational mortality tables to account for future mortality improvements. The 2019 experience study confirmed the continued use of generational mortality tables to account for future mortality improvements. The 2014 SOA report stated that it is not inappropriate for actuaries to consider one or more of the RP-2014 tables for public plan use. The SOA has since released seven updates to MP-2014 and has further indicated their intention to provide annual updates to their mortality model. Since 2022, the SOA has not released an update to the latest MP-2021 model due to the challenges of incorporating pandemic mortality data without adjustments into the model.

The current assumption for mortality improvement in the valuation is the MP-2021 mortality improvement scale, which reflects mortality data through 2019. This is in line with the MP-2021 mortality improvement scale utilized by the Retirement Plan. Aon believes the MP-2021 mortality improvement scale could fall within the ASOP No. 35 reasonable assumption universe.

The mortality assumption has not been adjusted to incorporate the impact of the COVID-19 pandemic on anticipated future mortality experience. Increases in mortality due to the COVID-19 pandemic are reflected in actual plan mortality experience and the CTA believes “it is too early to determine how COVID-19 will impact future mortality”. Aon believes this is a reasonable approach based on the mortality updates for 2022 through 2025 published by the Retirement Plans Experience Committee of the Society of Actuaries Research Institute (RPEC). Additional details on the information in the RPEC reports relied upon in the determination of the reasonability of this assumption are documented in Aon’s report for the Retirement Plan.

The mortality assumptions used meet Aon's internal guidelines for reasonable mortality. Aon suggests reviewing mortality experience (potentially outside the standard 5-year experience study cycle) once sufficient, credible experience has been observed post-COVID-19 pandemic.

Aon has not otherwise performed an independent analysis of mortality improvement.

(E) **Active Retirement Rates.** Active retirement rates used in the valuation match those of the Retirement Plan and are unchanged from the prior valuation. The assumption continues to vary by age, service, and hire date to capture experience differences for those eligible for early retirement (reduced and unreduced) in the Retirement plan. This assumption was last analyzed in the 2024 Retirement Plan experience study and determined reasonable at that time.

Given the population eligible for participation in the Trust is the same as the Retirement Plan, it is not unreasonable to use the same retirement assumptions. However, given the differences in eligibility for pension benefits and retiree medical benefits, Aon recommends the Trust actuary separately review retirement experience against the Retirement Plan assumption to support use of the same assumption in the Trust valuation as part of the next experience study.

Overall, Aon finds that this assumption is not unreasonable.

(F) **Retirement Age.** Selecting age 65 as the expected retirement age for inactive participants is not unreasonable.

(G) **Participation Rates for Retirees.** The participation assumption for future retirees is based on service at retirement. The methodology for setting the participation rates is that the percent assumed to decline coverage is assumed to be 75 percent of the percent of full cost paid by retirees. This methodology was reviewed and updated as part of the 2024 experience study conducted by the Trust actuary and was determined reasonable at that time. The methodology is unchanged from the prior valuation.

Participation rates increased slightly from the prior valuation due to increases in the employer subsidy as retiree contribution rates remained the same despite total cost increases. These changes are not unreasonable based on the changes in the per capita health cost.

Aon finds that the retiree participation assumption is not unreasonable.

(H) **Participation Rates for Dependents.** The participation assumption for dependents is based on retiree service at retirement. The methodology for setting the dependent participation rates is that the percent assumed to decline coverage is assumed to be 100 percent of the percent of full cost paid by dependents. This methodology was reviewed as part of the 2024 experience study conducted by the Trust actuary and was determined reasonable at that time. The methodology is unchanged from the prior valuation.

Participation rates increased for dependents, similar to future retiree participation rates. Aon was not provided sufficient information to further assess the reasonability of the percentage of full cost paid by dependents, but it is not unreasonable for the change in participation rates to be directionally consistent with the change in retiree participation rates.

Aon finds that the dependent participation assumption is not unreasonable.

(I) **Married Assumption.** The percentage married assumption of 70 percent for future retirees and a 3-year age difference was reviewed as part of the 2024 experience study conducted by the Trust actuary and determined reasonable at that time. There have been no changes to the assumption from the prior valuation. These assumptions are consistent with commonly used values and are not unreasonable.

(J) **Plan Election.** The plan election assumption for future non-Medicare retirees assumes 90 percent elect PPO coverage and 10 percent elect HMO coverage and assumes 95 percent of Medicare retirees elect PPO coverage and the remaining 5 percent elect HMO coverage. This assumption was reviewed as part of the 2024 experience study conducted by the Trust actuary and determined reasonable at that time. There have been no changes to the assumption from the prior valuation.

(K) **Disabled Retirees Medicare Eligibility.** The percent of pre-65 disabled participants enrolled in Medicare varies based on number of years on disability. It is assumed that upon retirement 30 percent of pre-65 disabled retirees are eligible for Medicare during the first two years, increasing to 50 percent in year three, and 70 percent thereafter. This assumption was reviewed as part of the 2024 experience study conducted by the Trust actuary and determined reasonable at that time. There have been no changes to the assumption from the prior valuation.

(L) **Missing Participant Data.** The methodology for assigning values for missing participant data is not unreasonable. Aon notes that this is unchanged from the prior year. Aon has not reviewed the missing salary data assumption for reasonability due to insufficient data on which to base our review.

(M) **Per Capita Claims.** The methodology used to calculate the non-Medicare per capita claims for the self-insured PPO medical and prescription drug benefits utilizes experience from July 1, 2023 through June 30, 2024, adjusted for plan design changes, health care trend, and estimated prescription drug rebates. The experience years included in the development of the per capita claims decreased from three years (2024 valuation) to one year as a result of the plan becoming self-insured, and thus only utilizing claims experience from the self-insured period in the claims development. Claims costs were increased for ASO fees, similar to past years.

This year, the plan introduced additional coverage for vision and hearing. Due to a lack of actual experience on which to develop claims, the Trust actuary has opted to adjust the non-Medicare per capita medical claims to include the costs of vision and hearing claims. These claims are not offset by additional contributions. This assumption is reasonable given the lack of experience data; however, once claims experience has been observed for the vision and hearing benefits, Aon recommends claims costs be developed based on actual claims.

Per capita claims for the Medicare Advantage plan are based on the premium rates for 2025 and include the costs of vision and hearing benefits newly provided by the plan.

Per capita medical claims increased slightly for the non-Medicare PPO and HMO plans. This increase was primarily driven by the higher prescription drug experience, but a small portion of the increase was due to the addition of vision and hearing benefits for the non-Medicare PPO plan.

Medicare Advantage plans saw major increases reflecting regulatory changes, specifically the impact of the “IRA and CMS fee-for-service normalization,” and addition of vision and hearing benefits. The Medicare premiums provided upon request are not unreasonable; however, Aon recommends the premiums be included in the actuarial valuation report.

Overall, the methodology and resulting claims presented are not unreasonable.

(N) **Actuarial Aging Factors.** Actuarial aging factors were applied to the weighted average cost to estimate individual retiree and spouse costs by age and by gender. These same factors were applied to each plan option. This methodology is unchanged from the prior valuation. Aon finds that the actuarial aging factor assumption and application are not unreasonable.

The additional vision and hearing benefits are included in the medical costs and are thus subject to the same age grading factors as medical trends. While this is not standard practice, it is not unreasonable to take this simplified approach for valuation purposes given the low cost of vision and hearing benefits.

(O) **Health Care Cost Trends.** The valuation utilizes a unique healthcare cost trend curve for non-Medicare and Medicare medical and prescription drug claims. The trend rates are developed annually based on various data sources.

For the Medicare plans, the trend rates reflect the survey findings that "projected trends for Medicare Advantage plans [are]… at a similar level to other types of Medicare coverage (including Medicare Supplement Plans)" and therefore do not reflect any leveraging. No adjustment was made based on the 2026 Medicare Advantage rate notice due to "preliminary 2026 MAPD renewals show[ing] no significant increase to premiums". These assumptions and approaches are not unreasonable.

The initial (first year) health care trend rate for Medicare Advantage Prescription Drug (MAPD) is 10.0 percent and grades down to the ultimate trend of 4.5 percent. The trend rates for each year are slightly higher than the assumed trend rates from the prior valuation, but the ultimate trend rate is consistent with the prior valuation. Given Aon continues to see increasing retiree medical plan costs, particularly for prescription drugs, the increase in trend rates is not unreasonable.

For the non-Medicare plans, the initial trend rate increased slightly relative to the assumed trend rates for each year from the prior valuation, while the ultimate trend rate and the select period of 14 years are unchanged from the prior valuations. These assumptions are not unreasonable.

The select trend period was maintained at 14 years for the non-Medicare plans and decreased from 18 years to 16 years for the Medicare plans. While it is not common to see select periods change differently across plans, it is not unreasonable given claims costs were developed separately and given the different weighting of prescription drug and medical trends on claims for Medicare and non-Medicare plans.

Reviewing trend by component (medical vs. prescription) is considered best practice. The trend rates were based on a weighted average of underlying trend rates by component of 7.00 percent for non-Medicare medical, 6.00

percent for Medicare medical, and 12.00 percent for Prescription Drug, all of which grade down to 4.50 percent by steps of 0.10 percent to 0.50 percent. These underlying trend rates are not unreasonable. Aon recommends the trend rates split by component be included in the actuarial valuation report.

The vision and hearing costs are included in the medical costs and are thus increased with the same medical trend rates. While this is not standard practice, given the low costs associated with vision and hearing benefits, this is not unreasonable.

The increase in fees and administrative expenses included in the healthcare cost trend rates are assumed to be 3.00 percent, unchanged from last year. The projected increase in fees and administrative expense assumption is not unreasonable.

Overall, Aon finds that the retiree trend curve assumption is not unreasonable based on the information available.

(P) **Retiree Contribution Increase Rate.** The application of the health care trend rate to the retiree and dependent contributions is a common practice and not unreasonable. Actual contribution increases in the future should be compared against this assumption to ensure that it continues to be reasonable.

(Q) **Administrative Expense.** The administrative expense per participant added to projected incurred claims for 2025 decreased 11.7 percent (from $334 per participant to $295 per participant) from the 2024 assumption. The administrative expense was developed similarly as in the past. The last valuation used historical expenses from January 1, 2020, through December 31, 2022. This year's valuation used historical expenses from January 1, 2021, through December 31, 2023. Aon finds that the administrative expense assumption is not unreasonable.

(R) **Lifetime Maximum Benefits.** The assumption of no lifetime maximum benefits in the plan is not unreasonable, as past information was not available on accumulated benefits.

(S) **Health Care Reform.** The impact of the Inflation Reduction Act (IRA) has been incorporated in the January 1, 2025, Medicare claims which are then assumed to increase with trend in future years. Claims costs were similarly increased to reflect the impact of the "CMS fee-for-service normalization". This approach for the Medicare premiums is not unreasonable.

Given the impact of the manufacturer rebates for certain drug prices is largely uncertain, it is not unreasonable to exclude specific adjustments for these provisions at this time.

Aon recommends the Trust actuary add documentation to the actuarial valuation report further documenting how regulatory changes have been incorporated (e.g., the IRA and CMS fee-for-service normalization).

Overall, Aon does not find these assumptions unreasonable in the aggregate.

Limitation on Retiree Contributions

The Pension Code (40 ILCS 5/22-101B(b)(5)) requires that the *"aggregate amount of retiree, dependent and survivor contributions to the cost of their health care benefits shall not exceed more than 45% of the total cost of such benefits."* The Pension Code goes on to define *"total cost of such benefits"* as the *"total amount expended by the retiree health benefit program in the prior plan year, as calculated and certified in writing by the Retiree Health Care Trust's enrolled actuary…."*

The January 1, 2025 Actuarial Valuation prepared by the Trust's actuary contained the results of the actuary's calculation of whether the 45 percent limitation established by the Pension Code was met. The Actuarial Valuation noted that according to the preliminary December 31, 2024 balance sheet of the Retiree Health Care Trust, the aggregate amount of retiree, dependent, and survivor **contributions** for 2024 was $10.1 million. The total cost of retiree health benefits paid from the Trust in 2023 was $37.1 million. The Actuarial Valuation calculated that the retirees paid 27.1 percent of the total cost of benefits, which did not exceed the statutory limit of 45 percent. The Actuarial Valuation notes that dental benefits and contributions are excluded from this calculation, since the Fund does not provide dental benefits, but only serves as a "pass-through" for dental premiums.

Scope of Annual Review

The Office of the Auditor General has conducted this annual review of information submitted by the Board of Trustees of the Chicago Transit Authority Retiree Health Care Trust pursuant to the Illinois State Auditing Act (30 ILCS 5/3-2.3(f)): *"The Auditor General shall annually examine the information submitted pursuant to Section 22-101B(b)(3)(iii) of the Illinois Pension Code and shall prepare the determination specified in Section 22-101B(b)(3)(iv) of the Illinois Pension Code."* The scope of the Auditor General's review is established by the Pension Code and focused on whether the actuarial assumptions used in the Retiree Health Care Trust's report were not unreasonable in the aggregate.

This report does not constitute an audit as that term is defined in generally accepted government auditing standards. Consequently, while we reviewed the information provided by the CTA Retiree Health Care Trust for reasonableness and consistency, we did not conduct an audit of the accuracy of the information provided as that is the responsibility of the Trust.

The scope of our work included reviewing the Retiree Health Care Trust's Actuarial Valuation as of January 1, 2025, submitted by the Trust on September 25, 2025. Our consulting actuary, Aon, followed-up with the Trust on various questions they had based upon their review of the Valuation. Aon reviewed the reasonableness of the actuarial assumptions used by the Trust in its January 1, 2025 Actuarial Valuation.

The Retiree Health Care Trust was provided a draft of this report for review and comment.

Appendix A
Statutory Authority

Illinois State Auditing Act

30 ILCS 5/3-2.3(f)

(f) The Auditor General shall annually examine the information submitted pursuant to Section 22-101B(b)(3)(iii) of the Illinois Pension Code and shall prepare the determination specified in Section 22-101B(b)(3)(iv) of the Illinois Pension Code.

(Source: P.A. 103-605, eff. 7-1-24.)

Illinois Pension Code

40 ILCS 5/22-101B

Sec. 22-101B. Health Care Benefits.

(a) The Chicago Transit Authority (hereinafter referred to in this Section as the "Authority") shall take all actions lawfully available to it to separate the funding of health care benefits for retirees and their dependents and survivors from the funding for its retirement system. The Authority shall endeavor to achieve this separation as soon as possible, and in any event no later than July 1, 2009.

(b) Effective 90 days after the effective date of this amendatory Act of the 95th General Assembly, a Retiree Health Care Trust is established for the purpose of providing health care benefits to eligible retirees and their dependents and survivors in accordance with the terms and conditions set forth in this Section 22-101B. The Retiree Health Care Trust shall be solely responsible for providing health care benefits to eligible retirees and their dependents and survivors upon the exhaustion of the account established by the Retirement Plan for Chicago Transit Authority Employees pursuant to Section 401(h) of the Internal Revenue Code of 1986, but no earlier than January 1, 2009 and no later than July 1, 2009.

(1) The Board of Trustees shall consist of 7 members appointed as follows: (i) 3 trustees shall be appointed by the Chicago Transit Board; (ii) one trustee shall be appointed by an organization representing the highest number of Chicago Transit Authority participants; (iii) one trustee shall be appointed by an organization representing the second-highest number of Chicago Transit Authority participants; (iv) one trustee shall be appointed by the recognized coalition representatives of participants who are not represented by an organization with the highest or second-highest number of Chicago Transit Authority participants; and (v) one trustee shall be selected by the Regional Transportation Authority Board of Directors, and the trustee shall be a professional fiduciary who has experience in the area of collectively bargained retiree health plans. Trustees shall serve until a

successor has been appointed and qualified, or until resignation, death, incapacity, or disqualification.

Any person appointed as a trustee of the board shall qualify by taking an oath of office that he or she will diligently and honestly administer the affairs of the system, and will not knowingly violate or willfully permit the violation of any of the provisions of law applicable to the Plan, including Sections 1-109, 1-109.1, 1-109.2, 1-110, 1-111, 1-114, and 1-115 of Article 1 of the Illinois Pension Code.

Each trustee shall cast individual votes, and a majority vote shall be final and binding upon all interested parties, provided that the Board of Trustees may require a supermajority vote with respect to the investment of the assets of the Retiree Health Care Trust, and may set forth that requirement in the trust agreement or by-laws of the Board of Trustees. Each trustee shall have the rights, privileges, authority and obligations as are usual and customary for such fiduciaries.

(2) The Board of Trustees shall establish and administer a health care benefit program for eligible retirees and their dependents and survivors. Any health care benefit program established by the Board of Trustees for eligible retirees and their dependents and survivors effective on or after July 1, 2009 shall not contain any plan which provides for more than 90% coverage for in-network services or 70% coverage for out-of-network services after any deductible has been paid, except that coverage through a health maintenance organization ("HMO") may be provided at 100%.

(2.5) The Board of Trustees may also establish and administer a health reimbursement arrangement for retirees and for former employees of the Authority or the Retirement Plan, and their survivors, who have contributed to the Retiree Health Care Trust but do not satisfy the years of service requirement of subdivision (b)(4) and the terms of the retiree health care plan; or for those who do satisfy the requirements of subdivision (b)(4) and the terms of the retiree health care plan but who decline coverage under the plan prior to retirement. Any such health reimbursement arrangement may provide that: the retirees or former employees of the Authority or the Retirement Plan, and their survivors, must have reached age 65 to be eligible to participate in the health reimbursement arrangement; contributions by the retirees or former employees of the Authority or the Retirement Plan to the Retiree Health Care Trust shall be considered assets of the Retiree Health Care Trust only; contributions shall not accrue interest for the benefit of the retiree or former employee of the Authority or the Retirement Plan or survivor; benefits shall be payable in accordance with the Internal Revenue Code of 1986; the amounts paid to or on account of the retiree or former employee of the Authority or the Retirement Plan or survivor shall not exceed the total amount which the retiree or former employee of the Authority or the Retirement Plan contributed to the Retiree Health Care Trust; the Retiree Health Care Trust may charge a reasonable administrative fee for processing the benefits. The Board of Trustees of the Retiree Health Care Trust may establish such rules, limitations and requirements as the Board of Trustees deems appropriate.

(3) The Retiree Health Care Trust shall be administered by the Board of Trustees according to the following requirements:

(i) The Board of Trustees may cause amounts on deposit in the Retiree Health Care Trust to be invested in those investments that are permitted investments for the investment of moneys held under any one or more of the pension or retirement systems of the State, any unit of local government or school district, or any agency or instrumentality thereof. The Board, by a vote of at least two-thirds of the trustees, may transfer investment management to the Illinois State Board of Investment, which is hereby authorized to manage these investments when so requested by the Board of Trustees.

(ii) The Board of Trustees shall establish and maintain an appropriate funding reserve level which shall not be less than the amount of incurred and unreported claims plus 12 months of expected claims and administrative expenses.

(iii) The Board of Trustees shall make an annual assessment of the funding levels of the Retiree Health Care Trust and shall submit a report to the Auditor General at least 90 days prior to the end of the fiscal year. The report shall provide the following:

(A) the actuarial present value of projected benefits expected to be paid to current and future retirees and their dependents and survivors;

(B) the actuarial present value of projected contributions and trust income plus assets;

(C) the reserve required by subsection (b)(3)(ii); and

(D) an assessment of whether the actuarial present value of projected benefits expected to be paid to current and future retirees and their dependents and survivors exceeds or is less than the actuarial present value of projected contributions and trust income plus assets in excess of the reserve required by subsection (b)(3)(ii).

If the actuarial present value of projected benefits expected to be paid to current and future retirees and their dependents and survivors exceeds the actuarial present value of projected contributions and trust income plus assets in excess of the reserve required by subsection (b)(3)(ii), then the report shall provide a plan, to be implemented over a period of not more than 10 years from each valuation date, which would make the actuarial present value of projected contributions and trust income plus assets equal to or exceed the actuarial present value of projected benefits expected to be paid to current and future retirees and their dependents and survivors. The plan may consist of increases in employee, retiree, dependent, or survivor contribution levels, decreases in benefit levels, or other plan changes or any combination thereof. If the actuarial present value of projected benefits expected to be paid to current and future retirees and their dependents and survivors is less than the actuarial present value of projected contributions and trust income plus assets in excess of the reserve required by subsection (b)(3)(ii), then the report may provide a plan of decreases in employee, retiree, dependent, or survivor contribution levels, increases in benefit levels, or other plan changes, or any combination thereof, to the extent of the surplus.

(iv) The Auditor General shall review the report and plan provided in subsection (b)(3)(iii) and issue a determination within 90 days after receiving the report and plan, with a copy of such determination provided to the General Assembly and the Regional Transportation Authority, as follows:

(A) In the event of a projected shortfall, if the Auditor General determines that the assumptions stated in the report are not unreasonable in the aggregate and that the plan of increases in employee, retiree, dependent, or survivor contribution levels, decreases in benefit levels, or other plan changes, or any combination thereof, to be implemented over a period of not more than 10 years from each valuation date, is reasonably projected to make the actuarial present value of projected contributions and trust income plus assets equal to or in excess of the actuarial present value of projected benefits expected to be paid to current and future retirees and their dependents and survivors, then the Board of Trustees shall implement the plan. If the Auditor General determines that the assumptions stated in the report are unreasonable in the aggregate, or that the plan of increases in employee, retiree, dependent, or survivor contribution levels, decreases in benefit levels, or other plan changes to be implemented over a period of not more than 10 years from each valuation date, is not reasonably projected to make the actuarial present value of projected contributions and trust income plus assets equal to or in excess of the actuarial present value of projected benefits expected to be paid to current and future retirees and their dependents and survivors, then the Board of Trustees shall not implement the plan, the Auditor General shall explain the basis for such determination to the Board of Trustees, and the Auditor General may make recommendations as to an alternative report and plan.

(B) In the event of a projected surplus, if the Auditor General determines that the assumptions stated in the report are not unreasonable in the aggregate and that the plan of decreases in employee, retiree, dependent, or survivor contribution levels, increases in benefit levels, or both, is not unreasonable in the aggregate, then the Board of Trustees shall implement the plan. If the Auditor General determines that the assumptions stated in the report are unreasonable in the aggregate, or that the plan of decreases in employee, retiree, dependent, or survivor contribution levels, increases in benefit levels, or both, is unreasonable in the aggregate, then the Board of Trustees shall not implement the plan, the Auditor General shall explain the basis for such determination to the Board of Trustees, and the Auditor General may make recommendations as to an alternative report and plan.

(C) The Board of Trustees shall submit an alternative report and plan within 45 days after receiving a rejection determination by the Auditor General. A determination by the Auditor General on any alternative report and plan submitted by the Board of Trustees shall be made within 90 days after receiving the alternative report and plan, and shall be accepted or rejected according to the requirements of this subsection (b)(3)(iv). The Board of Trustees shall continue to submit alternative reports and plans to the Auditor General, as necessary, until a favorable determination is made by the Auditor General.

(4) For any retiree who first retires effective on or after January 18, 2008, to be eligible for retiree health care benefits upon retirement, the retiree must be at least 55 years of age, retire with 10 or more years of continuous service and satisfy the preconditions established by Public Act 95-708 in addition to any rules or regulations promulgated by the Board of Trustees. Notwithstanding the foregoing, any retiree hired on or before September 5, 2001 who retires with 25 years or more of continuous service shall be eligible for retiree health care benefits upon retirement in accordance with any rules or regulations adopted by the Board of Trustees; provided he or she retires prior to the full execution of the successor collective bargaining agreement to the collective bargaining agreement that became effective January 1, 2007 between the Authority and the organizations representing the highest and second-highest number of Chicago Transit Authority participants. This paragraph (4) shall not apply to a disability allowance.

(5) Effective January 1, 2009, the aggregate amount of retiree, dependent and survivor contributions to the cost of their health care benefits shall not exceed more than 45% of the total cost of such benefits. The Board of Trustees shall have the discretion to provide different contribution levels for retirees, dependents and survivors based on their years of service, level of coverage or Medicare eligibility, provided that the total contribution from all retirees, dependents, and survivors shall be not more than 45% of the total cost of such benefits. The term “total cost of such benefits” for purposes of this subsection shall be the total amount expended by the retiree health benefit program in the prior plan year, as calculated and certified in writing by the Retiree Health Care Trust’s enrolled actuary to be appointed and paid for by the Board of Trustees.

(6) Effective January 1, 2022, all employees of the Authority shall contribute to the Retiree Health Care Trust in an amount not less than 1% of compensation.

(7) No earlier than January 1, 2009 and no later than July 1, 2009 as the Retiree Health Care Trust becomes solely responsible for providing health care benefits to eligible retirees and their dependents and survivors in accordance with subsection (b) of this Section 22-101B, the Authority shall not have any obligation to provide health care to current or future retirees and their dependents or survivors. Employees, retirees, dependents, and survivors who are required to make contributions to the Retiree Health Care Trust shall make contributions at the level set by the Board of Trustees pursuant to the requirements of this Section 22-101B.

(Source: P.A. 102-415, eff. 1-1-22.)

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