OFFICE OF THE AUDITOR GENERAL

November 24, 2026
Annual Review
Report Highlights

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Annual Review of the

Information Submitted by the Retirement Plan for Chicago Transit Authority Employees

Background:

Signed into law in 2008, Public Act 95-708 made sweeping changes to the Retirement Plan for CTA Employees. It required that the contributions from the CTA and employees must be at a level so that the funded ratio of the Retirement Plan does not decline below 60 percent in any year before 2040, and achieves 90 percent funding by the end of 2059.

The Retirement Plan is required to submit to the Auditor General an audit, an annual statement, and an actuarial statement by September 30 of each year. The Retirement Plan must determine the estimated funded ratio and must determine the employee and employer contribution rates needed to meet the requirements established by the Pension Code.

The Auditor General is required to review the documents and review the actuarial determination and assumptions to determine whether they are unreasonable in the aggregate.

Key Findings:

- The Retirement Plan submitted the required documents by the September 30 deadline.
- The OAG and our consultant, Aon, reviewed the Retirement Plan's assumptions contained in the January 1, 2026 Actuarial Valuation and concluded that they were not unreasonable in the aggregate. However, we believe that two of the assumptions, investment return and inflation, should continue to be monitored and justified on an annual basis. Additionally, we believe the plan's mortality assumption should be formally studied, potentially outside the standard 5-year experience study cycle, once sufficient mortality experience (after excluding 2020 and 2021 mortality experience due to the unique effect of the COVID-19 pandemic on mortality experience during those years) has been observed. We also recommend the actuary consider expanding the actuarial assumptions section of the valuation report to include the underlying inflation assumption, the inactive participant retirement rate assumption, and the new entrant profile assumptions.
- The investment return assumption was 7.75 percent, which was unchanged from the prior valuation. The 7.75 percent investment return assumption used by the Plan continues to be higher than most public plans but is supported by an investment return analysis conducted by the Plan's Investment Consultant and Actuary.
- The funded ratio of the Retirement Plan as of January 1, 2026, was 52.91 percent, which is an increase of 1.01 percent from the funded ratio of 51.90 percent in the January 1, 2025 Actuarial Valuation. When the funded ratio declines below 60 percent, the Pension Code requires that contribution rates be increased so that the funded ratio is projected to reach 60 percent within 10 years. The contribution rates certified by the Board of Trustees for 2027 were **unchanged** from the 2026 contribution rates. For both 2026 and 2027, the employer contribution rate is 21.590 percent (which is net of the employer debt service credit of 6 percent of pay) and the employee contribution rate is 13.795 percent. The January 1, 2026 Actuarial Valuation concluded that the contribution rates applicable for Plan year 2027 would result in the Plan's funded ratio reaching the statutorily required 60 percent level within 10 years (i.e., by 2036).

Key Recommendations:

- We recommend that the investment return and inflation assumptions continue to be monitored and justified on an annual basis.

- The plan's mortality assumption should be formally studied, potentially outside the standard 5-year experience study cycle, once sufficient mortality experience (after excluding 2020 and 2021 mortality experience due to the unique effect of the COVID-19 pandemic on mortality experience during those years) has been observed.
- We recommend the actuary consider expanding the actuarial assumptions section of the valuation report to include the underlying inflation assumption, the inactive participant retirement rate assumption, and the new entrant profile assumptions. The Plan Actuary stated they will consider adding this information in future valuation reports.

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(e)) requires the Retirement Plan for Chicago Transit Authority Employees (Retirement Plan or Plan) to submit to the Office of the Auditor General (OAG) an audit, an annual statement, and an actuarial statement by September 30 of each year.

- On September 28, 2026, the Auditor General received these documents from the Retirement Plan.
- The OAG reviewed these documents and concluded that they met the requirements of the Auditing Act.

In addition, the Illinois Pension Code (40 ILCS 5/22-101(e)(3)) requires the Retirement Plan to determine, based on a report prepared by an enrolled actuary, the estimated funded ratio of the Retirement Plan's total assets to its total actuarially determined liabilities. The Plan is also required to determine the employee and employer contribution rates needed to meet funding requirements established by the Pension Code. The Auditor General is required to review the determination and the assumptions on which it is based and determine whether they are "unreasonable in the aggregate".

The January 1, 2026 Actuarial Valuation was presented to the Retirement Plan Board of Trustees at its July 23, 2026 meeting. At that meeting, the Board of Trustees accepted the January 1, 2026 Actuarial Valuation and certified the employer and employee contribution rates for 2027. (pages 1-4)

Review of Actuarial Assumptions Used

The OAG and our consultant, Aon, reviewed the Retirement Plan's assumptions contained in the January 1, 2026 Actuarial Valuation and concluded that they were not unreasonable in the aggregate. The investment return assumption was 7.75 percent, which was unchanged from the prior valuation. The 7.75 percent investment return assumption used by the Plan continues to be higher than most public plans but is supported by an investment return analysis conducted by the Plan's Investment Consultant and Actuary.

Key Retirement Plan Information	
Plan investment return assumption	7.75%
10-year historical rate of return	7.7%
Plan actuarial value of assets	$2.226 billion
Plan liabilities	$4.208 billion
Funded ratio	52.91%
Employee contribution rate (2027)	13.795%
Authority contribution rate (2027)	21.590%

While we recognize the Plan's policy of completing an experience study every five years, we believe that these two assumptions, investment return and inflation, should continue to be monitored and justified on an annual basis.

Additionally, we believe the plan's mortality assumption should be formally studied, potentially outside the standard 5-year experience study cycle, once sufficient mortality experience (after excluding 2020 and 2021 mortality

experience due to the unique effect of the COVID-19 pandemic on mortality experience during those years) has been observed. We also recommend the actuary consider expanding the actuarial assumptions section of the valuation report to include the underlying inflation assumption, the inactive participant retirement rate assumption, and the new entrant profile assumptions. The Plan Actuary stated they will consider adding this information in future valuation reports. (pages 5-15)

Contribution Rates

The Pension Code requires the Chicago Transit Authority (CTA) to contribute 12 percent of pay, less up to a 6 percent credit for debt service paid on the bonds used to fund the Plan; employees are required to pay 6 percent of pay. The Pension Code further requires that contribution rates be increased if the funded ratio is projected to decline below 60 percent prior to 2040, with the CTA paying two-thirds and employees paying one-third of the required contribution.

The funded ratio of the Retirement Plan as of January 1, 2026, was 52.91 percent, which is an increase of 1.01 percent from the funded ratio of 51.90 percent in the January 1, 2025 Actuarial Valuation. At January 1, 2026, the actuarial value of assets was reported at $2.226 billion and the actuarial accrued liability was $4.208 billion.

Since the funded ratio of the Plan was below 60 percent in the January 1, 2026 Valuation, the Pension Code requires the Plan to *"…determine the increased contribution required each year as a level percentage of payroll during the years after the then current year…so the funded ratio is projected to reach at least 60% no later than 10 years after the then current year and include that determination in its report.*" (40 ILCS 5/22-101(e)(3)) The contribution rates certified by the Board of Trustees for 2027 were unchanged from the 2026 contribution rates. For both 2026 and 2027, the employer contribution rate is 21.590 percent (which is net of the employer debt service credit of 6 percent of pay) and the employee contribution rate is 13.795 percent.

The January 1, 2026 Actuarial Valuation concluded that the contribution rates applicable for Plan year 2027 would result in the Plan's funded ratio reaching the statutorily required 60 percent level within 10 years (i.e., by 2036) and therefore, there was no need to increase the contribution rates. (pages 15-16)

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.

SIGNED ORIGINAL ON FILE

TRICIA WAGNER
Division Director

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

SIGNED ORIGINAL ON FILE

CHRISTOPHER B. MEISTER
Auditor General

CBM:DJB