State of Illinois
Office of the Auditor General

2024 Annual Review

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

December 19, 2024

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 2024 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.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

Springfield, Illinois
December 2024

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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, 2024 to the Office of the Auditor General on September 27, 2024.
- 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.
- The trend rate assumption should be reviewed on a by component basis each year and incorporated in the valuation report.

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, 2024 to the Office of the Auditor General on September 27, 2024. 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 $753,682,223.
- The actuarial present value of projected active contributions, trust income, and assets was $1,051,361,165 (after subtracting $34,171,427 for the required statutory reserve).
- Consequently, projected income and assets exceeded projected benefits by 39.5 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, 2024 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	$1,055,958,636	Actuarial present value of projected contributions and trust income plus assets	$1,085,532,592
Less: Projected current and future retiree contributions	$(302,276,413)	Less: Statutory Reserve[1]	$(34,171,427)[1]
Net actuarial present value of projected benefits	$753,682,223	Actuarial present value of projected contributions and trust income plus assets (net of statutory reserve)	$1,051,361,165
Projected income and assets exceed projected benefits by 39.5%			
[1]The Statutory Reserve is net of retiree contributions. Source: Retiree Health Care Trust Actuarial Valuation report as of January 1, 2024.			

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). At such time, Aon recommends the Trust consider adopting the changes proposed by the Retirement Plan, if reasonable.
- **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. Additionally, the Trust actuary should consider the impacts of reduced Centers for Medicare & Medicaid Services (CMS) funding and ensure the potentially increased costs are being adequately captured in the trend rates modeled beyond 2025.
- **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 suggests the Trust actuary review the new retirement rates with the Retirement Plan actuary to ensure consistent valuation and documentation of this assumption.

Pages 5 through 15 of our 2024 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.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

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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, 2024 to the Office of the Auditor General on September 27, 2024. 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 $753,682,223.
- The actuarial present value of projected active contributions, trust income, and assets was $1,051,361,165 (after subtracting $34,171,427 for the required statutory reserve).
- Consequently, projected income and assets exceeded projected benefits by 39.5 percent and, as such, no reduction in benefits or increase in contributions was necessary.

Exhibit 2
RETIREE HEALTH CARE TRUST ANNUAL ASSESSMENT
January 1, 2024 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	$1,055,958,636	Actuarial present value of projected contributions and trust income plus assets	$1,085,532,592
Less: Projected current and future retiree contributions	$(302,276,413)	Less: Statutory Reserve[1]	$(34,171,427)[1]
Net actuarial present value of projected benefits	$753,682,223	Actuarial present value of projected contributions and trust income plus assets (net of statutory reserve)	$1,051,361,165

Projected income and assets exceed projected benefits by 39.5%

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

Source: Retiree Health Care Trust Actuarial Valuation report as of January 1, 2024.

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 $42.7 million for *"12 months of expected claims and administrative expenses,"* and $2.7 million for *"incurred and unreported claims,"* for a claims expense total of $45.4 million. It also subtracts $11.2 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 39.5 percent. When expected claims are not reduced by expected retiree contributions, the statutory reserve increases from $34.2 million to $45.4 million. However, even increasing the statutory reserve to $45.4 million, the actuarial present value of projected income and assets of 1,040.1 million still exceeds the actuarial present value of projected benefits of $753.7 million by 38.0 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, 2024 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). At such time, Aon recommends the Trust consider adopting the changes proposed by the Retirement Plan, if reasonable.
- **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. Additionally, the Trust actuary should consider the impacts of reduced Centers for Medicare & Medicaid Services (CMS) funding and ensure the potentially increased costs are being adequately captured in the trend rates modeled beyond 2025.
- **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 suggests the Trust actuary review the new retirement rates with the Retirement Plan actuary to ensure consistent valuation and documentation of this assumption.

An experience study was conducted for both the Retiree Health Care Trust and the Retirement Plan during 2024 to review plan experience from January 1, 2019 (2018 for the Retirement Plan) through December 31, 2023 (2022 for the Retirement Plan) in determining assumptions for the January 1, 2024 through January 1, 2028 valuations. Assumptions shared with the Retirement Plan for CTA employees were proposed by the Retirement Plan actuary, examined as part of the Retirement Plan assumption review, and adopted for the Retiree Health Care Trust valuation. These assumptions include rates of mortality, rates of turnover for full time participants, rates of disability, rates of retirement, salary increases, marital percentages and spouse age difference.

Assumptions specific to the Retiree Health Care Trust were reviewed by the Retiree Health Care Trust actuary. The assumptions reviewed by the Trust actuary were turnover rates for participants who are not full-time permanent, retiree and spouse participation rates, plan election rates, and percent of disabled participants eligible for Medicare. Assumptions that are reviewed on an annual basis include trend rates, per capita claims, active contribution rate, and investment return.

As a result of these experience studies, various assumptions were changed as addressed throughout this report. In the actuarial valuation report for the Retiree Health Care Trust, there were some discrepancies in how the new Retirement Plan assumptions were documented. The CTA confirmed these assumptions used for the Retiree Health Care Trust were consistent with those used in the Retirement Plan.

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.

In February 2024, the Trust's investment consultant prepared an analysis based on the target asset allocation and found an expected ten-year return of 7.35 percent and 25th to 75th percentile range of investment returns of 9.40 percent to 5.40 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 expected return assumes no alpha.

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, 2023). Based on the target asset allocation and Aon's expected return assumptions by asset class, Aon would expect a weighted average investment return of 6.30 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 6.98 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 35th to 65th percentile range of investment returns is 7.75 percent to 6.22 percent and that the probability of achieving a return of 6.85 percent or greater over a thirty-year time horizon is 52.7 percent.

The Trust actuary provided some information in the current 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 5.16 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 7.56 percent under the current target allocation. 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.

Further analysis was conducted by the Trust actuary as part of the 2024 experience study, which found a median expected return of 7.07 percent over a 10-year period and a 53 percent probability that returns would meet or exceed the current 6.85 percent assumption.

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, 2023 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 considers 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, 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 despite being on the slightly lower end of the reasonable range based on the investment return analysis conducted by the Trust actuary and investment consultant. Aon believes that the Trust actuary and investment consultant should continue performing separate analyses to support this assumption on an annual basis.

During 2024, the asset allocation was changed. Under this new allocation, Aon's December 31, 2023 capital market assumptions, and an underlying inflation of 2.40 percent, the median return under Aon's Expected Return Model is 6.94 percent and the probability of achieving a 6.85 percent or greater return is 51.8 percent.

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.

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 was reviewed as part of the 2024 Retirement Plan experience study performed by the Plan actuary, and was subsequently updated to 2.50 percent. 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 in the actuarial valuation report. Additionally, it should be noted that the audit report provided for Aon's review continues to show the prior year's salary inflation assumption of 3.10 percent.

(C) **Disability and Turnover Rates.** Disability rates and turnover rates for full-time permanent employees match those of the Retirement Plan. These assumptions were analyzed in the 2024 Retirement Plan experience study performed by the Plan actuary. The experience study excluded 2022 experience as a result of unusual turnover experience due to COVID-19 vaccine mandates. Aon does not find this unreasonable based on the information provided by the CTA and Retirement Plan actuary.

As a result of the experience study, the disability assumption was updated to sex-distinct rates, with females having higher disability rates than males, and eliminated the disability recovery assumption.

The study found that turnover rates were higher than assumed for participants with fewer than 10 years of service, particularly females with fewer than 3 years of service, and lower than assumed for those with 10 or more years of experience. The assumption was updated to reflect this experience, with age graded assumptions for those with 10 or more years of service and service based, sex-distinct assumption for those with fewer than 10 years of service, blended with the prior assumption to address any credibility concerns in the recent years' experience.

Aon finds that the updated assumptions are not unreasonable.

Turnover rates for participants who are not full-time permanent were reviewed as part of the Retiree Health Care Trust experience study conducted during 2024. Experience was reviewed in aggregate over the 5-year period and on a sex-distinct basis and including/excluding 2021 and 2022 experience. The study found that the rates of turnover were slightly higher in 2021 and 2022, but not high enough to change the conclusion. As a result, the Trust actuary proposed a decrease in this assumption from 15 percent to 12 percent to better align with actual experience, including all years of experience. Based on the experience study information provided, Aon finds this assumption is not unreasonable.

(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. 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. However, 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." This mortality assumption represents the most recently published mortality table from the SOA.

During the 2024 experience study, the Retirement Plan actuary reviewed aggregate mortality counts, but due to 2020-2022 deaths being higher than expected an inability to isolate those deaths which were due to COVID-19, no recommendation was made for adjustments to the assumption.

Overall, the mortality table assumption appears to be reasonable based on the information available in the 2019 experience study. 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 2024 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.

Aon did not otherwise perform an independent analysis of mortality improvement.

(E) **Active Retirement Rates.** Active retirement rates used in the valuation match those of the Retirement Plan. This assumption was analyzed in the 2024 Retirement Plan experience study which Aon reviewed. The retirement rate assumption varies based on eligibility for early retirement benefits, consistent with the prior assumption. Experience was generally lower than assumed, except for select ages/groups. The assumption was updated to reflect this experience, after smoothing across ages and blending with the prior assumption. Aon finds that this updated assumption is not unreasonable based on the information available/provided in the actuarial valuation report and experience study conducted by the Retirement Plan actuary.

The documentation of this assumption in the actuarial valuation report is inconsistent with the Retirement Plan actuarial valuation report documentation. **Aon suggests the Trust actuary confirm this assumption with the Retirement Plan actuary.**

(F) **Retirement Age.** Selecting age 65 as the expected retirement age for inactive participants is not unreasonable. This assumption was not reviewed as part of the 2024 experience study. This is not unreasonable given the size of the applicable population and their benefits relative the rest of the plan.

(G) **Participation Rates for Retirees.** The participation assumption for future retirees is based on service at retirement. The assumed participation rates decrease as retiree contributions increase. This assumption was analyzed in the 2024 Retiree Health Care Trust experience study which found that actual participation rates were generally higher than expected. Participation rates were updated from the "100% rule" to the "75% rule" which assumes coverage declines equal to 75 percent of the percent of full cost paid by the retiree. Due to the unusual turnover experience during 2022 as a result of COVID-19 vaccine mandates, 2022 experience was excluded for this assumption. This assumption is reasonable based on the information provided in the experience study.

Participation rates were also increased due to changes in the full cost paid by the retiree (which changes annually), particularly for Medicare eligible retirees with fewer than 20 years of service. Aon was not provided sufficient information to assess the reasonability of the percentage of full cost paid by the retiree for the non-Medicare or Medicare eligible groups.

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 assumed participation rates decrease as dependent contributions increase. This assumption was analyzed in the 2024 Retiree Health Care Trust experience study, with 2022 experience similarly excluded due to the unusual turnover experience resulting from the COVID-19 vaccine mandates. 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 and reflects the percent married assumption from the Retirement Plan. After reflecting the change in the percent married assumption decreasing from 75 percent to 70 percent, the "100% rule" continued to produce similar expected participation as actually experienced. As a result, no change was made to this methodology.

Participation rates were also increased due to changes in the percent of full cost paid by the dependent (which changes annually). Aon was not provided sufficient information to assess the reasonability of the percentage of full cost paid by dependents.

Aon finds that the dependent participation assumption is not unreasonable.

(I) **Married Assumption.** The percent married assumption was reviewed as part of the 2024 Retirement Plan experience study. The assumption for the percentage of future retirees who are married was lowered from 75 percent to 70 percent due to experiencing actual spousal election rates of 58 percent during the experience study period. The 70 percent assumption is the result of blending actual experience with the prior assumption. Aon finds this approach to be reasonable.

The assumption of the 3-year age difference between spouses is consistent with the Retirement Plan, but was not included in the 2024 experience study due to limited experience. As such, this assumption is unchanged from the prior valuation.

The percent married assumption of 70 percent for future retirees and a 3-year age difference is consistent with commonly used values and not unreasonable.

(J) **Plan Election.** The plan election assumption for future retirees was reviewed as part of the 2024 Retiree Health Care Trust experience study. Actual election rates for the PPO options were slightly higher than expected for pre-Medicare retirees and consistent with expectations for Medicare retirees. As a result, pre-Medicare PPO election rates were increased from 85 percent to 90 percent and HMO election rates were decreased from 15 percent to 10 percent. There were no changes in the Medicare election rate assumptions of 95 percent PPO and 5 percent HMO. Aon finds that the plan election assumptions are not unreasonable.

(K) **Disabled Retirees Medicare Eligibility.** The percent of pre-65 disabled participants enrolled in Medicare varies based on number of years on disability. This assumption was reviewed in the 2024 Retiree Health Care Trust experience study. The study found that participants took longer to enroll in Medicare than previously assumed, so the assumption was changed from 40 percent in the first two years of disability and 70 percent thereafter to 30 percent in the first two years of disability, 50 percent in year three, and 70 percent thereafter. This assumption is reasonable based on the information available in the 2024 experience study.

(L) **Missing Participant Data.** The methodology for assigning values for missing participant data is not unreasonable. The missing salary data assumption was updated based on internal study of CTA RHCT specific data. Aon has not reviewed the missing salary data assumption for reasonability due to insufficient data on which to base its review.

(M) **Per Capita Claims.** The methodology used to calculate the pre-Medicare per capita claims for the self-insured PPO medical and prescription drug benefits utilizes three years of experience (7/1/2020 – 6/30/2023) adjusted for plan design changes and health care trend. Claims were developed separately for medical and prescription drugs. Medical costs were increased to include ASO fees. This methodology is consistent with the prior valuation.

Per capita claims for the pre-Medicare self-insured HMO plan are based on three years of experience (7/1/2020 – 6/30/2023) for the PPO plan due to limited historical self-insured experience, and adjusted for plan design and demographic differences and health care trend. This approach is not unreasonable, but Aon cannot opine on the actual adjustments made for these differences due to insufficient data.

Per capita claims for the Medicare Advantage plan are based on the premium rates for 2024. Per capita medical claims decreased slightly for the pre-Medicare PPO plan due to favorable experience in the most recent year, while prescription drug per capita costs increased due to unfavorable experience during the most recent year. The pre-Medicare HMO plan saw similar experience and increased in aggregate. Medicare Advantage plans saw minor increases or decreases reflecting updated premiums and changes in plan demographics. Overall, the methodology and resulting claims presented are not unreasonable.

No adjustments to claims were made to adjust for the impact of COVID-19 due to the self-insured plans using claims experience beginning after the artificially low COVID-19 utilization had ended and for Medicare Advantage plans due to the carrier using credible claims experience. This approach is 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, except that no age grading applies to Medicare retirees under age 65. This methodology is unchanged from the prior valuation. Aon finds that the actuarial aging factors assumption and application are not unreasonable.

(O) **Health Care Cost Trends.** The Trust valuation utilizes a unique healthcare cost trend curve for pre-Medicare and post-Medicare medical and prescription drug claims. The trend rates are developed annually based on various data sources and reflect "projected trends… at a similar level to other types of Medicare coverage (including Medicare Supplement Plans)" and therefore do not reflect any leveraging.

For the non-Medicare plans, the initial trend rate increased slightly and the ultimate trend period was extended two years. These changes are reasonable based on what Aon is seeing in the market, particularly increased prescription drug trend rates, although the impact of this is much smaller than for Medicare plans. The initial (first year) health care trend rates, the period of grading down to the ultimate trend, and the ultimate trend rates of 4.5 percent assumed for HMO & PPO are not unreasonable.

The initial (first year) health care trend rate for MAPD is 15.0 percent and grades down to the ultimate trend of 4.5 percent. The first-year health care trend was increased to reflect the estimated impact of the Inflation Reduction Act (IRA) on the Trust's Medicare prescription drug costs in calendar year 2025 based on preliminary 2025 renewals available at the time of the valuation. The increase to 15 percent in the first year is not unreasonable given the impact of the IRA, particularly on prescription drug costs, for 2025. Beyond 2025, the impact of the IRA on plan c has not been incorporated in trend rate. Due to lack of clarity around how the IRA will impact plan costs going forward, the current assumption is not unreasonable; however, it may be on the lower end of the reasonable range due to not reflecting future reductions in CMS funding so should be monitored closely.

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, 5.00 percent for Medicare medical, and 12.00 percent for Prescription Drug, all of which grade down to 4.50 percent by steps of 0.05 percent to 0.45 percent. These underlying trend rates are 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 2024 decreased 6.2 percent (from $356 per participant to $334 per participant) from the 2023 assumption. The administrative expense was developed similarly as in the past. The last valuation used historical expenses from January 1, 2018 through December 31, 2021. This year's valuation used historical expenses from January 1, 2020 through December 31, 2022. The methodology was changed to use a weighted average of recent administrative expense experience, rather than a straight average, which resulted in the 4-year prior experience having an immaterial impact on the assumption. As such, the averaging period was changed from 3 years to 4 years. This produced a more conservative assumption. Given administrative expenses are trended upward, it is reasonable to apply a higher weighting to more recent years' experience. The Trust actuary should be cautious in years where there is a significant change in the administrative expense to ensure each year's experience has an appropriate credibility weighting. 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.** As a retiree-only plan, most aspects of the Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act (HCERA) of 2010 are assumed to not apply, and any future aspects are assumed to have a de minimis effect.

Aon finds that this assumption is not unreasonable. However, it is important to note that should future aspects be released, certain assumptions in this analysis may need to be revised.

The implications of the Inflation Reduction Act were considered and adequately documented in a presentation to Board members. The adjustments made to the assumptions, as reference above, are not unreasonable. However, actual experience should be monitored in the coming years, and future assumptions adjusted as appropriate.

(T) **COVID-19.** There were no adjustments made due to COVID-19 as actual COVID-19 experience was assumed to be reflected in plan experience and carrier rates.

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, 2024 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, 2023 balance sheet of the Retiree Health Care Trust, the aggregate amount of retiree, dependent, and survivor **contributions** for 2023 was $11.6 million. The total cost of retiree health benefits paid from the Trust in 2021 was $43.3 million. The Actuarial Valuation calculated that the retirees paid 26.8 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, 2024, submitted by the Trust on September 27, 2024. 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, 2024 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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LPU Order 00000 • December 2024 • 10 copies