

**CHICAGO TRANSIT AUTHORITY
RETIREE HEALTH CARE PLAN**

**Financial Statements and Supplementary Information
For the Years Ended December 31, 2010 and 2009**

**CHICAGO TRANSIT AUTHORITY
RETIREE HEALTH CARE PLAN**
December 31, 2010 and 2009

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REPORT OF INDEPENDENT AUDITORS

The Board of Trustees
Chicago Transit Authority Retiree Health Care Plan

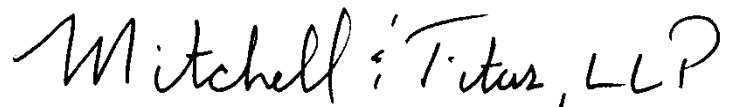
We have audited the accompanying statements of plan net assets of Chicago Transit Authority Retiree Health Care Plan (the Plan) as of December 31, 2010 and 2009, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Plan as of December 31, 2010 and 2009, and the changes in its net assets for the years then ended, in conformity with U.S. generally accepted accounting principles.

The accompanying management's discussion and analysis and the required supplementary information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information, and we express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The other supplementary schedule of investment and administrative expenses is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This other supplementary schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Mitchell & Titus, LLP".

October 31, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

This management's discussion and analysis of Chicago Transit Authority Retiree Health Care Plan (the Plan) provides an overview and analysis of the financial statements of the Plan, including highlights and discussion of current activities for the years ended December 31, 2010 and 2009, and for the period from May 12, 2008 to December 31, 2008. For more detailed information regarding the Plan's financial activities, readers should also review the Plan's financial statements, including the notes and supplementary schedules.

Overview of the Financial Statements

The basic financial statements are prepared in accordance with accounting principles generally accepted in the U.S. as established by the Governmental Accounting Standards Board (GASB) and are described below:

- *The Statement of Plan Net Assets* presents the Plan's assets and liabilities and the resultant net assets held in trust for plan benefits at the end of the period. This statement reflects the Plan's investments at fair value as well as receivables and liabilities.
- *The Statement of Changes in Plan Net Assets* presents the additions and deductions to the Plan during the current period. It reflects the investment income and net realized and unrealized gains or losses during the period, along with members' contributions, and employer's contributions, if any, as well as benefits payments, and administrative expenses.
- *The Notes to Financial Statements* provide additional information for a better understanding of the data provided in the financial statements. They explain the purpose of the Plan, significant accounting policies, investment details and related risks, and other relevant information.

The Required Supplementary Information consists of a Schedule of Funding Progress, and a Schedule of Employer Contributions, as well as the related notes to discuss actuarial assumptions and methods. Such schedules provide the historical trend information for the Plan since adoption of GASB Statement No. 43 to aid in analysis of the funded status of the Plan and the progress being made in accumulating sufficient assets to pay benefits when due.

- *The Schedule of Funding Progress* contains actuarial valuations of the status of the Plan in an ongoing as well as historical basis. Actuarial liabilities in excess of the actuarial value of assets indicate that insufficient assets have been accumulated to fund future benefits of current members and retirees. Conversely, actuarial value of assets in excess of actuarial accrued liabilities indicates that the Plan is overfunded.
- *The Schedule of Employer Contributions* contains historical trend information of employer contributions. It shows the value of total annual contributions the employer must pay as determined under the parameters in GASB Statement No. 43 and the related percentage the employer has contributed to meet its requirement.
- *The Notes to Required Supplementary Information* provide background information and the actuarial method and assumptions used to aid in the understanding of the required supplementary schedules.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

The additional schedule provided consists of the *Schedule of Investment and Administrative Expenses* which reflects the costs involved in managing the retiree health care plan.

Financial Highlights

- Public Act 094-0839, passed in June 2006, separated the funding for retiree health care benefits from funding for pension benefits by January 1, 2009.
- Public Act 095-0708, signed by the Governor on January 18, 2008, established the CTA Retiree Health Care Trust (RHCT, or the Plan) and provided for funding and benefit changes to the retiree health care benefits. Beginning January 18, 2008, all CTA employees were required to contribute 3% of their compensation into the newly-formed RHCT. The legislation also required changes to eligibility for health care benefits from the RHCT. Contributions from retirees, dependents and survivors may not exceed 45% of total cost of their benefits under the Plan. Public Act 095-0708 also authorized the CTA to issue pension obligation bonds to fund the retiree health care trust. After the bond funding, the legislation provides that the CTA has no further obligation to provide funding for health care benefits to eligible retirees and their dependents and survivors.
- The RHCT was established on May 12, 2008. Approximately \$528.8 million from the bond proceeds were deposited in the RHCT in August 2008.
- During 2009, the RHCT Board of Trustees developed the plan design and eligibility rules for retirees that were required pursuant to Public Act 095-0708.
- The RHCT entered into contracts with health care providers during 2009 in order to provide benefits to retirees, dependents and surviving spouses.
- The RHCT held its first open enrollment and enrolled retirees, dependents and survivors in May 2009. All of the retirees who chose to elect coverage from the RHCT began their coverage with the RHCT on July 1, 2009.
- Retiree and employee contributions totaled \$39.8 million, \$29.2 million, and \$17.8 million for the years ended December 31, 2010 and 2009, and for the period from May 12, 2008 to December 31, 2008, respectively.
- Net investment income was \$69.8 million, \$17.5 million, and \$3.2 million for the years ended December 31, 2010 and 2009, and for the period from May 12, 2008 to December 31, 2008, respectively.
- Net assets totaled \$587.0 million, \$533.3 million, and \$549.4 million at December 31, 2010, 2009 and 2008, respectively.
- The funded ratio of the Plan was 128.2%, 85.6% and 90.7% at December 31, 2010, 2009 and 2008, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Plan Net Assets

A schedule of plan net assets is presented below:

**Plan Net Assets
(in millions)
As of December 31, 2010, 2009 and 2008**

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2010-2009</u> <u>Change</u>	
				<u>\$</u>	<u>%</u>
Investments, at fair value	\$ 599.1	\$ 565.8	\$ 549.4	\$ 33.3	5.9%
Employee contributions receivable	-	0.4	-	(0.4)	(100.0)
Retiree contributions receivable	1.7	1.7	-	-	-
Retiree subsidy receivable	2.5	-	-	2.5	100.0
Securities sold but not received	3.4	2.6	0.3	0.8	30.8
Accrued interest and dividends	1.9	2.0	-	(0.1)	(5.0)
Prepaid expenses	-	0.3	-	(0.3)	(100.0)
Funding security deposit	0.2	0.2	-	-	-
Total assets	<u>608.8</u>	<u>573.0</u>	<u>549.7</u>	<u>35.8</u>	
Accounts payable	10.5	5.3	0.3	5.2	98.1
Securities purchased but not paid	<u>11.3</u>	<u>34.4</u>	<u>-</u>	<u>(23.1)</u>	(67.2)
Total liabilities	<u>21.8</u>	<u>39.7</u>	<u>0.3</u>	<u>(17.9)</u>	
Net Plan assets	<u>\$ 587.0</u>	<u>\$ 533.3</u>	<u>\$ 549.4</u>	<u>\$ 53.7</u>	

Plan net assets increased by \$53.7 million, or 10.1%, at December 31, 2010 compared to the prior year, primarily due to more favorable market conditions, which increased investments at year end by \$33.3 million. Receivables increased \$2.8 million at December 31, 2010 mainly due to receivable from the Retiree Drug Subsidy Program and pending sales of securities at year end. Liabilities decreased by \$17.9 million at December 31, 2010, caused by higher accounts payable but more than offset by decreases in pending purchases of securities at year end.

Plan net assets decreased by \$16.1 million, or 3%, at December 31, 2009 compared to the prior year, primarily due to more liabilities in pending purchases of securities at year end as the Plan was fully invested by year end 2009. At December 31, 2008, the initial period of operations of the Plan, the Plan had net assets of \$549.4 million, consisted mainly of proceeds from the pension obligation bonds.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Changes in Plan Net Assets

The following schedule presents changes in plan net assets during the period:

**Changes in Plan Net Assets
(in millions)
For the Years Ended December 31, 2010 and 2009
and for the Period from May 12, 2008 to December 31, 2008**

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2010-2009</u> <u>Change</u>	
				<u>\$</u>	<u>%</u>
Additions					
Employer contributions	\$ -	\$ -	\$ 528.8	\$ -	- %
Employee contributions	18.0	19.3	17.8	(1.3)	(6.7)
Retiree contributions	21.8	9.9	-	11.9	120.2
Medicare subsidy program	3.9	-	-	3.9	100.0
Net investment income	<u>69.8</u>	<u>17.5</u>	<u>3.2</u>	<u>52.3</u>	298.9
Total additions	<u>113.5</u>	<u>46.7</u>	<u>549.8</u>	<u>66.8</u>	
Deductions					
Medical claims paid to providers	41.0	53.1	-	(12.1)	(22.8)
Dental claims paid to providers	1.7	1.0	-	0.7	70.0
Premium payments to insurance companies	14.0	5.9	-	8.1	137.3
Claim administration fee	2.0	1.0	-	1.0	100.0
Administrative expenses	<u>1.1</u>	<u>1.9</u>	<u>0.4</u>	<u>(0.8)</u>	42.1
Total deductions	<u>59.8</u>	<u>62.9</u>	<u>0.4</u>	<u>(3.1)</u>	
Net increase (decrease)	<u>\$ 53.7</u>	<u>\$ (16.2)</u>	<u>\$ 549.4</u>	<u>\$ 69.9</u>	

Total additions of \$113.5 million in 2010 were \$66.8 million higher than the amounts in 2009, primarily due to higher retiree contributions as more retirees enrolled into the Plan as well as higher investment income, reflecting a full year of investment returns in 2010 compared to deployment of assets for investment for part of the year in 2009. Total additions of \$46.7 million in 2009 were lower than the amounts in 2008 because of the infusion of the one-time pension obligation bond proceeds to the Plan in 2008, which did not occur in 2009.

Deductions for medical claims and administration fees for 2010 were \$58.7 million compared to \$61.0 million in 2009. In 2010, the Plan replaced one of its medical providers with an HMO. Consequently, premium payments to insurance companies were higher in 2010 and medical claims paid to providers were lower in 2010 compared to 2009. No claim expense was paid out of the Retiree Health Care Plan in 2008 as the claim costs were paid from the Retirement Plan during 2008. Administrative expenses were approximately \$800 thousand less in 2010 compared to 2009 due to higher professional fees and legal fees in 2009.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Plan Membership

The following table presents the changes in Plan membership as of December 31, 2010, 2009 and 2008:

	2010	2009	2008	2010-2009	
				Change	%
Retirees and beneficiaries receiving benefits	9,854	10,108	10,697	(254)	(2.5%)
Terminated plan members entitled to but not yet receiving benefits	69	51	47	18	35.3
Active participants	10,026	9,865	9,689	161	1.6
	<u>19,949</u>	<u>20,024</u>	<u>20,433</u>	<u>(75)</u>	

Funding Results on the Retiree Health Care Trust and Plan

Section 22-101B(b)(3)(iii) of the Illinois Pension Code requires the Board of Trustees of the CTA Retiree Health Care Trust to make an annual assessment of the funding levels of the CTA Retiree Health Care Trust and to submit a report to the Auditor General regarding the assessment. The purpose of the Health Care Trust is to fund the expenses of the CTA Retiree Health Care Plan. If the actuarial present value of projected benefits exceeds the actuarial present value of projected contributions and trust income plus assets in excess of the statutory reserve, then a plan should be implemented by management of the Health Care Trust to increase the contribution levels from employees, retirees, dependents, or survivors; decrease in benefit levels or both, which is projected to cure the shortfall over a period of not more than 10 years. At December 31, 2010, 2009 and 2008, the funded ratio of the Plan was 128.2%, 85.6% and 90.7%, respectively. The increase in funded ratio at December 31, 2010 was due to actual investment returns higher than expected which increased actuarial value of assets and a reduction in actuarial accrued liabilities from projected savings in a new arrangement with certain medical providers. The decrease in funded ratio at December 31, 2009 was primarily due to investment returns less than expected and changes in plan design, which increased actuarial accrued liabilities.

Investment Activities

The RHCT Board of Trustees decided to fully invest the proceeds of the Pension Obligation Bonds during the second half of 2009. By the end of 2009, the RHCT was fully invested. The return for the RHCT for 2010 and 2009 was 13.7% and 3.0%, respectively. The return for the period from August 6, 2008 to December 31, 2008 was 0.4% as the funds were invested in short-term investments. The RHCT avoided the down market from the time it initially received the proceeds from the Pension Obligation Bonds, through March 2009. Investing later in 2009, after the market recovery had begun, caused the RHCT to miss some of the market upside in the second half of 2009, but the fact that the RHCT missed the market downturn from August 2008 through mid-2009 meant that it was far ahead of where it would have been had the money been invested beginning in August 2008. The Plan's investment target asset allocation is: 37.5% of assets in domestic equity, 35.0% in domestic fixed income, 12.5% in international equity, 10.0% in international fixed income and 5.0% in cash.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Investment Return For the Year Ended December 31, 2010, Quarter Ended December 31, 2009 and for the Period from August 6, 2008 to December 31, 2008

	<u>2010</u>	<u>2009*</u>	<u>2008</u>
Total Health Care Trust	13.7%	0.6%	0.4%
Benchmark portfolio	10.7	2.3	-
Domestic equities	19.7%	2.1%	-
Benchmark portfolio (Russell 2000 Growth)	29.1	4.1	-
Benchmark portfolio (Russell 2000 Value)	24.5	3.6	-
International equities	10.1%	1.8%	-
Benchmark (MSCI EAFE)	7.8	2.2	-
Domestic Fixed Income	8.7%	0.5%	-
Benchmark portfolio (Barclays US Aggregate)	6.5	0.2	-
International Fixed Income	11.4%	(0.9%)	-
Benchmark portfolio (Citigroup Non-US Gov. Bond)	5.2	(2.2)	-

*The 2009 rates of returns are presented for the quarter ended December 31, 2009 since the Plan was fully invested in various asset categories in the fourth quarter of 2009. Total Health Care Trust and Benchmark portfolio annual returns were 3.0% and 16.5%, respectively, for the year ended December 31, 2009.

Contact Information

This financial report is designed to provide the employer, plan participants and others with a general overview of the Plan's finances and to show accountability for the monies received. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Mr. John V. Kallianis
Executive Director
Chicago Transit Authority Retiree Health Care Trust
10 South LaSalle Street, Suite 1100
Chicago, Illinois 60603

**CHICAGO TRANSIT AUTHORITY
RETIREE HEALTH CARE PLAN**

Statements of Plan Net Assets
As of December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Investments, at fair value	\$ 599,141,177	\$ 565,778,527
<i>Receivables</i>		
Employee contributions receivable	-	386,034
Retiree contributions receivable	1,659,967	1,721,900
Retiree drug subsidy receivable	2,521,604	-
Accrued interest and dividends	1,894,385	2,057,161
Securities sold but not received	<u>3,350,073</u>	<u>2,638,458</u>
Total receivables	9,426,029	6,803,553
Prepaid expenses	-	350,004
Funding security deposit	<u>150,000</u>	<u>150,000</u>
Total assets	<u>608,717,206</u>	<u>573,082,084</u>
LIABILITIES		
Accounts payable	10,453,172	5,322,128
Securities purchased but not paid	<u>11,302,599</u>	<u>34,495,024</u>
Total liabilities	<u>21,755,771</u>	<u>39,817,152</u>
Net assets held in trust for other post-employment benefits	<u><u>\$ 586,961,435</u></u>	<u><u>\$ 533,264,932</u></u>

The accompanying notes are an integral part of these financial statements.

CHICAGO TRANSIT AUTHORITY
RETIREE HEALTH CARE PLAN
Statements of Changes in Plan Net Assets
For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ADDITIONS		
<i>Contributions</i>		
Employee contributions	\$ 18,007,060	\$ 19,314,040
Retiree contributions	21,829,966	9,925,384
Medicare's retiree drug subsidy program	3,925,041	-
Total contributions	<u>43,762,067</u>	<u>29,239,424</u>
<i>Investment income</i>		
Net appreciation in fair value of investments	58,037,980	10,528,945
Interest	4,002,076	7,425,461
Dividends	10,155,709	406,328
Total investment income	<u>72,195,765</u>	<u>18,360,734</u>
<i>Investment activity expenses</i>		
Investment management fees	(2,091,337)	(625,932)
Custodian fees	(156,876)	(43,451)
Investment consulting fees	(160,875)	(175,500)
Total investment activity expenses	<u>(2,409,088)</u>	<u>(844,883)</u>
Net investment income	<u>69,786,677</u>	<u>17,515,851</u>
Total additions	<u>113,548,744</u>	<u>46,755,275</u>
DEDUCTIONS		
Medical claims paid to providers	41,032,267	53,072,018
Dental claims paid to providers	1,710,939	1,037,044
Premium payments to insurance companies	13,960,554	5,893,849
Claim administration fees	2,063,435	1,042,375
	58,767,195	61,045,286
Administrative expenses	1,085,046	1,880,936
Total deductions	<u>59,852,241</u>	<u>62,926,222</u>
Net increase (decrease)	53,696,503	(16,170,947)
Net assets held in trust for other post-employment benefits		
Beginning of year	<u>533,264,932</u>	<u>549,435,879</u>
End of year	<u>\$ 586,961,435</u>	<u>\$ 533,264,932</u>

The accompanying notes are an integral part of these financial statements.

CHICAGO TRANSIT AUTHORITY
RETIREE HEALTH CARE PLAN
Notes to Financial Statements
December 31, 2010 and 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Pursuant to 40 ILCS 5/22-101B, as amended by Public Act 095-0708 on January 18, 2008, the Chicago Transit Authority (CTA) established the CTA Retiree Health Care Trust (the Health Care Trust) and Plan, effective May 12, 2008. The primary responsibility of the Health Care Trust is to provide funding to the CTA Retiree Health Care Plan (the Plan), which provides and administers health care benefits to CTA retirees and their dependents and survivors.

CTA intends for the Health Care Trust to satisfy the requirements of Section 115 of the Internal Revenue Code of 1986, as amended. A private letter ruling regarding the exclusion of the Health Care Trust's income from gross income under Section 115 has been received from the Internal Revenue Service (IRS).

Under Public Act 095-0708, Section 22-101B, after the establishment of the Health Care Trust and starting January 1, 2009, and not later than July 1, 2009, the CTA no longer has any obligation to provide health care benefits to current or future retirees and their dependents or survivors. The retiree health care benefits are provided by the Retiree Health Care Plan.

Accounting principles generally accepted in the United States as established by the Governmental Accounting Standards Board (GASB) define a financial reporting entity as consisting of the primary government and its component units for which the primary government is financially accountable. Financial accountability includes appointing a voting majority of a component unit's governing board, the ability of the primary government to impose its will on the component unit or the potential for the component unit to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for its component units that are fiscally dependent on it.

Based on the above criteria, the Health Care Trust and Plan is not a component unit of any other entity.

Basis of Accounting

The Plan's financial statements are prepared on the accrual basis of accounting. Employee and retiree contributions are recognized when due. Benefits are recognized as deductions when paid; expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made.

CHICAGO TRANSIT AUTHORITY
RETIREE HEALTH CARE PLAN
Notes to Financial Statements
December 31, 2010 and 2009

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of net assets at the date of the financial statements, the funded status of the Plan, and the changes in the Health Care Trust's net assets during the reporting period, and disclosures of contingent assets and liabilities at the date of the financial statements. Accordingly, actual results may differ from those estimates.

Investments

The Plan is authorized to invest in bonds, notes, and other direct obligations of the United States Government and United States Government agencies; certain common stocks and convertible bonds of U.S. companies; equity securities of foreign companies that trade in the U.S. financial markets through American Depositary Receipts (ADR); short-term investment funds; commingled funds composed of guaranteed investment contracts, bank investment contracts, and other stable value instruments; mortgage securities and venture capital and partnerships.

Method Used to Value Investments

Investments are reported at fair value. Short-term investments are reported at fair value, which approximates cost. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Fixed-income securities are valued principally using quoted market prices provided by independent pricing services. For collective investments, the net asset value is determined and certified by the investment managers as of the reporting date. Venture capital and partnerships do not have established market prices and are reported at estimated fair value by money managers.

Security Transactions

Purchases and sales of securities are accounted for on the trade dates. For purposes of determining the realized gain or loss on the disposal of investments, the average cost of investments sold is used. Unrealized gains or losses on investments held during the year as well as realized gains or losses on securities sold are included in the statement of changes in plan net assets in the period in which they occur.

CHICAGO TRANSIT AUTHORITY
RETIREE HEALTH CARE PLAN
Notes to Financial Statements
December 31, 2010 and 2009

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Investment Income

Interest income is recognized on an accrual basis when earned. Dividend income is recognized on the ex-dividend date.

Furniture and Office Equipment

Furniture and office equipment are not capitalized, as they are immaterial and are charged to expenses in the period of purchase.

Administrative Expenses

Administrative expenses are recorded as incurred and budgeted and approved by the Retiree Health Care Trust's Board of Trustees. Administrative expenses are paid from plan assets and investment earnings. Certain administrative expenses are allocated between the Retirement Plan for CTA Employees and the Retiree Health Care Plan based on periodic time and expense studies.

NOTE 2 **PLAN DESCRIPTION AND CONTRIBUTION INFORMATION**

Plan and Trust Description

The following brief description of the Chicago Transit Authority Retiree Health Care Plan and Trust is provided for general information purposes only. Participants should refer to the Plan and Retiree Health Care Trust documents, as amended, for complete information.

The Plan is a single-employer, defined-benefit postemployment health care plan. The Plan provides medical, prescription drug and dental benefits to eligible retirees and their dependents and survivors starting not later than July 1, 2009, but not earlier than January 1, 2009. Pre-65 dental is also available at cost. The Plan is classified as a governmental plan and, therefore, is exempt from certain provisions of the Employee Retirement Income Security Act of 1974.

Public Act 095-0708 (the Act), enacted on January 18, 2009, provides funding for the CTA retiree health care benefits and makes substantive changes to the retiree health care benefits. Under the Act, CTA issued pension obligation bonds and deposited approximately \$529 million into the Retiree Health Care Trust in August 2008.

CHICAGO TRANSIT AUTHORITY
RETIREE HEALTH CARE PLAN
Notes to Financial Statements
December 31, 2010 and 2009

NOTE 2 **PLAN DESCRIPTION AND CONTRIBUTION INFORMATION** *(continued)*

Plan and Trust Description *(continued)*

After 2008, funding for retiree health care benefits comes from employees' contributions, retirees' contributions, and investment earnings in the Retiree Health Care Trust.

The Retiree Health Care Trust was required to assume financial responsibility for retiree health care benefits no later than July 1, 2009, and the CTA has no further responsibility to fund the retiree health care costs. The Board of Trustees of the Retiree Health Care Trust is required by the Act to make an annual assessment of the funding levels of the Retiree Health Care Trust and has the authority to increase members' contributions, decrease benefits, or a combination of both, to eliminate any shortfall in funding within 10 years.

Major changes to the Plan's benefits under the Act include the following:

- All active CTA employees are required to contribute 3% of their compensation to the Retiree Health Care Trust.
- Beginning July 1, 2009, retirees were required to make contributions for their health care coverage.
- To be eligible for retiree health care benefits, Public Act 095-0708 requires that a CTA employee must be at least 55 years old and have at least 10 continuous years of service if he or she retires after January 18, 2008. The Board of Trustees increased to 20 the minimum number of years required to get health care benefits. As a result, to be eligible for retiree health care benefits, a CTA employee must be at least 55 years old and have at least 20 years of service. However, participants are entitled to health care benefits from the Plan if years of service are equal to or higher than 25 if hired prior to September 5, 2001, regardless of age, as long as retirement occurs prior to the execution of the next collective bargaining agreement (CBA) between CTA and Locals 241 and 308. The current CBA expires on December 31, 2011, and the new CBA may or may not be executed prior to the expiration of the current CBA.
- Benefits, including coinsurance, cannot be higher than 90% coverage for in-network services or 70% for out-of-network services, after a deductible has been paid. For HMO Illinois and Unicare/Classic Blue, coverage is 100%.
- Total contributions from members taken together cannot exceed 45% of total retiree health care costs in the prior plan year.

CHICAGO TRANSIT AUTHORITY
RETIREE HEALTH CARE PLAN
Notes to Financial Statements
December 31, 2010 and 2009

NOTE 2 **PLAN DESCRIPTION AND CONTRIBUTION INFORMATION** *(continued)*

Membership

At December 31, 2010 and 2009, the number of participants was as follows:

	2010	2009
Retirees and beneficiaries receiving benefits	9,854	10,108
Terminated plan members entitled to but not yet receiving benefits	69	51
Active participants	10,026	9,865
	19,949	20,024

Contributions

During 2010 and 2009, retiree health care benefits were funded through active employee contributions, retiree contributions and investment return on assets.

Public Act 095-0708, effective January 18, 2008, authorized the CTA to issue bonds and notes in the aggregate amount of \$639,680,000, of which net proceeds of \$528,800,000 were deposited into the Retiree Health Care Trust in August 2008 as advance funding.

During 2010 and 2009, active employees were required to contribute 3% of their salary to the Retiree Health Care Trust.

In 2010, retiree contributions to the Plan totaled \$21,829,966 as reflected in the Plan's financial statements. In 2009, retiree contributions totaled \$16,468,327; the Board of Trustees deposited \$9,925,384 into the Plan and \$6,542,943 into the Retirement Plan for Chicago Transit Authority Employees.

Funded Status and Funding Progress

According to Public Act 095-0708, the Plan should maintain an appropriate funding reserve level which should not be less than the amount of incurred and unreported claims plus 12 months of expected claims and administrative expenses. An annual assessment of the funding level is required to be submitted to the Auditor General at least 90 days prior to the end of the fiscal year.

**CHICAGO TRANSIT AUTHORITY
RETIREE HEALTH CARE PLAN**

Notes to Financial Statements
December 31, 2010 and 2009

NOTE 2 PLAN DESCRIPTION AND CONTRIBUTION INFORMATION *(continued)*

Funded Status and Funding Progress *(continued)*

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer (ARC) are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The funded status of the Plan as of December 31, 2010 and 2009 was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/10	\$ 586,961,435	\$ 457,693,194	\$ (129,268,241)	128.2%	\$ 598,267,896	(21.6%)
12/31/09	533,264,932	622,939,043	89,674,111	85.6	579,379,265	15.5

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents information about whether the actuarial values of Plan assets are increasing or decreasing over time relative to the AALs for benefits.

CHICAGO TRANSIT AUTHORITY
RETIREE HEALTH CARE PLAN
Notes to Financial Statements
December 31, 2010 and 2009

NOTE 2 **PLAN DESCRIPTION AND CONTRIBUTION INFORMATION** *(continued)*

Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2010 and 2009
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, open
Remaining amortization period	30 years
Asset valuation method	Market value
<i>Actuarial assumptions</i>	
Investment rate of return	7.00% for 2010 and 2009
Projected salary increases	For 2010 valuation: 2.75% for 2011, 1.50% for 2012-2014, and 5.00% thereafter For 2009 valuation: 5.00% after 5 years of service; higher rates during the first 5 years
Inflation rate	3.25% for 2010 and 2009
Medical and prescription drug cost trend rate	For 2010 valuation: 8.50% for 2012, graded to 5.00% over 7 years For 2009 valuation: 8.25% graded to 5.00% over 7 years

NOTE 3 **INVESTMENT RISK**

Investment Policy

The primary objective of the Plan's investment policy is to provide a structured approach in implementing the Plan's investment strategies to achieve above-average returns consistent with prudent risk and investment volatility.

The Plan's investment policy takes a long-term investment perspective by allocating its assets across major asset classes and diversified broadly within each asset class in accordance with the "prudent person rule" as prescribed by the Illinois Statutes. The initial target asset allocation is 50% total equities and 50% total fixed income, with periodic rebalancing when the allocations approach plus or minus 5% of the target allocations. This asset allocation is designed to provide a high likelihood of achieving a 7% rate of return per year over a long period of time. During 2009, investment managers were hired to implement specific aspects of the investment policy within the scope of the manager's written investment guidelines.

CHICAGO TRANSIT AUTHORITY
RETIREE HEALTH CARE PLAN
Notes to Financial Statements
December 31, 2010 and 2009

NOTE 3 **INVESTMENT RISK** *(continued)*

Investment Summary

The Plan's investments were held by the Northern Trust Company (TNT) as Custodian.

The following table summarizes the Plan's investments by type at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Asset-backed securities	\$ 3,207,900	\$ 3,647,504
Commercial mortgage-backed securities	13,310,676	5,238,054
Corporate bonds	100,991,260	93,876,146
Government agency securities	16,792,250	19,677,536
Government bonds	36,918,172	50,763,689
Government mortgage-backed securities	39,063,678	30,977,425
Non-government backed CMOs	10,316,744	14,511,668
Index-linked government bonds	1,017,545	-
US equities	252,595,709	116,336,611
Foreign equities	83,798,698	42,742,973
Venture capital and partnerships	7,089,300	6,223,348
Short-term investments and currency positions	<u>34,039,245</u>	<u>181,783,573</u>
Total investments at fair value	<u>\$ 599,141,177</u>	<u>\$ 565,778,527</u>

Net investment income for the years ended December 31, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
<i>Investment income</i>		
Interest	\$ 4,002,076	\$ 7,425,461
Dividends	10,155,709	406,328
Net appreciation in fair value of investments	<u>58,037,980</u>	<u>10,528,945</u>
Total investment income before investment expenses	72,195,765	18,360,734
<i>Less: Investment activity expenses:</i>		
Investment management fees	(2,091,337)	(625,932)
Custodian fees	(156,876)	(43,451)
Investment consulting fees	<u>(160,875)</u>	<u>(175,500)</u>
Total investment activity expenses	<u>(2,409,088)</u>	<u>(844,883)</u>
Net investment income	<u>\$ 69,786,677</u>	<u>\$ 17,515,851</u>

CHICAGO TRANSIT AUTHORITY
RETIREE HEALTH CARE PLAN
Notes to Financial Statements
December 31, 2010 and 2009

NOTE 3 **INVESTMENT RISK** *(continued)*

Investment Risks

The Plan's investments are subject to risks, including stable net asset value (NAV) risk, credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. The following is a description of those risks:

Stable NAV risk: The risk that the collective short-term investment fund will not be able to maintain a NAV per share of \$1.00 at all times. The investment advisor manages this risk by buying securities with remaining maturities of one year or less and investing only in U.S. dollar-denominated securities that represent minimal credit risks.

Credit risk: Credit risk is the risk that an issuer of fixed income securities held by the fund may default on its obligation to pay interest and repay principal. This credit risk is measured by the credit quality ratings issued by a Nationally Recognized Statistical Rating Organization (NRSRO), such as Moody's and Standard & Poor's. The fund limits its investments to securities that have short-term debt ratings at the time of purchase in the two highest rating categories of a NRSRO or that are issued or guaranteed by, or otherwise allow the fund to demand payment from, an issuer with such ratings.

CHICAGO TRANSIT AUTHORITY
RETIREE HEALTH CARE PLAN
Notes to Financial Statements
December 31, 2010 and 2009

NOTE 3 INVESTMENT RISK (continued)

Investment Risks (continued)

The following tables provide information on the credit ratings associated with the Plan's investments in debt securities. Rates were obtained from Standard & Poor's:

2010									
	Asset- backed securities	Commercial mortgage- backed	Corporate bonds	Government agency securities	Government bonds	Government mortgage- backed securities	Non- government- backed CMOs	Index-linked government bonds	Total
'AAA'	\$ 1,756,586	\$ 7,144,783	\$ -	\$ 15,414,092	\$ 28,884,961	\$ 1,878,274	\$ 297,039	\$ 677,924	\$ 56,053,659
'AA'	-	332,982	5,861,281	-	-	-	-	-	6,194,263
'A'	-	3,534,991	22,211,579	-	66,243	-	979,788	-	26,792,601
'BBB'	-	685,099	17,173,142	-	-	-	-	-	17,858,241
'BB'	-	-	9,646,038	-	-	-	-	-	9,646,038
'B'	-	-	752,962	-	-	-	1,539,744	-	2,292,706
'CCC'	1,451,313	-	-	-	-	-	1,925,799	-	3,377,112
'CC'	-	-	-	-	-	-	802,162	-	802,162
'D'	-	-	-	-	-	-	988,404	-	988,404
N.R.	-	1,612,822	45,346,258	1,378,158	211,414	-	3,783,808	-	52,332,460
Agencies	-	-	-	-	7,755,554	37,185,404	-	339,621	45,280,579
Total	<u>\$ 3,207,899</u>	<u>\$ 13,310,677</u>	<u>\$ 100,991,260</u>	<u>\$ 16,792,250</u>	<u>\$ 36,918,172</u>	<u>\$ 39,063,678</u>	<u>\$ 10,316,744</u>	<u>\$ 1,017,545</u>	<u>\$ 221,618,225</u>

2009									
	Asset-backed securities	Commercial mortgage- backed	Corporate bonds	Government agency securities	Government bonds	Government mortgage- backed securities	Non- government- backed CMOs	Total	
'AAA'	\$ 1,859,970	\$ 3,277,111	\$ -	\$ 18,940,776	\$ 39,886,422	\$ -	\$ -	\$ 63,964,279	
'AA'	-	-	5,591,498	-	-	-	980,037	6,571,535	
'A'	-	806,223	20,836,954	-	-	-	-	21,643,177	
'BBB'	-	257,593	24,862,491	-	-	-	2,438,952	27,559,036	
'BB'	-	-	4,989,264	-	-	-	-	4,989,264	
'CCC'	1,787,534	-	-	-	-	-	7,307,764	9,095,298	
N.R.	-	897,127	37,595,939	-	-	-	3,784,915	42,277,981	
Agencies	-	-	-	736,760	10,877,267	30,977,425	-	42,591,452	
Total	<u>\$ 3,647,504</u>	<u>\$ 5,238,054</u>	<u>\$ 93,876,146</u>	<u>\$ 19,677,536</u>	<u>\$ 50,763,689</u>	<u>\$ 30,977,425</u>	<u>\$ 14,511,668</u>	<u>\$ 218,692,022</u>	

**CHICAGO TRANSIT AUTHORITY
RETIREE HEALTH CARE PLAN**
Notes to Financial Statements
December 31, 2010 and 2009

NOTE 3 INVESTMENT RISK *(continued)*

Investment Risks *(continued)*

Custodial credit risk: For an investment, it is the risk that, in the event of the failure of the counterparty to a transaction, the Plan will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Plan, and are held by either the counterparty or the counterparty's trust department or agent but not in the Plan's name. At December 31, 2010 and 2009, deposits of approximately \$717,000 and \$56,000, respectively, were exposed to custodial credit risk as uninsured and uncollateralized.

Concentration of credit risk: The concentration of credit risk is the risk of loss attributed to the magnitude of a Plan's investment in a single issuer.

The following investments represented 5% or more of the Plan's net assets at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Northern Trust Collective Short-Term Investment Fund	\$ *	\$ 119,216,574
Institutional Emerging Markets Debt Fund	30,631,491	36,918,262

*Amount is less than 5% of Plan net assets.

The Plan did not invest in derivative instruments during the years ended December 31, 2010 and 2009.

Interest rate risk: The risk that during periods of rising interest rates, the fixed income investments' yield will be lower than prevailing market rates; in periods of falling interest rates, the fixed income investments' yield will tend to be higher. All fixed income investments are managed by external investment managers. Each investment manager is required to determine the maturities of all fixed income securities in their portfolio. Additionally, guidelines are provided to the external investment managers, given the level of risk within the investment manager's portfolio. These guidelines include a target duration range that is consistent with each investment manager's respective strategy.

The following table segments the distribution of the Plan's investments into time periods of maturities based on the investments' cash flows.

CHICAGO TRANSIT AUTHORITY
RETIREE HEALTH CARE PLAN
Notes to Financial Statements
December 31, 2010 and 2009

NOTE 3 INVESTMENT RISK (continued)

At December 31, 2010, the Plan had the following investments and maturities related to certain fixed income securities:

Investment Type	Market Value	Investment Maturities			
		Less Than 1 Year	1 to 6 Years	7 to 10 Years	More Than 10 Years
Asset-backed securities	\$ 3,207,900	\$ -	\$ 712,250	\$ -	\$ 2,495,650
Commercial mortgage-backed securities	13,310,676	-	-	-	13,310,676
Corporate bonds	100,991,260	-	24,663,312	20,768,214	55,559,734
Government agency securities	16,792,250	3,643,827	10,615,131	262,107	2,271,185
Government bonds	36,918,172	-	18,837,002	8,604,107	9,477,063
Government mortgage-backed securities	39,063,678	-	473,946	5,582,824	33,006,908
Index-linked government bonds	1,017,545	339,621	677,924	-	-
Non-government-backed collateralized mortgage obligations	10,316,744	-	-	-	10,316,744
Total	<u>\$ 221,618,225</u>	<u>\$ 3,983,448</u>	<u>\$ 55,979,565</u>	<u>\$ 35,217,252</u>	<u>\$ 126,437,960</u>

At December 31, 2009, the Plan had the following investments and maturities related to certain fixed income securities:

Investment Type	Market Value	Investment Maturities			
		Less Than 1 Year	1 to 6 Years	7 to 10 Years	More Than 10 Years
Asset-backed securities	\$ 3,647,504	\$ 1,859,970	\$ -	\$ 1,787,534	\$ -
Commercial mortgage-backed securities	5,238,054	-	-	5,238,054	-
Corporate bonds	93,876,146	661,351	25,997,906	18,077,077	49,139,812
Government agency securities	19,677,536	-	15,163,970	1,613,552	2,900,014
Government bonds	50,763,689	-	17,773,192	22,879,567	10,110,930
Government mortgage backed securities	30,977,425	-	686,358	1,368,220	28,922,847
Non-government-backed collateralized mortgage obligations	14,511,668	-	-	14,511,668	-
Total	<u>\$ 218,692,022</u>	<u>\$ 2,521,321</u>	<u>\$ 59,621,426</u>	<u>\$ 65,475,672</u>	<u>\$ 91,073,603</u>

CHICAGO TRANSIT AUTHORITY
RETIREE HEALTH CARE PLAN
Notes to Financial Statements
December 31, 2010 and 2009

NOTE 3 **INVESTMENT RISK** *(continued)*

Investment Risks *(continued)*

Foreign currency risk: The risk that changes in exchange rates will adversely affect the fair value of an investment. International equity securities purchased by the Plan meet exchange listing requirements and all foreign equities held by the Plan are denominated in U.S. dollars. The Plan's exposure to foreign currency risk is as follows:

<u>Type of investment</u>	<u>(US\$)</u> <u>2010</u>	<u>(US\$)</u> <u>2009</u>
<i>Short-term investment and currency positions</i>		
Australian dollar	\$ -	\$ 10,702
Canadian dollar	310	2,363
European euro	392,377	18,382
British pound sterling	-	18,947
Japanese yen	296,548	-
Swedish krona	24,091	-
Singapore dollar	-	5,984
	<u>\$ 713,326</u>	<u>\$ 56,378</u>
<i>Equities</i>		
Australian dollar	\$ 2,390,444	\$ 1,329,713
Canadian dollar	1,602,125	3,009,832
Swiss franc	3,794,489	2,117,684
Danish krone	356,688	-
European euro	15,562,035	7,068,058
British pound sterling	15,681,479	7,243,328
Hong Kong dollar	2,154,483	904,479
Japanese yen	11,905,741	5,976,363
Malaysian ringgit	-	599,956
Norwegian krone	656,580	-
Swedish krona	991,154	988,385
Singapore dollar	2,625,128	1,777,791
	<u>\$ 57,720,346</u>	<u>\$ 31,015,589</u>

CHICAGO TRANSIT AUTHORITY
RETIREE HEALTH CARE PLAN
Notes to Financial Statements
December 31, 2010 and 2009

NOTE 3 INVESTMENT RISK *(continued)*

<u>Type of investment</u>	<u>(US\$)</u> <u>2010</u>	<u>(US\$)</u> <u>2009</u>
<i>Fixed income</i>		
Australian dollar	\$ 70,599	\$ -
Canadian dollar	99,720	-
Swiss franc	70,667	-
European euro	408,876	-
British pound sterling	99,739	-
Mexican peso	66,242	-
Malaysian ringgit	70,148	-
Swedish krona	64,688	-
Singapore dollar	92,869	-
	<u>\$ 1,043,548</u>	<u>\$ -</u>

NOTE 4 EARLY RETIREE REINSURANCE PROGRAM

The Early Retiree Reinsurance Program (ERRP) was established by the Affordable Care Act. Congress appropriated funding of \$5 billion for this temporary ERRP to provide financial assistance to employers, unions and state and local governments to help maintain coverage for early retirees age 55 and older who are not yet eligible for Medicare, including their spouses, surviving spouses and dependents. ERRP ceased accepting applications after May 5, 2011.

The Plan submitted an application for the ERRP in 2010 and received reimbursements of \$5,405,700 in 2011. These reimbursements are not reflected in the accompanying 2010 financial statements since the reimbursement request was not approved until 2011. Reimbursements will be used to reduce Plan participants' health benefit premium contributions, copayments, deductibles, or other out-of-pocket costs, or any combination of these costs.

NOTE 5 RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market volatility, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term. The changes could materially affect the amounts reported in the statements of plan net assets.

CHICAGO TRANSIT AUTHORITY
RETIREE HEALTH CARE PLAN
Notes to Financial Statements
December 31, 2010 and 2009

NOTE 5 **RISKS AND UNCERTAINTIES** *(continued)*

Contributions to the Plan and the actuarial information are reported based on certain assumptions pertaining to interest rates, health care inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation and assumption processes, it is at least reasonably possible that changes in these estimates and assumptions in the near term could materially affect the amounts reported and disclosed in the financial statements.

The Plan is subject to various claims and legal proceedings arising in the ordinary course of business which, in management's opinion, will be resolved without any material adverse effect on the net assets or changes in net assets of the Plan.

NOTE 6 **OPERATING LEASE**

The Plan shares office facility with the Retirement Plan for CTA Employees. The lease agreement expires on December 31, 2013. At December 31, 2010, the minimum future rental lease payments for the next three years are as follows:

<u>Year</u>	<u>Amount</u>
2011	\$ 94,000
2012	96,000
2013	<u>97,000</u>
	<u>\$287,000</u>

Rent paid by the Plan was \$24,500 in 2010 and \$24,489 in 2009, which represents 25% of the total amount of rent paid for the shared office facility. The other 75% of rent was paid by the Retirement Plan for Chicago Transit Authority Employees based on management's expense allocation.

NOTE 7 **TAX STATUS**

The IRS has issued a private letter ruling dated June 16, 2009, stating that the Retiree Health Care Trust is qualified under Section 115(1) of the Internal Revenue Code (the Code) and, therefore, the Retiree Health Care Trust's income is excludable from gross income. The Retiree Health Care Trust and the Plan are required to operate in conformity with the Code to maintain this tax-exempt qualification. The Plan's management is not aware of any course of action or series of events that have occurred that may adversely affect the Retiree Health Care Trust and the Plan's tax status.

CHICAGO TRANSIT AUTHORITY
RETIREE HEALTH CARE PLAN
Notes to Financial Statements
December 31, 2010 and 2009

NOTE 8 SUBSEQUENT EVENTS

Effective January 1, 2012, the Plan will change its benefits for participants who are eligible for Medicare by providing two new Medicare Advantage benefit options to them. Aetna Life Insurance Company will coordinate between the provider and Medicare in streamlining the coordination of benefits and enrollment in Medicare for the retirees. Silverscript, a CVS Caremark company, will be the prescription carrier for all Medicare eligible participants. The pharmacy benefit will be included with the medical election.

REQUIRED SUPPLEMENTARY INFORMATION

**CHICAGO TRANSIT AUTHORITY
RETIREE HEALTH CARE PLAN**
Required Supplementary Information
Schedule of Funding Progress
For the Years Ended December 31, 2010 and 2009

(Unaudited)

<u>Year</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) Projected Unit Credit (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
2010	12/31/2010	\$ 586,961,435	\$ 457,693,194	\$ (129,268,241)	128.2%	\$ 598,267,896	(21.6%)
2009	12/31/2009	533,264,932	622,939,043	89,674,111	85.6	579,379,265	15.5
2008	12/31/2008	549,435,879	605,639,395	56,203,516	90.7	588,471,442	9.6

See notes to required supplementary information.

CHICAGO TRANSIT AUTHORITY
RETIREE HEALTH CARE PLAN
 Required Supplementary Information
 Schedule of Contributions from Employer and Other Contributing Entities
 For the Years Ended December 31, 2010 and 2009

(Unaudited)

<u>Year Ended December 31</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
2010	\$ (5,495,692)	\$ 3,925,041*	N.A.
2009	10,699,065	-	0.0%
2008	10,037,152	528,800,000	5,268.4

*Amount represents on-behalf reimbursements from the federal government under Medicare's Retiree Drug Subsidy Program.

N.A.—Not applicable

See notes to required supplementary information.

CHICAGO TRANSIT AUTHORITY
RETIREE HEALTH CARE PLAN

Notes to Required Supplementary Information
For the Years Ended December 31, 2010 and 2009
(Unaudited)

NOTE 1 ACTUARIAL ASSUMPTIONS

The information presented in the required supplementary schedules was determined as part of the actuarial valuation as of the date indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2010 and 2009
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, open
Amortization period	30 years remaining
Asset valuation method	Market value
<i>Actuarial assumptions</i>	
Investment rate of return	7.00% for 2010 and 2009
Projected salary increases	For 2010 valuation: 2.75% for 2011, 1.50% for 2012-2014, and 5.00% thereafter For 2009 valuation: 5.00% after 5 years of service; higher rates during the first 5 years
Inflation rate	3.25% for 2010 and 2009
Medical and prescription drug cost trend rate	8.50% for 2012, graded to 5.00% over 7 years for 2010 and 8.25% graded to 5.00% over 7 years for 2009

OTHER SUPPLEMENTARY INFORMATION

CHICAGO TRANSIT AUTHORITY
RETIREE HEALTH CARE PLAN
Other Supplementary Information
Schedule of Investment and Administrative Expenses
For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Investment expenses		
Investment management fees	\$ 2,091,337	\$ 625,932
Custodian fees	156,876	43,451
Investment consulting fees	<u>160,875</u>	<u>175,500</u>
Total investment expenses	<u>\$ 2,409,088</u>	<u>\$ 844,883</u>
Administrative expenses		
Staff salaries and fringe benefits	\$ 402,500	\$ 402,775
Outside consultants	8,052	-
Actuarial services	321,597	612,363
Auditing	27,892	60,979
Legal fees	169,533	601,302
Data processing	1,530	47,897
Court reporting	22,744	19,365
Stationary and printing	49,696	19,079
Telephone	20,000	19,948
Postage	1,217	21,967
Office space	24,500	24,489
Supplies	3,000	3,175
Utilities	1,000	692
Equipment	13,000	13,307
Application fee	-	11,500
Business insurance	-	1,528
Travel	706	1,161
Open enrollment event	13,965	18,171
Miscellaneous	<u>4,114</u>	<u>1,238</u>
Total administrative expenses	<u>\$ 1,085,046</u>	<u>\$ 1,880,936</u>

See accompanying report of independent auditors.