CHICAGO TRANSIT AUTHORITY
RETIREE HEALTH CARE PLAN

Financial Statements and Supplementary Information
For the Year Ended December 31, 2009 and
For the Period from May 12, 2008 (Inception Date) to December 31, 2008

CHICAGO TRANSIT AUTHORITY
RETIREE HEALTH CARE PLAN
December 31, 2009 and 2008

TABLE OF CONTENTS

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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 the Chicago Transit Authority Retiree Health Care Plan (the "Health Care Plan") as of December 31, 2009 and 2008, and the related statements of changes in plan net assets for the year ended December 31, 2009 and for the period from inception on May 12, 2008 to December 31, 2008. 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 plan net assets as of December 31, 2009 and 2008, and the changes in plan net assets for the year ended December 31, 2009 and for the period from inception on May 12, 2008 to December 31, 2008, 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. We 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.

Mitchell & Titus, LLP

November 29, 2010

This management's discussion and analysis of the 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 year ended December 31, 2009 and for the period from inception May 12, 2008 to December 31, 2008. For more detailed information regarding the Plan's financial activities, the reader 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 generally accepted accounting principles 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, including bond proceeds, as well as benefit 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 also show detail of administrative expenses.

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 the 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 actuarial valuation of assets indicate that insufficient assets have been accumulated to fund future benefits of current members and retirees.

- *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 understanding the required supplementary schedules.

An additional *Schedule of Investment and Administrative Expenses* is provided to reflect the costs involved in managing the retiree health care plan.

Financial Highlights

- Public Act 94-0839, passed in June 2006, separated the funding for retiree health care benefits from funding for pension benefits by January 1, 2009.

- Public Act 95-0708, 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 95-0708 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 was 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 95-0708.

- 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.

- Member contributions totaled $19 million for the calendar year 2009 and $18 million for 2008.

- Net investment income was $18 million for the year ended December 31, 2009 and $3 million from inception of the Health Care Trust on May 12, 2008 to December 31, 2008.

- Net assets totaled $533 million at December 31, 2009 and $549 million at December 31, 2008.

Plan Net Assets

A schedule of Plan Net Assets is presented below:

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

	2009	2008	Change $	Change %
Investments, at fair value	$ 565.8	$ 549.4	$ 16.4	3.0
Employee contributions receivable	0.4	-	0.4	100.0
Retiree contributions receivable	1.7	-	1.7	100.0
Securities sold but not received	2.6	0.3	2.3	766.7
Accrued interest and dividends	2.0	-	2.0	100.0
Prepaid expenses	0.3	-	0.3	100.0
Funding security deposit	0.2	-	0.2	100.0
Total assets	573.0	549.7	23.3	
Accounts payable	5.3	0.3	5.0	1,666.7
Securities purchased but not paid	34.4	-	34.4	100.0
Total liabilities	39.7	0.3	39.4	
Net Plan assets	$ 533.3	$ 549.4	$ (16.1)	(2.9)

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 Year Ended December 31, 2009 and
The Period from May 12, 2008 to December 31, 2008

			Change	
	2009	**2008**	**$**	**%**
Additions				
Employer contributions	$ -	$ 528.8	$ (528.8)	100.0
Employee contributions	19.3	17.8	1.5	9.0
Retiree contributions	9.9	-	9.9	100.0
Net investment income	17.5	3.2	14.3	447.0
Total additions	46.7	549.8	(503.1)	
Deductions				
Claims paid to providers	54.1	-	54.1	100.0
Premium payments to insurance companies	5.9	-	5.9	100.0
Claim administration fee	1.0	-	1.0	100.0
Administrative expenses	1.9	0.4	1.5	(375.0)
Total deductions	62.9	0.4	(62.5)	
Net increase (decrease)	$ (16.2)	$ 549.4	$ (565.6)	(103.0)

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. 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 January 1, 2010, the ratio of income and assets to projected benefits was 101.1%.

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 in its asset allocation. The return for the RHCT for 2009 was 2.96%. 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 are: 37.5% of assets in domestic equity, 35% in domestic fixed income, 12.5% in international equity, 10% in international fixed income and 5% in cash.

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

	2009	2008
Total Health Care Trust	2.96%	0.39%
Benchmark portfolio	16.50	-
Domestic equities	2.09%	-
Benchmark portfolio (Russell 2000 Growth)	4.14	-
(Russell 2000 Value)	3.63	-
International equities	1.77%	-
Benchmark (MSCI EAFE)	2.18	-
Domestic Fixed Income	8.20%	-
Benchmark portfolio (Barclays US aggregate)	5.81	-
International Fixed Income	(0.92)%	-
Benchmark portfolio (Citigroup Non-US Gov. Bond)	(2.15)	-

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, 2009 and 2008

	2009	2008
ASSETS		
Investments, at fair value	$ 565,778,527	$ 549,374,028
Receivables		
Employee contributions receivable	386,034	-
Retiree contributions receivable	1,721,900	-
Securities sold but not received	2,638,458	328,819
Accrued interest and dividends	2,057,161	-
	6,803,553	328,819
Prepaid expenses	350,004	-
Funding security deposit	150,000	-
Total assets	573,082,084	549,702,847
LIABILITIES		
Accounts payable	5,322,128	266,968
Securities purchased but not paid	34,495,024	-
Total liabilities	39,817,152	266,968
Net assets held in trust for other post-employment benefits	$ 533,264,932	$ 549,435,879

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 Year Ended December 31, 2009
and the Period from Inception on May 12, 2008 to December 31, 2008

	2009	2008
ADDITIONS		
Contributions		
Employer contributions	$ -	$ 528,800,000
Employee contributions	19,314,040	17,798,338
Retiree contributions	9,925,384	-
Total contributions	29,239,424	546,598,338
Investment income		
Net appreciation in fair value of investments	10,528,945	-
Dividends and interest	7,831,789	3,269,132
	18,360,734	3,269,132
Investment activity expenses		
Investment management fees	(625,932)	-
Custodian fees	(43,451)	-
Investment consulting fees	(175,500)	(92,625)
Total investment activity expenses	(844,883)	(92,625)
Total net investment income	17,515,851	3,176,507
Total additions	46,755,275	549,774,845
DEDUCTIONS		
Claims paid to providers	54,109,062	-
Premium payments to insurance companies	5,893,849	-
Claim administration fees	1,042,375	-
	61,045,286	-
Administrative expenses	1,880,936	338,966
Total deductions	62,926,222	338,966
Net (decrease) increase	(16,170,947)	549,435,879
Net assets held in trust for other post-employment benefits		
Beginning of year	549,435,879	-
End of year	$ 533,264,932	$ 549,435,879

The accompanying notes are an integral part of these financial statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Pursuant to 40 ILCS 5/22-101B, as amended by Public Act 95-708 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.

The intention of CTA is that the Health Care Trust 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.

Under Public Act 95-708, 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 contributions are recognized as additions in the period in which employee services are performed. Benefits are recognized as deductions when payable. No benefits were paid from the Plan in 2008. Expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made.

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 United States requires management to make estimates and assumptions that affect the reported amounts of net assets held in trust for benefits 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.

Fiscal Year

The Health Care Trust and Plan were established on May 12, 2008, and elected to follow a calendar year for financial reporting purposes. The accompanying 2008 financial statements of the Plan cover the period from inception of the Plan on May 12, 2008, to December 31, 2008. The 2009 financial statements of the Plan cover 12 months.

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; and mortgage securities.

Method Used to Value Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. 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. Private equity funds do not have established market prices and are reported at estimated fair value by money managers.

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

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. Gains or losses are included in the statement of changes in plan net assets in the period in which they occur.

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 Health Trust's Board of Trustees. Administrative expenses are funded by employer and employee contributions. Certain administrative expenses are allocated between the Retirement Plan for CTA Employees and the CTA 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 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.

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

Public Act 95-708 (the “Act”), enacted on January 18, 2008, provides funding for the CTA retiree health care benefits and makes substantive changes to the retiree health care benefits. The Act authorized the CTA to issue pension obligation bonds to fund the retiree health care benefits. Approximately $529 million from the bond proceeds was deposited into the Health Care Trust in August 2008. There were no bond proceeds during 2009.

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

The 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 Health Care Trust is required by the Act to make an annual assessment of the funding levels of the 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 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 95-708 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, 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 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.

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

- 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.

Membership

At December 31, 2009, and 2008, the number of participants was as follows:

	2009	**2008**	
Retirees and beneficiaries receiving benefits	10,108	10,697	*
Terminated plan members entitled to but not yet receiving benefit	51	47	
Active participants	9,865	9,689	
	20,024	20,433	

* Included in this number are 9,389 retirees, spouses, and surviving spouses who have enrolled for coverage effective July 1, 2009; 1,308 retirees, spouses, and surviving spouses who did not enroll for coverage effective July 1, 2009.

Contributions

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

During 2008, retiree health care benefits were funded through a combination of active employee contributions, employer contributions (including proceeds from the sale of bonds), and investment return on assets. In accordance with Public Act 95-708, effective January 18, 2008, the CTA was authorized 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 Health Care Trust in August 2008 as advance funding. The bond and notes proceeds are reported as employer contributions in the accompanying financial statements.

During 2009 and from January 18, 2008 through December 31, 2008, active employees were required to contribute 3% of their salary to the Health Care Trust.

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

In 2009, retiree contributions to the Plan totaled $16,468,327 with $9,925,384 from July 1, 2009 to December 31, 2009 reflected in the Plan's financial statements and $6,542,943 from January 1, 2009 to June 30, 2009 reflected in the Retirement Plan for Chicago Transit Authority Employees' financial statements. In 2008, retirees contributed $13,476,631 to their health care benefits, which were reflected in the Retirement Plan for Chicago Transit Authority Employees' financial statements.

Funded Status and Funding Progress (Unaudited)

According to Public Act 95-708, 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.

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, 2009 and 2008 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)
12/31/09	$ 533,264,932	$ 622,939,043	$ 89,674,111	85.6%	$ 579,379,265	15.5 %
12/31/08	549,435,879	605,639,395	56,203,516	90.7	588,471,442	9.6

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

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.

Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2009
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions	
Investment rate of return	7.00%
Projected salary increases	5.00% after 5 years of service; higher rates during the first 5 years
Inflation rate	3.25%
Medical and prescription drug cost trend rate	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 year ended 2009, investment managers were hired to implement specific aspects of the investment policy within the scope of the manager's written investment guidelines.

NOTE 3 INVESTMENT RISK *(continued)*

Investment Summary

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

The following table summarizes the Plan's investments by type at December 31, 2009, and 2008:

	2009	2008
Asset backed securities	$ 3,647,504	$ -
Commercial mortgage-backed securities	5,238,054	-
Corporate bonds	93,876,146	-
Government agency securities	19,677,536	-
Government bonds	50,763,689	-
Government mortgage backed securities	30,977,425	-
Non-government backed CMOs	14,511,668	-
US equities	116,336,611	-
Foreign equities	42,742,973	-
Venture capital and partnerships	6,223,348	-
Short-term investments and currency positions	181,783,573	549,374,028
Total investments at fair value	$ 565,778,527	$ 549,374,028

Net investment income for the years ended December 31, 2009, and 2008, consisted of the following:

	2009	2008
Investment Income		
Interest	$ 7,425,461	$ 3,269,132
Dividends	406,328	-
Net appreciation in fair value of investments	10,528,945	-
Total investment income before investment expenses	18,360,734	3,269,132
Less: investment activity expenses:		
Investment management fees	(625,932)	-
Custodian fees	(43,451)	-
Investment consulting fees	(175,500)	(92,625)
Total investment activity expenses	(844,883)	(92,625)
Net investment income	$ 17,515,851	$ 3,176,507

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: Stable NAV risk is the risk that the collective short-term investment fund will not be able to maintain an 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 and 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.

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

	2009	
	Fair Value	**Percentage of Portfolio**
Quality Rating		
AAA	$ 5,137,081	2.3%
AA	6,571,535	3.0%
A	21,643,177	9.9%
BBB	27,559,036	12.6%
BB	4,989,264	2.3%
CCC	9,095,298	4.2%
Not rated	42,277,981	19.3%
Total credit risk of US corporate fixed income	117,273,372	53.6%
US Government and agencies fixed income securities	101,418,650	46.4%
Total fixed income securities	$ 218,692,022	100.0%

NOTE 3 INVESTMENT RISK *(continued)*

Custodial credit risk: The custodial credit risk for deposits is the risk that, in the event of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments 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. As of December 31, 2009, the Plan has deposits uninsured and uncollateralized exposed to custodial credit risk of $56, 378; there were no deposits uninsured and uncollateralized as of December 31, 2008. As of December 31, 2009 and 2008, investment securities were not exposed or not subject to custodial credit risk.

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 represent 5% or more of Plan net assets at December 31, 2009, and 2008:

	2009	**2008**
Northern Trust Collective Short-Term Investment Fund	$ 119,216,574	$ 549,374,028

The Plan did not invest in derivative instruments during 2009 and 2008.

Interest rate risk: Interest rate risk is the risk that during periods of rising interest rates, the collective short-term investment fund's yield will tend to be lower than prevailing market rates; in periods of falling interest rates, the fund's yield will tend to be higher. All fixed income investments are managed by external investment managers hired during the year ended 2009. 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 shows the segmented time distribution of the Plan's investments into time periods of maturities based on the investments' cash flows.

NOTE 3 INVESTMENT RISK *(continued)*

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

		Investment Maturities			
Investment Type	**Market Value**	**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	$ 218,692,022	$ 2,521,321	$ 59,621,426	$ 65,475,672	$ 91,073,603

During 2008, the Plan invested in high-grade money market instruments with short maturities, generally less than one year to limit the interest rate risk.

NOTE 3 INVESTMENT RISK *(continued)*

Foreign currency risk—This is 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 US dollars. The Plan's exposure to foreign currency risk is as follows:

Type of Investment	Fair Value (USD) 2009	Fair Value (USD) 2008
Short-term investment and currency positions:		
Australian dollar	$ 10,702	$ -
Canadian dollar	2,363	-
Euro	18,382	-
British pound sterling	18,947	-
Singapore dollar	5,984	-
	$ 56,378	$ -
Equities:		
Australian dollar	$ 1,329,713	$ -
Canadian dollar	3,009,832	-
Swiss franc	2,117,684	-
Euro	7,068,058	-
British pound sterling	7,243,328	-
Hong kong dollar	904,479	-
Japanese yen	5,976,363	-
Malaysian ringgit	599,956	-
Swedish krona	988,385	-
Singapore dollar	1,777,791	-
	$ 31,015,589	$ -

NOTE 4 RISKS AND UNCERTAINTIES

Contributions to the Plan and the actuarial information are reported based on certain assumptions pertaining to interest rates, inflation rates, and employee compensation and demographics. Due to the changing nature of these assumptions, it is at least reasonably possible that changes in these assumptions may occur in the near term and, due to the uncertainties inherent in setting assumptions, that the effect of such changes could be material to the financial statements.

NOTE 5 TAX STATUS

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

REQUIRED SUPPLEMENTARY INFORMATION

CHICAGO TRANSIT AUTHORITY
RETIREE HEALTH CARE PLAN
Required Supplementary Information
Schedule of Funding Progress
For the Year Ended December 31, 2009 and
For the Period May 12, 2008 (inception Date) to December 31, 2008
(Unaudited)

Year	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)
2009	12/31/2009	$ 533,264,932	$ 622,939,043	$ 86,674,111	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 Employer Contributions
For the Year Ended December 31, 2009 and
For the Period May 12, 2008 (Inception Date) to December 31, 2008
(Unaudited)

Year Ended December 31	Annual Required Contributions	Actual Contributions	Percentage Contributed
2009	$ 10,699,065	$ -	0.0 %
2008	10,037,152	528,800,000	5,268.4

See notes to required supplementary information.

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, 2009 and 2008
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, open
Amortization period	30 years remaining
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.00%
Projected salary increases	5% after 5 years of service; higher rates during the first 5 years
Inflation rate	3.25%
Medical and prescription drug cost trend rate	8.25% graded to 5.00% over 7 years for 2009 and 9.0% graded to 5.0% over 6 years for 2008

OTHER SUPPLEMENTARY INFORMATION

CHICAGO TRANSIT AUTHORITY
RETIREE HEALTH CARE PLAN
Other Supplementary Information
Schedule of Investment and Administrative Expenses
For the Year December 31, 2009 and
for the Period from May 12, 2008 (Inception Date) to December 31, 2008

	2009	2008
Investment Expenses		
Investment management fees	$ 625,932	$ -
Custodian fees	43,451	-
Investment consulting fees	175,500	92,625
Total investment expenses	$ 844,883	$ 92,625
Administrative expenses		
Staff salaries and fringe benefits	$ 402,775	$ 48,888
Actuarial services	612,363	97,161
Auditing	60,979	19,000
Legal fees	601,302	131,159
Data processing	47,897	3,340
Court reporting	19,365	1,520
Stationary and printing	19,079	40
Telephone	19,948	2,675
Postage	21,967	692
Office space and insurance	24,489	9,150
Supplies	3,175	877
Utilities	692	94
Equipment	13,307	-
Application fee	11,500	23,000
Business insurance	1,528	-
Travel	1,161	-
Open enrollment event	18,171	-
Miscellaneous	1,238	1,370
Total administrative expenses	$ 1,880,936	$ 338,966

See accompanying report of independent auditors.