GRS Gabriel Roeder Smith & Company
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RETIREMENT PLAN FOR CTA EMPLOYEES
ACTUARIAL VALUATION AS OF JANUARY 1, 2008

GRS

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September 16, 2008

Mr. John Kallianis
Executive Director
Retirement Plan for CTA Employees
10 S. LaSalle – Suite 1100
Chicago, IL 60602

Subject: Actuarial Valuation Report for the Year Beginning January 1, 2008

Dear John:

At your request, we have performed an actuarial valuation for the Retirement Plan for Chicago Transit Authority Employees (the "Plan") as of January 1, 2008. This valuation has been performed to measure the funding status of the Plan as of January 1, 2008, and develop the contribution requirements for plan year 2009. In addition, it includes disclosure information as of December 31, 2007, as required under GASB Statement Nos. 25 and 43 and a summary of the retiree healthcare subordination test for Plan year 2007, as required under Internal Revenue Code § 401(h). The actuarial valuations of the Plan are performed annually.

Public Act 94-839, effective June 6, 2006, requires that the Plan's pension and retiree healthcare programs be separated into two distinct trusts by December 31, 2008. Public Act 94-839 changed the contribution level to a level-percent-of-pay policy that produces 90 percent funding of actuarial liabilities by fiscal year end 2059, using assumptions that are reasonable in the aggregate and the projected unit credit cost method.

Public Act 95-708, effective January 18, 2008, allows the Chicago Transit Authority to issue pension obligation bonds and deposit at least $1.1105 billion into the pension trust. Public Act 95-708 revises the level-percent-of-pay policy, to the contribution rates that produces 60 percent funding by fiscal year end 2039, and 90 percent funding by fiscal year end 2059.

This valuation is based upon:

Plan Member Data – Census data for active members and persons receiving Plan benefits was provided by the Plan's staff. We have tested this data for reasonableness.

Asset Values – Plan asset information was provided by the Plan's staff.

Actuarial Method – The projected unit credit cost method was used to measure the actuarial liability. This method spreads Plan benefit costs over the career of each employee based on service earned before and after the valuation date. The actuarial value of assets was based on a five-year smoothing period. The actuarial value of the pension account equals the actuarial value of asset less the market value of the retiree healthcare account.

Actuarial Assumptions – The economic assumptions were changed from the "bargained" assumptions to a basis consistent with actuarial standards of practice. The demographic actuarial assumptions have remained the same since the last valuation except for retirement rates, which were revised to reflect changes in pension and retiree healthcare benefits. The assumptions are set forth in Section IV, Assumptions and Methods.

Bond Structure – Information relating to the bond issue, including the debt service schedule and the average bond yield, was provided by the Authority.

Investment Policy – Information relating to the Plan's asset allocation and capital market assumptions was provided by the Plan.

The valuation results set forth in this report are based on the data and actuarial techniques described above, and upon the provision of the Plan as of the valuation date. Based on these items, we certify these results to be true and correct.

The undersigned are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully yours,

Alex Rivera

Alex Rivera, F.S.A., E.A.
Senior Consultant

Michael R. Kivi, F.S.A., E.A.
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SECTION I

EXECUTIVE SUMMARY

Executive Summary

In accordance with the request of the Retirement Plan Board of Trustees, we have prepared an actuarial valuation of the Retirement Plan for Chicago Transit Authority Employees ("Plan") as of January 1, 2008. The purpose of this valuation is to:

(1) Measure the funded status of the Plan as of January 1, 2008;
(2) Develop the statutory contribution requirements for Plan year 2009, as defined by ILCS 5/22-101(e);
(3) Provide financial disclosure information as of December 31, 2007, under GASB No. 25, and 43; and
(4) Provided the subordination test for Plan year 2007, as required under IRC Section 401(h).

Following is a summary of the major changes since the last valuation and the key valuation results.

Funding Policy

Public Act 94-839, effective June 6, 2006, changed the funding policy of the Plan by requiring that:

(1) The pension and retiree healthcare accounts be separated into two distinct trusts by December 31, 2008.
(2) The plan sponsor and members make level-percent-of-pay contributions, beginning with fiscal year 2009, that are projected to produce 90 percent funding of pension actuarial liabilities by fiscal year end 2058, using the projected unit credit cost method.
(3) Assumptions used in the actuarial valuation are not unreasonable in the aggregate.

Public Act 95-708, effective January 18, 2008, extended the funding policy provisions of Public Act 94-839 applicable to the pension trust as follows:

(1) The Authority is allowed to issue 32-year pension obligation bonds and deposit at least $1,110,500,000 into the pension trust.
(2) In plan year 2008, the Authority contributes 12.0 percent of pay and members contribute 6.0 percent of pay to the pension trust.
(3) From plan year 2009 through 2040, the Authority contributes 12.0 percent of pay less debt service, but no less than 6.0 percent of pay, and members contribute 6.0 percent of pay. If contributions do not produce a projected funded ratio of 60 percent by plan year end 2039, then the Authority and members pay two-thirds and one-third, respectively, of the additional required contributions.
(4) If the actual funded ratio declines below 60 percent in any year before 2040, contributions are increased so that the funded ratio is projected to reach at least 60 percent within 10 years.
(5) From 2040 through 2059, the Authority and members contribute two-thirds and one-third, respectively, of the level-percent-of-pay contributions which produce 90 percent funding by plan year end 2059.
(6) On and after 2060, the Authority and members contribute two-thirds and one-third, respectively, of the contributions needed to maintain a funded ratio of 90 percent.

Executive Summary (Cont'd)

Plan Provisions

Public Act 95-708 changed Plan provisions applicable to benefits as follows:

(1) Members hired after January 18, 2008, are eligible for unreduced pension benefits after attaining age 64 with at least 25 years of service, and reduced pension benefits after attaining age 55 with at least 10 years of service.

(2) Members retiring after January 18, 2008, are eligible for retiree healthcare benefits, after attaining age 55 with at least 10 years of service. The minimum age and service requirements do not apply to members on a disability allowance. Retiree healthcare benefits are paid from the newly established retiree health care trust no earlier than January 1, 2009, but no later than July 1, 2009.

Changes in Assumptions and Methods

The following assumption and method changes were made since the last valuation:

(1) The discount rate was changed from the bargained assumption of 9.0 percent to 8.75 percent. The update to the discount was recommended in order to produce assumptions that are not unreasonable in the aggregate.

(2) The retirement rate assumptions for members hired after January 18, 2008, was revised to ensure consistency with the new eligibility requirements for pension and healthcare benefits.

(3) Because the Plan is no longer responsible for retiree healthcare benefits after December 31, 2008, the valuation of healthcare liabilities reflects one-year of net healthcare benefits expected to be paid in Plan year 2008.

(4) The funding policy is based on the level of contributions needed to attain a funded status of 60 percent by Plan year end 2039, and 90 percent by Plan year end 2059, and include the net bond proceeds of $1.1105 billion made in August of 2008. The projections assume an open stable group, and exclude healthcare liabilities.

Key Valuation Results

The following table compares the funded status and contribution requirements for Plan years 2007, 2008, and 2009. The projected funded status at January 1, 2009, includes $1.1105 billion in bond proceeds. The employer contribution rate for 2008 excludes the $1.1105 billion bond deposit. The employer contributions for 2009 include a debt service credit of 6.0 percent of pay. The actuarial liabilities exclude healthcare benefits which become the responsibility of the newly established Retiree Healthcare Trust no earlier than January 1, 2009, but no later than July 1, 2009.

Executive Summary (Cont'd)

($ in Millions)	2007	2008	2009 [1]
Actuarial Liability	$2,466	$2,531	$2,602
Assets	$1,007	$942	$2,080
Unfunded Actuarial Liability	$1,459	$1,589	$522
Funded Ratio	41%	37%	80%
Contributions (% of Pay)			
- Employer	6.0%	12.0%	6.69%
- Employee	3.0%	6.0%	6.34%

[1] Projected results.

The remainder of the report contains the details of the contribution projections, financial disclosure information, and the IRS Section 401(h) subordination test.

SECTION II

Valuation Results

Valuation Results

The Illinois Statutes (40 ILCS 5/14-101(e)) have changed the financing of the Retirement Plan as follows:

(1) The financing of pension and healthcare benefits are separated into two distinct trusts. That is, a new trust was established to finance retiree healthcare benefits, and the Retirement Plan will be responsible for providing only pension benefits effective on January 1, 2009.
(2) The CTA was given the authority to issue bonds to fund the Retirement Plan, and in August of 2008, made a deposit from bond proceeds of approximately $1.1105 billion.
(3) Contributions to the Retirement Plan are defined as the level-percent-of-pay amount needed to attain a 60 percent funding level by year end 2039, and 90 percent by year end 2059, with a minimum annual contribution rate of 6.0 percent for employees and 12.0 percent for the employer. The employer receives a debt service credit against the employer contribution of up to 6.0 percent of pay. Additional contributions in excess of the 6.0 percent and 12.0 percent requirement for the employee, and employer, respectively, are allocated one-third to the employee and two-thirds to the employer.

Since the previous valuation several changes were made to assumptions and methods in order to comply with the statutory requirements. These changes include:

(1) Valuing the retiree healthcare benefits payable from the Retirement Plan as a one-year term cost for Plan year 2008.
(2) Decreasing the discount return assumption from 9.0 percent to 8.75 percent.
(3) Changing the retirement rate pattern to be consistent with the new eligibility requirements for pension and healthcare benefits.

Valuing the retiree healthcare benefits as a one-year term cost liability significantly decreased the liabilities reported for the Retirement Plan. That is, this liability decreased from $1.062 billion as of January 1, 2007, to $69 million as of January 1, 2008. However, this liability has effectively been transferred from the Retirement Plan to the newly established Retiree Healthcare Trust.

Changing the discount rate from 9.0 percent to 8.75 percent increased the actuarial liabilities for pension benefits at January 1, 2008, by approximately 1.9 percent or $46 million, from $2,485 million to $2,531 million. Changing the retirement rates decreased actuarial liabilities for pension benefits by approximately $28 million.

During Plan year 2007, overall demographic experience relating to pension benefits - such as salary increases, retirements, terminations, and data corrections - was favorable and resulted in a gain of approximately $30 million. During 2007, assets allocated to pension benefits earned approximately 8.0 percent, which resulted in a loss of $2 million on actuarial value of assets basis. The demographic gains during 2007 were completely offset by a contribution shortfall loss of approximately $141 million. Page 7 of the report shows the details of the experience (gain)/loss analysis.

VALUATION RESULTS

During Plan year 2008, the Retirement Plan received a cash infusion of approximately $1.1105 billion from the net bond proceeds. The additional assets are projected to increase the funded ratio from 37 percent as of January 1, 2008, to 80 percent as of January 1, 2009. Plan year 2009 contribution rates are 6.34 percent for employees and 6.69 percent for the employer, which includes an employer debt service credit of 6.0 percent of pay. The details of the projected contributions which produce a funded ratio of 60 percent by Plan year end 2039, and 90 percent by Plan year end 2059 are shown on page 8. The debt service schedule and associated employer debt service credit used to offset the employer contributions are shown on page 9.

The subordination test of Internal Revenue Code 401(h), applicable to the retiree healthcare account, limits the Plan year 2007 contributions for healthcare benefits to $13 million. The retiree healthcare contributions for Plan year 2008 are limited to approximately 33 percent of the pension normal cost, or $19.5 million, due to the subordination test. The details of the subordination test for Plan year 2007 are shown on page 10.

As of January 1, 2008, the Plan has $45 million available to pay retiree healthcare benefits, which compares to $69 million in expected benefits and expenses for Plan year 2008. The shortfall of approximately $24 million may be financed with additional contributions to the 401(h) account. Our projections indicate that the assets in 401(h) account could be depleted by the end of Plan year 2008. The actual value of the 401(h) account at Plan year end 2008, will depend primarily on claim experience during the year.

VALUATION RESULTS
COMPUTED ACTUARIAL LIABILITIES
FOR PENSION, DISABILITY, AND DEATH BENEFITS

EMPLOYEE DATA	01/01/2007	01/01/2008
Active Employees		
Number of Employees	9,710	9,635
Average Age	45.4 yrs	45.7 yrs
Average Past Service	11.6 yrs	11.7 yrs
Expected Annual Pay	$616,904,610	$609,961,695
Terminated Vesteds		
Number of Employees	41	47

	Number of Participants		Monthly Pension	
	01/01/2007	01/01/2008	01/01/2007	01/01/2008
Retired Employees & Survivors				
Age/Service Retirements	7,358	7,427	$ 14,386,522	$ 14,811,375
Disability Recipients	912	917	983,189	1,011,028
Surviving Spouses	846	871	572,272	613,605
Total	9,116	9,215	$ 15,941,983	$ 16,436,008

VALUATION RESULTS ($ in Thousands)	01/01/2007 [1]	9.0%/5.5% 01/01/2008 [1]	8.75%/5.25% 01/01/2008 [2]
Annual Normal Cost			
Age/Service Pensions	$ 53,558	$ 51,448	$ 52,473
Disability Allowance	5,103	5,007	5,100
Pre-Retirement Death Benefits	980	1,044	1,066
Total	$ 59,641	$ 57,499	$ 58,639
Actuarial Accrued Liability			
Active Employees			
Age/Service Pensions	$ 786,003	$ 752,588	$ 768,653
Disability Allowance	47,389	47,364	48,306
Pre-Retirement Death Benefits	12,032	12,801	13,093
Total	$ 845,424	$ 812,753	$ 830,052
Terminated Vested Employees	$ 1,743	$ 2,115	$ 2,195
Retired Employees and Survivors			
Age/Service Pensions	$ 1,517,612	$ 1,566,361	$ 1,593,366
Disability Allowance	84,855	87,380	88,700
Post-Retirement Death Benefits	16,472	16,737	17,127
Total	$ 1,618,939	$ 1,670,478	$ 1,699,193
Total Actuarial Accrued Liability	$ 2,466,106	$ 2,485,346	$ 2,531,440
Actuarial Value of Assets	1,007,305	941,864	941,864
Unfunded Actuarial Accrued Liability	$ 1,458,801	$ 1,543,482	$ 1,589,576
Funded Ratio	**40.85%**	**37.90%**	**37.21%**

[1] Valuation results based on the bargaining agreement assumptions including a 9.0 percent return.
[2] Valuation results based on updated assumptions including an 8.75 percent return.

PA 95-708 removed the liability for retiree healthcare benefits from the Plan no later than January 1, 2009. The Plan is responsible for fiscal year 2008 healthcare cost. We have estimated the fiscal year 2008 cash flow as $68,826,000. As of January 1, 2008, the 401(h) account has a balance of $45,373,000.

Reconciliation of Unfunded Actuarial Accrued Liability ($ in thousands)

Unfunded Liability at January 1, 2007 (9%/5.5%)			$	1,458,800
Change Due to:				
Contributions Less than Normal Cost Plus Interest			$	140,633
Actuarial assumptions				
Economic				
Investment results	$	1,607		
Pay increases		(50,401)		
			$	(48,794)
Demographic				
Retirement	$	1,506		
Disability		358		
Withdrawal		(694)		
New entrants and rehires		10,421		
Mortality		(733)		
			$	10,859
Update of Retirement Assumption			$	(28,145)
Other Sources including data			$	10,129
Total Change			$	84,682
Unfunded Liability at January 1, 2008 (9%/5.5%)			$	1,543,482

Retirement Plan for Chicago Transit Authority Employees
Projection of Pension Trust Assets, Liabilities, and Contributions under PA 95-0708
Assumes $1.1105 billion Deposit on July 1, 2008, 6.0% Debt Service Credit for CTA
8.75% Discount Rate, 8.75% Investment Return Rate, and 3.25% Inflation ($ in thousands)
Based on Bond Issue Delivered August 6, 2008, with bond yield of 6.833%

							ARC [3]		Contributions to Retirement Plan for CTA Employees				
Year	Accrued Liability [1]	Actuarial Value of Assets [1]	Funded Ratio [1]	Normal Cost	Benefit Payments [2]	Payroll	Dollar	Percent of Pay	Employee Contributions	Employer Contributions [4]	Total Contributions	Employee Contribution Percent	Employer Contribution Percent [4]
2008	2,531,440	941,864	37.2%	58,639	202,630	608,516	156,662	25.7%	36,511	1,183,522	1,220,033	6.00%	194.49%
2009	2,601,761	2,080,214	80.0%	61,230	207,714	627,606	95,258	15.2%	39,812	41,967	81,779	6.34%	6.69%
2010	2,677,140	2,141,517	80.0%	64,145	212,030	649,811	99,146	15.3%	41,220	43,452	84,672	6.34%	6.69%
2011	2,757,665	2,208,622	80.1%	67,111	216,467	672,633	103,049	15.3%	42,668	44,978	87,646	6.34%	6.69%
2012	2,843,716	2,272,064	79.9%	70,045	221,378	696,336	107,469	15.4%	44,172	46,563	90,735	6.34%	6.69%
2013	2,935,261	2,334,511	79.5%	72,965	226,706	720,348	112,267	15.6%	45,695	48,169	93,864	6.34%	6.69%
2014	3,032,319	2,400,126	79.2%	75,830	232,449	745,117	117,147	15.7%	47,266	49,825	97,091	6.34%	6.69%
2015	3,134,901	2,468,857	78.8%	78,505	239,206	770,224	121,973	15.8%	48,859	51,504	100,363	6.34%	6.69%
2016	3,242,241	2,539,965	78.3%	81,015	246,782	795,308	126,771	15.9%	50,450	53,181	103,631	6.34%	6.69%
2017	3,353,703	2,612,797	77.9%	83,301	255,293	820,195	131,479	16.0%	52,028	54,845	106,873	6.34%	6.69%
2018	3,468,433	2,686,504	77.5%	85,661	264,310	845,868	136,408	16.1%	53,657	56,562	110,219	6.34%	6.69%
2019	3,586,216	2,760,740	77.0%	88,033	273,807	872,886	141,502	16.2%	55,371	58,369	113,740	6.34%	6.69%
2020	3,706,877	2,835,235	76.5%	90,315	284,214	900,724	146,658	16.3%	57,137	60,230	117,367	6.34%	6.69%
2021	3,829,610	2,909,171	76.0%	92,435	295,543	929,289	151,804	16.3%	58,949	62,140	121,089	6.34%	6.69%
2022	3,953,464	2,981,638	75.4%	94,429	307,679	958,125	156,974	16.4%	60,778	64,068	124,846	6.34%	6.69%
2023	4,077,550	3,051,700	74.8%	96,407	320,241	987,710	162,285	16.4%	62,655	66,047	128,702	6.34%	6.69%
2024	4,201,411	3,118,804	74.2%	98,299	333,357	1,018,582	167,672	16.5%	64,613	68,111	132,724	6.34%	6.69%
2025	4,324,372	3,182,289	73.6%	100,110	347,072	1,050,145	173,137	16.5%	66,615	70,222	136,837	6.34%	6.69%
2026	4,445,620	3,241,307	72.9%	101,776	361,391	1,083,103	178,616	16.5%	68,706	72,426	141,132	6.34%	6.69%
2027	4,564,224	3,295,025	72.2%	103,290	376,320	1,116,727	184,097	16.5%	70,839	74,674	145,513	6.34%	6.69%
2028	4,679,145	3,342,435	71.4%	104,955	390,969	1,151,880	189,892	16.5%	73,069	77,025	150,094	6.34%	6.69%
2029	4,790,448	3,383,484	70.6%	106,876	404,811	1,189,342	196,120	16.5%	75,445	79,530	154,975	6.34%	6.69%
2030	4,898,939	3,418,772	69.8%	109,132	417,699	1,229,202	202,875	16.5%	77,974	82,195	160,169	6.34%	6.69%
2035	5,428,716	3,531,044	65.0%	124,761	470,593	1,466,119	244,283	16.7%	93,002	98,037	191,039	6.34%	6.69%
2040	6,089,459	3,653,676	60.0%	153,183	500,674	1,792,262	306,292	17.1%	108,446	112,030	220,476	6.05%	6.25%
2045	7,093,466	4,401,383	62.0%	191,467	539,585	2,210,228	361,656	16.4%	133,737	267,473	401,210	6.05%	12.10%
2050	8,548,788	5,885,728	68.8%	236,713	617,745	2,726,961	407,137	14.9%	165,003	330,006	495,009	6.05%	12.10%
2055	10,446,000	8,165,977	78.2%	289,022	747,632	3,354,006	438,712	13.1%	202,944	405,889	608,833	6.05%	12.10%
2060	12,759,191	11,483,272	90.0%	352,189	922,235	4,120,308	444,289	10.8%	249,312	498,623	747,935	6.05%	12.10%

[1] Results shown as of beginning of fiscal year for pension benefits only.

[2] Benefit payments are for pension only. The AVA has been reduced at 1/1/2008 by the market value of the retiree healthcare account.

[3] Gross normal cost plus 30-year level percent of pay amortization of the unfunded accrued liability.

[4] Employer contributions are net of debt service credit of 6% of payroll for fiscal years 2009 through 2039, and 5.85% for fiscal year 2040. Total contribution requirements, including debt service credit, are allocated one-third to employees and two-thirds

[5] Projections assume a stable active population.

NET DEBT SERVICE
CHICAGO TRANSIT AUTHORITY
Retirement Plan Bonds [1, 2, 3]
Sales Tax and Real Estate Transfer Tax Bonds, Series 2008A
Market Conditions as of August 6, 2008

	Principal	Interest	Total Debt Service	Debt Service Fund Earnings	General Fund	Capitalized Interest Fund	Debt Service Reserve Fund	Net Debt Service	Projected Payroll	Total Debt Service Percent of Pay
12/01/2008		28,104,937	28,104,937			28,104,937		-	608,516,288	4.62%
12/01/2009		87,980,673	87,980,673			43,990,336		43,990,336	627,605,855	14.02%
12/01/2010		87,980,673	87,980,673					87,980,673	649,811,117	13.54%
12/01/2011		87,980,673	87,980,673					87,980,673	672,633,200	13.08%
12/01/2012	6,710,000	87,980,673	94,690,673					94,690,673	696,336,482	13.60%
12/01/2013	17,225,000	87,637,255	104,862,255					104,862,255	720,347,778	14.56%
12/01/2014	18,110,000	86,755,679	104,865,679					104,865,679	745,117,047	14.07%
12/01/2015	19,250,000	85,614,749	104,864,749					104,864,749	770,223,854	13.61%
12/01/2016	20,460,000	84,401,999	104,861,999					104,861,999	795,307,811	13.19%
12/01/2017	21,750,000	83,113,019	104,863,019					104,863,019	820,194,863	12.79%
12/01/2018	23,120,000	81,742,769	104,862,769					104,862,769	845,868,367	12.40%
12/01/2019	24,575,000	80,286,209	104,861,209					104,861,209	872,886,180	12.01%
12/01/2020	26,125,000	78,737,984	104,862,984					104,862,984	900,723,676	11.64%
12/01/2021	27,770,000	77,092,109	104,862,109					104,862,109	929,289,189	11.28%
12/01/2022	29,520,000	75,342,599	104,862,599					104,862,599	958,125,411	10.94%
12/01/2023	31,560,000	73,306,014	104,866,014					104,866,014	987,709,556	10.62%
12/01/2024	33,735,000	71,128,690	104,863,690					104,863,690	1,018,581,873	10.30%
12/01/2025	36,060,000	68,801,312	104,861,312					104,861,312	1,050,145,310	9.99%
12/01/2026	38,550,000	66,313,533	104,863,533					104,863,533	1,083,103,025	9.68%
12/01/2027	41,210,000	63,653,968	104,863,968					104,863,968	1,116,727,206	9.39%
12/01/2028	44,050,000	60,810,891	104,860,891					104,860,891	1,151,880,292	9.10%
12/01/2029	47,090,000	57,771,881	104,861,881					104,861,881	1,189,341,867	8.82%
12/01/2030	50,340,000	54,523,142	104,863,142					104,863,142	1,229,202,387	8.53%
12/01/2031	53,815,000	51,050,185	104,865,185					104,865,185	1,272,033,646	8.24%
12/01/2032	57,525,000	47,337,489	104,862,489					104,862,489	1,315,967,248	7.97%
12/01/2033	61,495,000	43,368,839	104,863,839					104,863,839	1,361,841,718	7.70%
12/01/2034	65,735,000	39,126,299	104,861,299					104,861,299	1,412,090,739	7.43%
12/01/2035	70,270,000	34,591,241	104,861,241					104,861,241	1,466,118,513	7.15%
12/01/2036	75,120,000	29,743,314	104,863,314					104,863,314	1,524,596,785	6.88%
12/01/2037	80,305,000	24,560,785	104,865,785					104,865,785	1,586,544,416	6.61%
12/01/2038	85,840,000	19,020,543	104,860,543					104,860,543	1,651,728,458	6.35%
12/01/2039	91,765,000	13,098,441	104,863,441					104,863,441	1,720,203,084	6.10%
12/01/2040	98,095,000	6,767,574	104,862,574				104,866,014	-3,440	1,792,261,589	5.85%
	1,297,175,000	2,025,726,141	3,322,901,141	0	-	72,095,273	104,866,014	3,145,939,853		

[1] Net amount deposited into pension trust is $1,110,500,000.

[2] Average annual bond yield of 6.833%.

[3] Debt service schedule provided by Plan staff.

VALUATION RESULTS
RETIREE HEALTHCARE SUBORDINATION TEST UNDER IRC §401(H)

Retirement plans providing retiree healthcare benefits through a qualified pension trust must satisfy the requirements of Internal Revenue Section Code § 401(h) which include:

- The Plan sponsor should establish and maintain a 401(h) account for retiree healthcare benefits.
- The Plan sponsor must allocate total contributions in a reasonable and well defined manner. Currently, total contributions are allocated ratably based on the relationship of the annual required contribution for pension and healthcare benefits.
- The Plan sponsor must allocate investment income in a reasonable and well defined manner. Currently, investment return is allocated ratably based on the relationship of liabilities for pension and healthcare benefits.
- Retiree healthcare benefits must be subordinate to pension benefits. This requirement is satisfied if the cumulative value of contributions made to the 401(h) account for retiree healthcare benefits does not exceed 25 percent of the total contributions made to the trust.

Contributions during fiscal year 2007 were limited by the aggregate subordination test. The following tables show the allocation of 2007 contributions and the results of the subordination test through December 31, 2007.

Allocation of Plan Year 2007 Contributions ($ in Thousands):

	Pension	Healthcare	Total
Plan Year 2007 Actuarially Determined Contribution	$198,457	$163,385	$361,842
Percentage Before 401(h) Limit	54.85%	45.15%	100.00%
Percentage Limited by 401(h)	74.15%	25.85%	100.00%
Allocation of 2007 Contributions	$37,588	$13,106	$50,694

IRC § 401(h) Subordination Test Contributions ($ in Thousands):

	(a) Pension	(b) Healthcare	Subordination Percentage b/(a+b)
Cumulative Contributions from 01/01/1994 to 12/31/2006	$319,770	$106,012	24.90%
2007 Contributions	$37,588	$13,106	
Cumulative Contributions at 12/31/2007	$357,358	$119,118	25.00%

Based on current Plan provisions and funding policies, the subordination percentage for plan year end 2007 is 25.00 percent, which equals the statutory limit of 25.00 percent. To satisfy the 401(h) requirements the contributions to the retiree healthcare account needed to be limited so that the aggregate test could be passed. The subordination percentage as defined in IRC § 401(h) is equal to the ratio of cumulative healthcare contributions to the sum of cumulative pension contributions, or pension normal cost if less, and cumulative healthcare contributions.

Our projections of the retiree healthcare account were based on the market value at December 31, 2007, and the methodology used to allocate investment earnings, contributions, and expenses during the fiscal year, as disclosed in the Plan's financial statement.

VALUATION RESULTS
SCHEDULE B, RECONCILIATION OF ASSETS

	Pension Market Value	Healthcare Market Value	Total Market Value
1. Market Value of assets as of 12/31/2006	$ 1,061,113,884	$ 58,855,618	$ 1,119,969,502
2. Income for plan year:			
a) Member contributions	$ 12,549,357	$ 4,375,838	$ 16,925,195
b) CTA contributions	25,038,262	8,730,597	33,768,859
c) Investment income net of expenses	78,584,326	34,119,817	112,704,143
d) Miscellaneous revenue		-	-
e) Total income	$ 116,171,945	$ 47,226,252	$ 163,398,197
3. Disbursements for plan year:			
a) Pension and death benefits	$ 197,274,995	$ -	$ 197,274,995
b) Health benefits, Plan share	-	59,670,464	59,670,464
c) Refunds	1,053,028	343,000	1,396,028
d) Administration	1,600,986	695,117	2,296,103
e) Total disbursements	$ 199,929,009	$ 60,708,581	$ 260,637,590
4. Market Value of assets as of 12/31/2007	$ 977,356,820	$ 45,373,289	$ 1,022,730,109
5. Estimated rate of return in 2007:			
a) Gross	8.55%	98.16%	11.65%
b) Net of investment expense (Investment expense of $5,498,585)	8.02%	97.33%	11.10%

Method used for calculating rate of return does not reflect specific timing of income and outflows. It is also based on total assets, not invested assets. The investment return calculated by the investment consultant was 9.8%.

Contributions are allocated using the annual required contributions, based on bargained assumptions for the fiscal year. Investment income is allocated between the pension and healthcare accounts based on the proportion of total liabilities. Benefit payments are allocated based on actual disbursements. Refunds and administration are allocated based on an historical average of the annual required contribution.

The allocation of investment income is proportional to actuarial liabilities and consequently artificially inflates the rate of return for the retiree healthcare account and understates the return for the pension account. Had the allocation of investment income been based in proportion to the market value of assets, the rates of return for the retiree healthcare and pension accounts would be closer to the rate of return of the total portfolio. Our reporting of the methodology as disclosed in the Plan's financial statement does not constitute an endorsement of the methodology. We understand that the Plan's counsel is aware of the methodology being used.

VALUATION RESULTS
DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS

Year Ended December 31:	2003	2004	2005	2006	2007	2008	2009
A. Actuarial Value Beginning of Year	$1,740,052,328	$1,581,045,979	$1,382,263,971	$1,199,054,944	$1,066,161,177		
B. Market Value End of Year	1,377,002,130	1,284,662,081	1,184,055,811	1,119,969,502	1,022,730,109		
C. Market Value Beginning of Year	1,298,624,027	1,377,002,130	1,284,662,081	1,184,055,811	1,119,969,502		
D. Non-Investment Net Cash Flow	(172,493,059)	(219,893,405)	(194,113,356)	(196,886,421)	(209,943,536)		
E. Investment Return							
E1. Market Total: B - C - D	250,871,162	127,553,356	93,507,086	132,800,112	112,704,143		
E2. Amount for Immediate Recognition (9%)	109,113,975	114,034,988	106,884,486	97,705,134	91,349,796		
E3. Amount for Phased-In Recognition: E1-E2	141,757,187	13,518,368	(13,377,400)	35,094,978	21,354,347		
F. Phased-In Recognition of Investment Return							
F1. Current Year: 0.2 x E3	28,351,437	2,703,674	(2,675,480)	7,018,996	4,270,869	Unknown	Unknown
F2. First Prior Year	(69,111,107)	28,351,437	2,703,674	(2,675,480)	7,018,996	4,270,869	Unknown
F3. Second Prior Year	(55,248,681)	(69,111,107)	28,351,437	2,703,674	(2,675,480)	7,018,996	4,270,869
F4. Third Prior Year	381,086	(55,248,681)	(69,111,107)	28,351,437	2,703,674	(2,675,480)	7,018,996
F5. Fourth Prior Year	-	381,086	(55,248,681)	(69,111,107)	28,351,437	2,703,674	(2,675,480)
F6. Total Recognized Investment Gain	**(95,627,265)**	**(92,923,591)**	**(95,980,157)**	**(33,712,480)**	**39,669,496**	**11,318,059**	**8,614,385**
G. Actuarial Value End of Year: A + D + E2 + F6	1,581,045,979	1,382,263,971	1,199,054,944	1,066,161,177	987,236,933		
H. Actual/Projected Difference between Market and Actuarial Value	(204,043,849)	(97,601,890)	(14,999,133)	53,808,325	35,493,176	24,175,117	15,560,732
I. Market Rate of Return [a]	20.7%	10.1%	7.9%	12.2%	11.1%		
J. Actuarial Rate of Return	0.8%	1.4%	0.8%	5.8%	13.6%		
K. Ratio of Market Value to Actuarial Value	87.1%	92.9%	98.7%	105.0%	103.6%		

The Actuarial Value of Assets recognizes assumed investment return (line E2) fully each year. Differences between actual and assumed investment income (line E3) are recognized over a five-year period at a rate of 20 percent per year. During periods when investment performance exceeds the assumed rate, Actuarial Value of Assets will tend to be less than Market Value. During periods when investment performance is less than the assumed rate, Actuarial Value of Assets will tend to be greater than Market Value. *The Actuarial Value of Assets is unbiased with respect to Market Value.* At any time it may be either greater or less than Market Value. If assumed rates are exactly realized for four consecutive years, it will become equal to Market Value. As of January 1, 2008, the market value of the retiree healthcare account is $45,373,289 and the actuarial value of the pension account equals $941,863,644.

[a] The disclosed market rate of return does not reflect specific timing of income and outflows. It also is based on total assets, not invested assets. The market rate of return as calculated by the investment consultant was 9.8 percent for 2007, 13.5 percent for 2006, 9.2 percent for 2005, 10.6 percent for 2004, and 22.4 percent for 2003.

VALUATION RESULTS

PARTICIPANTS

The major characteristics of the data of the members of the Plan are summarized below.

	January 1, 2007	January 1, 2008
Active Participants		
Number	9,710	9,635
Average Age	45.4 yrs	45.7 yrs
Average Service	11.6 yrs	11.7 yrs
Average Annual Salary	$ 63,533	$ 63,307
Retirees		
Number	7,358	7,427
Average Age	66.8 yrs	67.2 yrs
Average Annual Benefit	$ 23,463	$ 23,931
Disabled		
Number	912	917
Average Age	61.1 yrs	61.6 yrs
Average Annual Benefit	$ 12,937	$ 13,230
Survivors		
Number	846	871
Average Age	75.1 yrs	75.2 yrs
Average Annual Benefit	$ 8,117	$ 8,454

SECTION III

GASB DISCLOSURES

GASB STATEMENT NO. 25

Schedule of Funding Progress
(Pension Only)

In Accordance with Statement No. 25 of the Governmental Accounting Standards Board ($ in Thousands)

Actuarial Valuation Date		Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2008	a	$941,864	$2,531,440	$1,589,576	37.2%	$578,163	274.9%
1/1/2007	b	1,007,305	2,466,106	1,458,801	40.8%	562,567	259.3%
1/1/2006		810,336	2,354,125	1,543,790	34.4%	547,532	282.0%
1/1/2005		902,117	2,291,162	1,389,045	39.4%	544,442	255.1%
1/1/2004		1,062,399	2,189,666	1,127,267	48.5%	486,626	231.6%
1/1/2003		1,190,087	2,085,723	895,636	57.1%	480,740	186.3%
1/1/2002		1,355,567	2,044,330	688,763	66.3%	459,343	149.9%
1/1/2001		1,595,609	2,058,871	463,262	77.5%	431,703	107.3%
1/1/2000		1,494,585	1,871,277	376,692	79.9%	424,518	88.7%
1/1/1999		1,363,625	1,776,994	413,369	76.7%	407,406	101.5%
1/1/1998		1,269,568	1,721,888	452,320	73.7%	457,717	98.8%
1/1/1997		1,182,931	1,505,398	322,467	78.6%	443,508	72.7%
1/1/1996		1,098,856	1,427,840	328,984	77.0%	414,667	79.3%

[a] Effective January 1, 2008, the rate of return for disclosure purposes was changed to 8.75 percent. Prior year's information is based on a rate of 9.00 percent as defined in the terms of the bargaining agreement.

[b] Effective January 1, 2007, retiree healthcare assets have been marked to the market value of the retiree healthcare account, and are disclosed under GASB No. 43. Previously, retiree healthcare assets disclosed under GASB No. 25 were allocated in proportion to actuarial accrued liabilities. Note that the increase in funded ratio is predominantly due to this change and without this change the funded ratio would have declined.

The information presented has been reviewed by the Plan's auditor. Please let us know if there are any items that change so that we may maintain consistency with the Plan's financial statements.

GASB STATEMENT NO. 25

Schedule of Employer Contributions
(Pension Only)

In Accordance with Statement No. 25 of the
Governmental Accounting Standards Board
($ in Thousands)

Year Ended 31-Dec	Authority Contribution (a)	Employee Contribution (b)	Total Contribution (a+b)	Annual Required Contribution (c)	Percentage Contributed ([a+b]/c)
2007	25,038	12,549	37,587	198,457	18.9%
2006	23,931	11,971	35,902	194,926	18.4%
2005	19,850	9,784	29,634	180,227	16.4%
2004	20,210	10,123	30,334	153,253	19.8%
2003	19,570	9,813	29,383	117,305	25.0%
2002	19,766	9,883	29,648	97,044	30.6%
2001	24,081	12,067	36,148	73,387	49.3%
2000	22,827	11,439	34,266	64,943	52.8%
1999	22,481	11,284	33,765	66,720	50.6%
1998	21,417	10,664	32,081	71,928	44.6%
1997	11,075	5,568	16,643	59,943	27.8%
1996	22,769	11,429	34,198	57,815	59.2%

The information presented has been reviewed by the Plan's auditor. Please let us know if there are any items that change so that we may maintain consistency with the Plan's financial statements.

GASB STATEMENT NO. 43

Schedule of Funding Progress
(Healthcare Only)

In Accordance with Statement No. 43 of the Governmental Accounting Standards Board ($ in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
01/01/2008	$45,373	$68,826	$23,453	65.9%	$578,163	4.1%
01/01/2007	$58,856	$1,765,884	$1,707,028	3.3%	$562,567	303.4%

PA 95-708, effective January 18, 2008, requires the bifurcation of the Retiree Healthcare Plan from the Pension Plan no later than January 1, 2009. The liability disclosed as of January 1, 2008, reflects the estimated cash flow for fiscal year 2008 only.

The information presented has been reviewed by the Plan's auditor. Please let us know if there are any items that change so that we may maintain consistency with the Plan's financial statements.

GASB STATEMENT NO. 43

Schedule of Employer Contributions
(Healthcare Only)

In Accordance with Statement No. 43 of the Governmental Accounting Standards Board ($ in Thousands)

Year Ended 31-Dec		Authority Contribution (a)	Employee Contribution (b)	Total Contribution (a+b)	Annual Required Contribution (c)	Percentage Contributed ([a+b]/c)
2007	[a]	8,731	4,376	13,107	163,385	8.0%
2006	[b]	11,739	5,872	17,611	95,622	18.4%

[b] Based on results as of 12/31/2006 with a 5% return assumption.

[b] Based on results as of 12/31/2005 with a 9% return assumption.

The information presented has been reviewed by the Plan's auditor. Please let us know if there are any items that change so that we may maintain consistency with the Plan's financial statements.

GASB STATEMENT NOS. 25 & 43

Annual Required Contribution
For Fiscal Year Ending December 31, 2008

In Accordance with Statement Nos. 25 & 43 of the Governmental Accounting Standards Board ($ in Thousands)

Fiscal Year 2008	GASB 25 Pension	GASB 43 Healthcare	Total
Assumptions and Methods			
Interest Rate	8.75%	5.00%	N/A
Amortization Period (years)	30	1	30
Amortization Method	Level Dollar	Level Dollar	Level Dollar
Cost Method	PUC	PUC	PUC
Basic Results			
Normal Cost	$ 58,639	$ -	$ 58,639
Actuarial Accrued Liability	2,531,440	68,826 [1]	2,600,266
Actuarial Value of Assets	941,864	45,373	987,237
Unfunded Actuarial Liability	$ 1,589,576	$ 23,453	$ 1,613,029
Annual Required Contribution (ARC)			
Normal Cost	$ 58,639	$ -	$ 58,639
Amortization of Unfunded Actuarial Liability	139,131	23,453 [2]	162,584
Interest Adjustment	8,900	586	9,486
Total ARC	$ 206,670	$ 24,039	$ 230,709

[1] Reflects one year of expected cash flow. After December 31, 2008, retiree healthcare benefits are no longer to be paid from the Retirement Plan.

[2] Unfunded actuarial liability for retiree healthcare benefits amortized over a one-year period.

GASB STATEMENT NO. 25 REQUIRED SUPPLEMENTARY INFORMATION

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

Valuation Date:	January 1, 2008
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar
Remaining Amortization Period for Unfunded Accrued Liabilities	30 Years
Asset Valuation Method	5-Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	8.75%
Projected Salary Increases	5.25%

Membership of the plan consisted of the following at January 1, 2008, the date of the latest actuarial valuation:

Retirees, disabled and beneficiaries receiving benefits	9,215
Terminated plan members entitled to but not yet receiving benefits	47
Active plan members	9,635
Total	18,897

GASB Statement No. 43 Required Supplementary Information

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

Valuation Date:	January 1, 2008
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar
Remaining Amortization Period for Unfunded Accrued Liabilities	1 Year
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	5.0%
Projected Salary Increases	NA
Initial Trend Medical	10.0%
Initial Trend Rx	12.0%
Increment Medical and Rx	NA
Ultimate Trend Medical and Rx	NA

In accordance with PA 95-708, the plan will pay retiree healthcare benefits through fiscal year end December 31, 2008. Our liabilities represent the projected cash flow for 2008.

Membership of the plan consisted of the following at January 1, 2008, the date of the latest actuarial valuation:

Retirees, disabled and beneficiaries receiving benefits	9,215
Terminated plan members entitled to but not yet receiving benefits	NA
Active plan members	NA
Total	9,215

SECTION IV

ACTUARIAL ASSUMPTIONS AND METHODS

Actuarial Assumptions and Methods used in the Valuation as of January 1, 2008

1. **Rate of Covered Pay:** The rate of covered pay for participants has been estimated at $609,961,695 for 2008. The following adjustments were made to the actual covered earnings for 2007 supplied by the Authority:

   - No earnings or a fractional year of earnings were submitted for employees with a work status date in 2007 who were hired during 2006. We have annualized the 2007 earnings as a participant and assumed minimum earnings of $25,000 per year for this group.
   - For employees on layoff, extended leave of absence, or on inactive status, we have assumed minimum earnings of $25,000 per year.
   - For employees whose 2007 earnings were less than $20,000, we have assumed an annual rate of $25,000 per year.
   - These estimates will increase by 5.25% per year in future valuations.
   - For all employees, 2007 earnings were increased by 5.25% to estimate the rate of pay for 2008.

2. **Retiree Benefits:** The benefit amounts received for retirees were compared to information received from the Authority for the prior valuation.

3. **Actuarial Cost Method:** The normal cost and actuarial liability were determined using the Projected Unit Credit cost method. The normal cost for each individual active member equals the portion of the actuarial present value of projected benefits allocated to service earned during the current year. The actuarial accrued liability for each individual active member equals the portion of the actuarial present value of projected benefits allocated to service earned during prior plan years. The actuarial accrued liability for retired and inactive members equals the present value of benefits.

4. **Asset Valuation Method:** Under the Plan's asset valuation method, assumed investment return is recognized fully each year. The differences between actual and assumed investment return are phased in over a five-year period with 20 percent of the difference between expected and actual return recognized each year. In any year the actuarial value of assets may be higher or lower than the market value of assets, but if the assumed return is earned for four years, the two will be equal. For GASB purposes, OPEB assets are marked to the market value of the retiree healthcare account while the pension assets are the difference between the total AVA and the OPEB assets.

5. **Amortization Method:** Unfunded liabilities are funded as a level dollar. For GASB purposes, a 30-year period is used for the pension liability.

6. **Mortality:**

   (a) *Retirees & Survivors*—According to the 1994 Group Annuity Mortality Table for males and females.

   (b) *Disabled Employees*—According to a blend of 50% of the 1974 Railroad Retirement Board Totally Disabled Annuitants Mortality Table (Ultimate) and 50% of the 1994 Group Annuity Mortality Table for males and females.

7. **Interest on the Fund for GASB Nos. 25 and 43 Purposes:** 8.75% per annum, compounded annually, for pension benefits and 5% per annum, compounded annually, for healthcare benefits.

8. **Withdrawals from Service:** According to the following table as shown for illustrative ages:

Age	Rate of Termination for Reasons Other than Death or Disability
22	.0625
27	.0500
32	.0375
37	.0281
42	.0188
47	.0125
52	.0094
55 & Older	–

If service is 25 or greater, no withdrawal is assumed.

9. **Disability Allowance:** According to the following table as shown for illustrative ages:

Age	Rate of Disability
22	.0020
27	.0020
32	.0020
37	.0040
42	.0060
47	.0075
52	.0100
57	.0135
62	.0175
65 & Older	-

If service is 25 or greater, no disability is assumed.

10. Compensation Increases: 5.25% per annum, compounded annually, assumed beginning of year.

11. Service Retirements:

Age	Pre 9/5/2001 Hires Probability of Retirement [1,2]		Hired 9/5/01-1/18/08 Probability of Retirement [1,2]		Post 1/18/08 Hires Probability of Retirement [1,2]	
	Service < 25	Service >25	Service < 25	Service >25	Service < 25	Service >25
55–56	1.50%	15.00%	1.50%	15.00%	1.50%	1.50%
57-59	2.00%	15.00%	2.00%	15.00%	2.00%	2.00%
60	2.50%	20.00%	2.50%	20.00%	2.50%	2.50%
61	4.00%	20.00%	4.00%	20.00%	4.00%	4.00%
62	20.00%	55.00%	20.00%	55.00%	20.00%	20.00%
63	15.00%	40.00%	15.00%	40.00%	15.00%	15.00%
64	15.00%	40.00%	15.00%	40.00%	15.00%	60.00%
65	60.00%	75.00%	60.00%	75.00%	60.00%	40.00%
66-69	25.00%	33.30%	25.00%	33.30%	25.00%	25.00%
70	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

[1] Rates apply only for members with greater than 10 years of service. Members with less than 10 years of service are assumed to defer retirement until eligible for retiree healthcare benefits. For all ages 55 and above, 10% is added to the rate at 10 years of service.

[2] For ages under 65, the above rates are multiplied by 75% if service is between 22 and 23 years, 50% if service is between 23 and 24 years, and 25% if service is between 24 and 25 years.

12. Spouse Data: 75% of employees eligible at retirement are assumed to be married, 50% of those married are assumed to elect a spouse option (Option A–50%) and the average equivalency factor to convert their accrued pension to a spouse option (Option A–50%) is assumed to be 85%. A wife is assumed to be 3 years younger than her husband. The valuation assumes 50% of all married retirees will elect healthcare coverage for their dependents. Actual dependent coverage data was used for participants retired as of the valuation date.

13. Asset Valuation: The actuarial value is determined by adjusting the market value of assets to reflect the investment gains and losses (the difference between the actual investment return and the expected investment return) during each of the last 5 years at the rate of 20% per year.

14. Retiree Healthcare Benefits: We have assumed that the Plan will pay for retiree healthcare benefits through fiscal year 2008.

15. Miscellaneous and technical assumptions:

Pay Increase Timing:	Beginning of (Fiscal) year. This is equivalent to assuming that reported pays represent amounts paid to members during the year ended on the valuation date.
Decrement Timing:	Decrements of all types are assumed to occur mid-year.
Eligibility Testing:	Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
Benefit Service:	Exact fractional service is used to determine the amount of benefit payable.
Decrement Relativity:	Decrement rates are used directly based on assumptions, without adjustment for multiple decrement table effects.
Decrement Operation:	Disability and turnover do not operate after 25 years of service.

SECTION V

Summary of Principal Plan Provisions Recognized in the Valuation

Summary of Principal Plan Provisions upon which the Actuarial Valuation as of January 1, 2008 has been Based

Eligibility—All non-temporary employees of the Chicago Transit Authority are included in the Plan after completing 12 months of continuous service unless specifically excluded by the terms of a collective bargaining agreement. Exempt non-vested employees may opt out of the plan. Chicago Transit Authority Board members are not included.

Contributions—The Chicago Transit Authority will contribute a percent of compensation for all participating employees and each participating employee will contribute a percent of his compensation to the Plan according to the following schedule:

	Contribution Percentage	
Dates	**Authority**	**Employees**
July 1, 1997, until January 18, 2008	6%	3%
January 18 and thereafter	12%	6%

For years through 2040, the amount paid by the Authority with respect to debt service on bonds issued for contribution to the Retirement Plan shall be treated as a credit against the amount of required contribution up to an amount not to exceed six percent of compensation paid by the Authority in the following year.

Minimum contributions as set forth on page 29 of this report may also apply.

Normal Retirement—The normal retirement age is 65. The annual normal retirement pension is equal to the greater of (a) or (b) below, but not greater than 70.0% of the employee's average annual compensation:

(a) 1% of the employee's past service compensation as of May 31, 1948, for each full year of continuous service prior to June 1, 1949, plus 1-2/3% of the employee's compensation for continuous service after June 1, 1949.

(b) 1% of the employee's average annual compensation for each full year of continuous service prior to June 1, 1949, plus 2.15%[a] of average annual compensation for each year (and fraction to completed calendar months) of continuous service after June 1, 1949.

[a] Under the terms of P.A. 95-0708, the benefit multiplier for service after June 1, 1949, increases from 1.85% to 2.00% for employees retiring from January 1, 2000, to December 31, 2000, and to 2.15% for employees retiring on and after January 1, 2001. The multiplier for employees retiring before January 1, 2000 remained at 1.85%.

Average annual compensation is equal to the highest average compensation over any four calendar years out of the final 10 calendar years prior to normal retirement (or actual retirement, if later). If an employee has at least 20 years of service, his minimum annual pension is $2,220.

Summary of Principal Plan Provisions upon which the Actuarial Valuation as of January 1, 2008 has been Based (Cont'd)

Early Retirement —

Employees hired before January 18, 2008: An employee may retire early after attaining age 55 and completing at least three years of continuous service, or after completion of 25 years of continuous service. The early retirement pension is equal to the accrued normal retirement pension based on compensation and service at early retirement, reduced by 5% for each year or fraction younger than age 65. The 5% per year reduction is not applied if the employee has at least 25 years of service. Employees hired after September 5, 2001 may retire early with unreduced benefits after attaining age 55 and completing at least 25 years of service.

Employees hired on and after January 18, 2008: An employee may retire with unreduced benefits upon attainment of age 64 with 25 years of service. An employee may retire with a benefit reduced as described above upon attainment of age 55 with 10 years of continuous service.

Disability Allowance— An employee is eligible for a disability allowance if he becomes disabled after completing 10 years of service, or if his disability after completing five years of service is covered under the Workmen's Compensation Act. An employee is disabled if he either (a) is totally and permanently disabled or (b) is unable to return to work after receiving 26 weeks of benefits under the Authority's Group Accident and Sickness Insurance or from the Authority under the Workmen's Compensation Act. An employee is subject to a 26 week waiting period before disability allowance benefits are provided. The disability allowance is equal to the normal retirement pension based on compensation and service at disability subject to a minimum annual pension of $4,800.

Death Benefits—If an employee dies prior to retirement or disability and after one year of service, his contributions, accumulated with interest, are paid to his beneficiary. "Interest" is equal to the rate of interest earned by the Fund (to a maximum of 2%) prior to January 1, 1971, 1/2 of the rate of interest earned by the Fund (to a maximum of 3%) between January 1, 1971, and January 1, 1980, and 3% after December 31, 1979. If an employee dies after 90 days of service but prior to one year of service, his contributions, without interest, are paid to his beneficiary; and if he dies prior to 90 days of service, his contributions are not refunded.

If an employee is eligible for early retirement, he is automatically covered by a surviving spouse benefit, payable upon his death prior to retirement, in lieu of a return of his contributions. The spouse benefit is equal to 1/2 of the pension which would have been payable to the employee if he had retired on the first day of the month of his death and had elected an optional form of pension providing 1/2 of his reduced pension to his surviving spouse. Employees may elect not to be covered by this option and provide for the payment of their contributions with interest to their beneficiary in lieu thereof.

If an employee dies after his retirement pension has commenced, his beneficiary receives the excess, if any, of his contributions, accumulated with interest to his retirement date, over the sum of the pension payments made to him. However, if his surviving spouse is entitled to a pension after his death, such excess will not be paid to his beneficiary. At the death of the surviving spouse, the excess, if any, of the contributions accumulated with interest to his retirement date over the sum of the pension payments made to him and his surviving spouse will be paid.

Summary of Principal Plan Provisions upon which the Actuarial Valuation as of January 1, 2008 has been Based (Cont'd)

A retired employee's beneficiary will receive a death benefit equal to the amount from the following schedule according to the employee's age and service at retirement:

Age	Service	Age + Service	Death Benefit
65	20	N/A	$8,000
60	N/A	90	8,000
N/A	25	N/A	8,000
N/A	N/A	94	8,000
60-64	20	N/A	6,000
55-59	20	N/A	5,000
All Others			2,000

Termination Benefits—If an employee terminates his employment prior to eligibility for retirement or disability and after completing one year of service, he receives a refund of his contributions, plus interest (3% after December 31, 1979). If he terminates after 90 days but prior to one year, he receives his contributions, without interest, and if he terminates less than 90 days after hire, he receives no refund. If an employee has completed 10 years of continuous service and elects to leave his contributions in the Plan, he remains entitled to his normal retirement pension beginning at age 65 but based on his compensation and service at termination.

Optional Benefit Forms—In lieu of a normal pension, an employee may elect an optional annuity of equivalent actuarial value providing payments of 1/2, 2/3, or all of his reduced pension to his spouse after his death (Option A).

Alternatively, an employee may elect an optional annuity of equivalent actuarial value providing payments of 1/2, 2/3, or all of his reduced pension to his spouse after his death with the further provision that his benefit will be restored to the full amount to him after the death of his spouse (Option B).

Retired Employees—Benefits for retired employees have been valued according to benefits in effect at time of retirement as modified by subsequent amendments. Such benefits are kept on records maintained by the Authority.

Voluntary Early Retirement Incentive Program—During 1997, the Plan was amended to offer enhanced retirement benefits to all employees who have at least 25 years of continuous service on or before December 31, 1999, and who have not retired prior to January 1, 1997. Those eligible on or before June 30, 1997, must elect to participate during the period March 1, 1997, to June 30, 1997. Employees eligible during the period July 1, 1997, to December 31, 1999, must elect to participate between July 1, 1997, and February 28, 1998. All eligible employees who elect to participate must retire no later than December 31, 1999. The benefit is determined based on a formula multiplier of 2.40% of average annual compensation with the benefit cap at 70.0% of such average annual compensation.

Summary of Principal Plan Provisions upon which the Actuarial Valuation as of January 1, 2008 has been Based (Cont'd)

Ad hoc increases in retiree benefits—As part of the Arbitration Award ruling of November 13, 2003, the following ad hoc increases were given to retirees in payment status as of January 1, 2000:

- $75 per month for members retired before January 1, 1980
- $50 per month for members who retired on or after January 1, 1980, but before January 1, 1991
- $40 per month for members who retired on or after January 1, 1991, but before January 1, 2000

Contribution Requirements Under P.A. 95-0708

Beginning January 18, 2008, the Authority shall make contributions to the Retirement Plan in an amount equal to 12 percent of compensation and participating employees shall make contributions in an amount equal to six percent of compensation. For years through 2040, the amount paid by the Authority with respect to debt service on bonds issued for contribution to the Retirement Plan shall be treated as a credit against the amount of required contribution, up to an amount not to exceed six percent of compensation paid by the Authority in the following year.

If the funded ratio is projected to decline below 60 percent in any year before 2040 using reasonable actuarial assumptions and the projected unit credit funding method, the contribution shall be increased so that the funded ratio is not projected to drop below 60 percent. If the funded ratio actually drops below 60 percent in any year before 2040, the contribution shall be increased so that the funded ratio is projected to reach 60 percent within 10 years. The increase in contributions shall be effective as of the January 1 following the determination, or 30 days following the determination, whichever is later. One-third of the increase in contributions shall be paid by participating employees and two-thirds by the Authority.

Beginning in 2040, the minimum contribution for each fiscal year shall be redetermined each year as the amount required to bring the total assets of the Retirement Plan up to 90 percent of the total actuarial liabilities by the end of 2059, using the projected unit credit funding actuarial cost method and reasonable actuarial assumptions. Participating employees shall be responsible for one-third of the required contribution and the Authority shall be responsible for two-thirds of the required contribution.

Beginning in 2060, the minimum contribution for each year shall be an amount needed to maintain the total assets of the Retirement Plan at 90 percent of the total actuarial liabilities of the Plan and the contribution shall be funded on-third by participating employees and two-thirds by the Authority.

SECTION VI

PARTICIPANT DATA

Retired Employees at January 1, 2008

Schedule D

Attained Ages	Retirees No.	Retirees Annual Allowances	Disability No.	Disability Annual Allowances	Beneficiaries No.	Beneficiaries Annual Allowances	Totals No.	Totals Annual Allowances
<35	-	$ -	1	$ 9,206		$ -	1	$ 9,206
35-39	-	-	4	50,056	2	19,390	6	69,445
40-44	-	-	17	234,976	-	-	17	234,976
45-49	56	1,854,058	55	762,811	13	162,853	124	2,779,721
50-54	412	13,327,265	110	1,524,754	25	243,140	547	15,095,159
55-59	1,157	33,732,911	206	2,872,010	51	768,296	1,414	37,373,217
60-64	1,839	49,972,062	227	3,162,852	81	852,981	2,147	53,987,896
65-69	1,570	38,245,994	155	1,895,362	107	994,381	1,832	41,135,737
70-74	953	19,274,888	91	1,139,728	117	1,071,339	1,161	21,485,955
75-79	643	10,525,400	28	287,247	134	1,068,464	805	11,881,111
80-84	435	6,616,315	14	116,975	165	1,230,754	614	7,964,045
85-89	249	3,114,166	8	68,852	111	631,693	368	3,814,711
90-94	93	927,353	1	7,508	53	274,580	147	1,209,441
95-99	18	132,867	-	-	11	42,983	29	175,850
100-104	2	13,221	-	-	1	2,409	3	15,631
105+	-	-	-	-	-	-	-	-
Totals	**7,427**	**$177,736,500**	**917**	**$12,132,336**	**871**	**$7,363,264**	**9,215**	**$197,232,100**

Terminated Vested Data at January 1, 2008

Terminated, Vested Participants

	Terminated Vested	
Attained Ages	No.	Annual Allowances
<35	0	$ 0
35-39	1	15,592
40-44	4	59,173
45-49	10	169,163
50-54	12	182,616
55-59	10	131,597
60-64	10	114,799
65-69	0	0
70-74	0	0
75-79	0	0
Total	**47**	**$672,940**

Distribution of Active Employees at January 1, 2008 by Age and Length of Service

	Years of Service									
AGE	**Under 1 year**	**1 to 4**	**5 to 9**	**10 to 14**	**15 to 19**	**20 to 24**	**25 to 29**	**30 to 34**	**35 and over**	**Total**
Under 20	0	0	0	0	0	0	0	0	0	**0**
20 to 24	48	23	1	0	0	0	0	0	0	**72**
25 to 29	140	224	82	0	0	0	0	0	0	**446**
30 to 34	113	292	311	51	0	0	0	0	0	**767**
35 to 39	108	344	530	281	63	0	0	0	0	**1,326**
40 to 44	83	278	519	398	371	70	0	0	0	**1,719**
45 to 49	84	249	501	318	388	279	37	2	0	**1,858**
50 to 54	50	169	327	231	284	220	192	72	2	**1,547**
55 to 59	33	104	209	170	183	138	109	140	43	**1,129**
60 to 64	10	56	107	87	104	83	61	58	58	**624**
65 and over	1	7	32	24	30	15	16	8	14	**147**
Total Active	**670**	**1,746**	**2,619**	**1,560**	**1,423**	**805**	**415**	**280**	**117**	**9,635**

Number non-vested: 5,035
Number vested: 4,600