Regional Transportation Authority Pension Plan (A Pension Trust Fund of the Regional Transportation Authority)

Financial Report
Years Ended December 31, 2009 and 2008

Regional Transportation Authority
Pension Plan

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McGladrey & Pullen
Certified Public Accountants

Independent Auditor's Report

To the Plan Administrator, the Trustees, and Retirement
Committee of the Regional Transportation Authority
Pension Plan, and the Board of Directors of the
Regional Transportation Authority
Chicago, Illinois

We have audited the accompanying financial statements of the Regional Transportation Authority Pension Plan ("Plan"), a pension trust fund of the Regional Transportation Authority ("RTA"), as of and for the years ended December 31, 2009 and 2008, as listed in the table of contents. 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Plan and do not purport to, and do not, present fairly the financial position of the Regional Transportation Authority, as of December 31, 2009 and 2008, or the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plan of the Regional Transportation Authority, as of December 31, 2009 and 2008, and the changes in the financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2 through 4 and the pension related information on pages 14 through 16 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements of the Plan. The schedule of return on assets listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on it.

McGladrey & Pullen, LLP

Schaumburg, Illinois
June 29, 2010

Management's Discussion and Analysis

This section provides an overview and analysis of the basic financial statements of the Regional Transportation Authority ("RTA") Pension Plan ("Plan") for the year ended December 31, 2009. We encourage readers to consider information in the financial statements and required supplementary information that follow this document.

Overview and Analysis of the Financial Statements

The RTA Pension Plan annual financial report consists of four parts – the independent auditor's report; management's discussion and analysis (this section); the financial statements, including notes to financial statements; and the required supplementary information. The basic financial statements of the Plan are the Statement of Plan Net Assets and the Statement of Changes in Plan Net Assets. These statements provide information about the nature and amount of investments available to pay the pension benefits of the Plan. The Statement of Changes in Plan Net Assets accounts for all additions to and deductions from the net assets held in trust for pension benefits. This statement measures the success of the Plan in increasing the net assets available for pension benefits during the year.

2009

The Statement of Plan Net Assets and Statement of Changes in Plan Net Assets measure the value of plan net assets and the changes to them. As of December 31, 2009, the plan net assets increased to $119.9 million. The increase in net assets of $22.4 million resulted primarily from investment gain of $21.1 million and employer contributions of $10.8 million offset by benefits paid of $9.1 million and administrative expenses of $403 thousand. Employer contributions were recorded as receivables at December 31, 2009 and are required to be paid in 2010.

2008

The Statement of Plan Net Assets and Statement of Changes in Plan Net Assets measure the value of plan net assets and the changes to them. As of December 31, 2008, the plan net assets decreased to $97.5 million. The decrease in net assets of $26.1 million resulted primarily from investment loss of $25.7 million, benefits paid of $9.2 million and administrative expenses of $336 thousand, offset by addition of employer contributions of $9.2 million. Employer contributions were recorded as receivables at December 31, 2008 and are required to be paid in 2009.

Management's Discussion and Analysis

Plan Net Assets — The following table summarizes the Plan's Statement of Net Assets:

	2009	2008	2007
Assets			
Cash and investments	$ 109,210,234	$ 88,350,999	$ 114,469,433
Contribution receivables	10,827,000	9,195,000	9,137,000
Other receivables	14,713	20,005	21,229
Total assets	120,051,947	97,566,004	123,627,662
Liabilities			
Accrued expenses	133,819	95,318	114,111
Plan net assets held in trust for pension benefits	$ 119,918,128	$ 97,470,686	$ 123,513,551

2009

In 2009, the plan net assets increased by 23% ($22.4 million). The increase is due to investment gains of $21.1 million and employer contributions of $10.8 million, offset by benefit payments and administrative expenses of $9.5 million.

2008

In 2008, the plan net assets decreased by 21% ($26.0 million). The decrease is due to investment losses of $25.7 million and benefit payments and administrative expenses of $9.5 million, offset by employer contributions of $9.2 million.

Changes in Plan Net Assets — The following table summarizes the Plan's Statement of Changes in Plan Net Assets:

Summary of Changes in Plan Net Assets
December 31, 2009, 2008 and 2007

	2009	2008	2007
Additions:			
Employer contributions	$ 10,827,000	$ 9,195,000	$ 9,137,000
Net investment gains (losses)	21,105,120	(25,717,293)	5,374,079
Total net additions	31,932,120	(16,522,293)	14,511,079
Deductions:			
Benefit payments	9,080,871	9,184,416	7,134,465
Administrative expenses	403,807	336,156	298,134
Total deductions	9,484,678	9,520,572	7,432,599
Net increase (decrease) in plan net assets held in trust for pension benefits	$ 22,447,442	$ (26,042,865)	$ 7,078,480

Return on investments provides additional funds to pay benefits. In 2009, the Plan incurred a gain of $21.1 million, compared to a loss of $25.7 million in 2008. In 2009, the net investment income increased by $46.8 million from 2008. The increase in investment income in 2009 was due primarily to the increase in the net appreciation in fair value of plan investments from market conditions.

Return on investments provides additional funds to pay benefits. In 2008, the Plan incurred a loss of $25.7 million, compared to a gain of $5.4 million in 2007. In 2008, the net investment income decreased by $31.1 million from 2007. The decrease in investment income in 2008 was due primarily to the decrease in the net appreciation in fair value of plan investments from market conditions.

CONTACTING THE FINANCIAL MANAGEMENT OF THE RTA PENSION PLAN

This financial report provides a general overview of the finances of the Regional Transportation Authority Pension Plan. Users of this report should address questions concerning the information contained herein, or requests for additional financial information, to the Regional Transportation Authority, 175 West Jackson Blvd., Suite 1550, Chicago, Illinois 60604.

Regional Transportation Authority
Pension Plan

Statements of Plan Net Assets
December 31, 2009 and 2008

	2009	2008
Assets		
Cash and cash equivalents	$ 3,063,300	$ 2,893,655
Investments, at fair value		
Corporate fixed income mutual fund	37,832,156	36,074,915
Equity mutual funds	47,131,996	33,353,541
Common stocks	21,182,781	16,028,888
Total investments	106,146,934	85,457,344
Receivables		
Accrued interest	125	9,195
Accrued dividends	14,188	10,810
Due from RTA	400	-
Pension contribution - Metra	5,652,000	4,733,557
Pension contribution - Pace	4,038,000	3,466,041
Pension contribution - RTA	1,137,000	995,402
Total receivables	10,841,713	9,215,005
Total assets	120,051,947	97,566,004
Liabilities		
Due to RTA	-	19,300
Accrued expenses	133,819	76,018
Total liabilities	133,819	95,318
Plan net assets held in trust for pension benefits	$ 119,918,128	$ 97,470,686

See Notes to Financial Statements.

Regional Transportation Authority
Pension Plan

Statements of Changes in Plan Net Assets
Years Ended December 31, 2009 and 2008

		2009		2008
Additions:				
Investment gain				
Net appreciation (depreciation) in fair value of investments	$	19,263,575	$	(27,805,406)
Interest and dividends		2,208,450		2,425,641
Total investment return		21,472,025		(25,379,765)
Less investment expenses				
Investment managers		255,494		239,336
Trust fees		33,411		44,192
Investment advisor		78,000		54,000
Total investment expenses		366,905		337,528
Net investment gain (loss)		21,105,120		(25,717,293)
Contributions:				
METRA pension contributions		5,652,000		4,733,557
PACE pension contributions		4,038,000		3,466,041
RTA pension contributions		1,137,000		995,402
Total contributions		10,827,000		9,195,000
Total net additions		31,932,120		(16,522,293)
Deductions:				
Benefit payments		9,080,871		9,184,416
Administrative expenses		403,807		336,156
Total deductions		9,484,678		9,520,572
Net increase (decrease) in plan net assets held in trust for pension benefits		22,447,442		(26,042,865)
Plan net assets held in trust for pension benefits				
Beginning of year		97,470,686		123,513,551
End of year	$	119,918,128	$	97,470,686

See Notes to Financial Statements.

Note 1. Description of the Plan

The following description of the Regional Transportation Authority ("RTA") Pension Plan ("Plan") provides only general information. Participants should refer to the plan agreement for a more complete description of the Plan's provisions.

General—The Plan, which became effective July 1, 1976, is a multiple-employer, defined benefit pension plan. The Plan covers substantially all employees of the RTA and its Commuter Rail and Suburban Bus Divisions (Metra and Pace, respectively), collectively referred to hereinafter as the Employer, who are not otherwise covered by a union pension plan. The responsibilities for administering the Plan are divided among a Board of Trustees, a Retirement Committee, a Plan Administrator, and the RTA Board of Directors ("RTA Board").

The Plan is a pension trust fund of the RTA and has no component units.

The Plan is classified as a "governmental plan" and is, therefore, exempt from the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

Participation—Employees are eligible for participation on the first day of the month coinciding with or next following their date of employment. At January 1, 2009, the number of participants was:

Participants:	
Retirees, disabled participants and beneficiaries of deceased retirees, currently receiving benefits	390
Terminated employees entitled to but not yet receiving benefits	443
Current employees:	
Vested	733
Nonvested	285
Total	1,851

Pension Benefits— Participants are entitled to annual pension benefits upon normal retirement at age 65, generally a percentage of the average annual compensation in the highest three years of service, whether consecutive or not, multiplied by the number of years of credited service.

The Plan provides that, upon retirement, benefits will be reduced by a defined percentage for participants who received credit for prior service with an eligible employer.

The Plan permits early retirement with reduced benefits at age 55 after completing ten years of credited service. As a result of the August 1, 1999 amendment to the Plan, participants may receive their full vested benefits if they are at least 55 years of age and their combined age at retirement and credited years of service equals eighty-five or higher (known as "Rule of Eighty Five Early Retirement").

Note 1. Description of the Plan (Continued)

The Plan provides for benefit payments to beneficiaries subject to the election of the participant.

Disability Benefits—An employee is eligible for a disability pension if he or she becomes disabled after the completion of ten years of credited service, and is no longer receiving long-term disability benefits under a separate RTA benefit plan, or after reaching age 65, whichever is later.

Contributions and Vesting—The Plan is funded solely by employer contributions, which are actuarially determined under the projected unit credit method.

For the purpose of determining contributions, the Plan uses an asset smoothing method which smoothes asset gains and losses over a 5-year period. The minimum contribution is the sum of the normal cost and the 30-year amortization of the unfunded liability.

As of December 31, 2009, $10,827,000 had not been funded and was reported as contribution receivable in the Statement of Plan Net Assets. The 2009 contribution level was within the actuarially determined range.

Significant actuarial assumptions used to compute contribution requirements are the same as those used to determine the actuarial accrued liability presented in the note to the Required Supplementary Information.

If participants terminate continuous service before rendering five years (ten years prior to January 1, 1987) of credited service, they forfeit the right to receive the portion of their accumulated benefits attributable to employer contributions. All forfeitures are applied to reduce the amount of contributions otherwise payable by the employer.

Annual Pension Cost—For 2009, annual pension cost of $10,827,000 for the Plan was equal to required and actual contributions.

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/09	$ 10,827,000 (1)	N/A	$ -
12/31/08	9,195,000	100%	-
12/31/07	9,137,000	100%	-

(1) Contributions for the plan year ended December 31, 2009 will be paid in 2010.

Note 1. Description of the Plan (Continued)

The required contribution was determined as part of the December 31, 2008 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions at December 31, 2008 included (a) 8.5 percent investment rate of return (net of administrative and direct investment expenses) and, (b) projected salary increases ranging from 3.5% to 7.5% per year depending on age and service, attributable to seniority/merit. The actuarial value of plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor between the actuarial and market value of assets. The Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2009 was 30 years.

Funded Status and Funding Progress—As of December 31, 2009, the most recent actuarial valuation date, the Plan was 69.17 percent funded. The actuarial accrued liability for benefits was $153,284,576 and the actuarial value of assets was $106,021,198, resulting in an underfunded actuarial accrued liability (UAAL) of ($47,263,378). The covered payroll (annual payroll of active employees covered by the Plan) was $66,010,613 and the ratio of the UAAL to the covered payroll was 71.60 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Related-Party Transactions—There were no securities of the RTA, Metra, Pace or related parties included in the Plan's assets.

Subsequent events—The Authority has evaluated subsequent events for potential recognition and/or disclosure through June 29, 2010, the date the financial statements were available to be issued.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation—The accompanying financial statements have been prepared on the accrual basis in conformity with accounting principles generally accepted in the United States of America.

Cash Equivalents—Cash equivalents consist of money market accounts with original maturities of three months or less.

Investments—Investments are stated at fair value. The fair value of equity securities and mutual fund units traded on national securities exchanges is the last reported sales price on the last business day of the fiscal year of the Plan. U.S. Government and U.S. Government agency securities are valued at the latest bid price.

Purchases and sales of securities are accounted for on the trade dates. For purposes of determining realized gains or losses on the disposal of investments, the average cost of investments sold, determined at the time of sale, is used.

Administrative Expenses—The RTA provides the Plan with certain administrative services, such as accounting and office facilities, at no cost to the Plan. Further detail relative to the Plan's administrative expenses is provided in Note 5.

Note 2. Summary of Significant Accounting Policies (Continued)

Income Tax Status—The Internal Revenue Service has issued a letter of determination dated June 18, 2003, stating that the Plan was designed in compliance with Section 401(a) of the Internal Revenue Code ("Code"). The Plan has been amended since receiving the determination letter; however the Plan Administrator believes the Plan is currently designed and operated in compliance with the applicable requirements of the Code and is therefore exempt from federal income taxes under the provisions of Section 501(a) of the Code.

Management's Use of Estimates— The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of Plan assets available for benefits and the actuarial present value of accumulated plan benefits as of the date of the financial statements. Actual results could differ from those estimates. The Plan uses an actuary to determine the actuarial present value of accumulated plan benefits. A change in the actuarial assumptions used could significantly change the amount of the actuarial present value of accumulated plan benefits reported in the accompanying financial statements.

Note 3. Investments

Risk Posture - The RTA evaluated the assets and liabilities of the Pension Plan in order to determine an asset allocation that provides a high likelihood of achieving the responsibilities noted above. The obligations of current and future beneficiaries were evaluated under various market scenarios to develop an allocation that can be expected to generate a solid rate of return without incurring undue risk. In general, the risk posture of the Pension Plan is such that the portfolio is structured to maintain funding requirements and modestly grow assets through a low to moderate level of risk.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the RTA's pension deposits may not be returned to it. The RTA's Pension Plan policy does not explicitly indicate custodial credit risk. As of December 31, 2009 and 2008, none of the Plan's cash and investments was at risk.

Interest Rate Risk — Per the RTA's Pension Plan investment policy, the duration of the fixed income portfolio should be within 20% of the duration of the benchmark index.

Note 3. Investments (Continued)

As of December 31, 2009, the RTA's pension investments were as follows:

Investment Type	Fair Value	Weighted Average Maturity (Months)
Corporate fixed income mutual fund	$ 37,832,156	81
Money market fund	3,063,300	1
Total fair value	$ 40,895,456	
Portfolio weighted average maturity		75

As of December 31, 2008, the RTA's pension investments were as follows:

Investment Type	Fair Value	Weighted Average Maturity (Months)
Corporate fixed income mutual fund	$ 36,074,915	67
Money market fund	2,893,655	1
Total fair value	$ 38,968,570	
Portfolio weighted average maturity		62

Credit Risk — The RTA's pension policy for credit risk states at least 85% of the fixed income investments should be limited to securities with ratings of at least investment grade as defined by both Moody's and Standard & Poor's. Split rated bonds are to be governed by the lower rating. Unrated securities of the U.S. Treasury and government agencies are a permissible investment. No more than 15% of the portfolio may be invested in investment-grade securities of foreign entities domiciled in countries included in the Salomon Brothers World Government Bond Index.

Note 3. Investments (Continued)

As of December 31, 2009, the credit ratings for RTA pension investments were as follows:

			Credit Rating (where available)		
Investment Type		Total Fair Value	Moody's	Standard & Poor's	Fitch
Corporate fixed income mutual fund	$	37,832,156	Aa	Aa	*
Money market fund		3,063,300	Aa2	*	AA
Total	$	40,895,456			

* Not available

As of December 31, 2008, the credit ratings for RTA pension investments were as follows:

			Credit Rating (where available)		
Investment Type		Total Fair Value	Moody's	Standard & Poor's	Fitch
Corporate fixed income mutual fund	$	36,074,915	Aa	Aa	*
Money market fund		2,893,655	Aa1	*	AA+
Total	$	38,968,570			

* Not available

Note 3. Investments (Continued)

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The RTA's pension investment policy states that fixed income securities of a single issuer (excluding obligations of the United States Government and its agencies) should be limited to 5% of the fixed income portfolio, measured at market value. The RTA's pension policy states the asset allocation policy has been developed based on the objectives and characteristics of the pension liabilities, capital market expectations and asset-liability projections. This policy is long-term oriented and consistent with the risk posture. The pension fund did not have any investments in a single issuer which were greater than 5% of the total Plan's net assets.

Note 4. Plan Termination

While it is the intent to maintain the Plan permanently, in the event the Plan terminates, the rights of all participants affected by such termination and their beneficiaries become vested to the extent of the assets then remaining.

Note 5. Administrative Expenses

The Plan's administrative expenses for the years ended December 31, 2009 and 2008 consist of the following:

	2009	2008
Actuarial	$ 135,352	$ 133,855
Legal	76,150	27,050
Audit	20,150	19,300
Other	172,155	155,951
Total administrative expenses	$ 403,807	$ 336,156

REQUIRED SUPPLEMENTARY INFORMATION

Regional Transportation Authority
Pension Plan

Schedule of Funding Progress
Six Years Ended December 31, 2009

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Assets in Excess of AAL/ (AAL in Excess of Assets) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
				%		%
January 1, 2004	$ 87,998,878	$ 97,275,818	$ (9,276,940)	90.46	$ 54,983,472	16.9
January 1, 2005	90,334,371	105,976,209	(15,641,838)	85.24	56,417,461	27.7
January 1, 2006	94,697,937	124,521,129	(29,823,192)	76.05	58,883,678	50.6
January 1, 2007	102,523,735	133,905,851	(31,382,116)	76.56	61,357,214	51.1
January 1, 2008	114,031,540	146,417,404	(32,385,864)	77.88	61,364,198	52.8
January 1, 2009	106,021,198	153,284,576	(47,263,378)	69.17	66,010,613	71.6

Regional Transportation Authority
Pension Plan

Schedule of Employer Contributions
Six Years Ended December 31, 2009

Year Ended:	Annual Required Contribution		Percentage Contributed
2004	$ 6,022,000		100%
2005	6,800,000		100
2006	8,777,000		100
2007	9,137,000		100
2008	9,195,000		100
2009	10,827,000	(1)	100

(1) Contributions for the plan year ended December 31, 2009 will be paid in 2010.

Note to Required Supplementary Information
Years Ended December 31, 2009, 2008 and 2007

The actuarial assumptions presented in the required supplementary schedules were determined as part of the actuarial valuations at the dates indicated. Additional information relating to the actuarial valuations follows:

	January 1, 2009	January 1, 2008	January 1, 2007
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit
Amortization method	Straight-line, open	Straight-line, open	Straight-line, open
Remaining amortization period	30 years	30 years	30 years
Asset valuation method	Smoothed market value	Smoothed market value	Smoothed market value
Actuarial assumptions:			
Investment rate of return	8.5%	8.5%	8.5%
Projected salary increases:			
Inflation	*	*	4.0%
Merit	*	*	0.5%
Age graded scale	Range of 3.5% to 7.5% based on attained age.	Range of 3.5% to 7.5% based on attained age.	
Mortality	RP2000 White Collar Mortality Table applied separately for males and females projected to 2011.	RP2000 White Collar Mortality Table applied separately for males and females projected to 2011.	RP2000 White Collar Mortality Table applied separately for males and females projected to 2011.
Withdrawals from service	Termination rates range from 5.47% at age 20 to 0.49% at age 60 for females, and from 5.47% at age 20 to 0.39% at age 60 for males.	Termination rates range from 5.47% at age 20 to 0.49% at age 60 for females, and from 5.47% at age 20 to 0.39% at age 60 for males.	Termination rates range from 9.94% at age 20 to 0.15% at age 60 for females, and from 7.94% at age 20 to 0.09% at age 60 for males.

* The actuarial assumption changed from a flat rate to rates based on an age scale.

SUPPLEMENTARY INFORMATION

Regional Transportation Authority
Pension Plan

Schedule of Return on Assets (Unaudited)
Ten Years Ended December 31, 2009

Year Ended:	Average Total Assets	Annual Rate of Return
2009	$ 98,780,617	21.37 %
2008	101,410,216	(25.68)
2007	111,113,035	6.37
2006	100,988,509	14.61
2005	90,213,844	6.17
2004	83,639,854	11.03
2003	74,263,751	19.96
2002	71,975,307	(8.12)
2001	79,231,284	(1.42)
2000	84,344,978	(1.14)