July 2008

Regional Transportation Authority Pension Plan

Actuarial Valuation Report as of January 1, 2008

MERCER

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Contents

Section I: Report Highlights

Mercer has prepared this report exclusively for Regional Transportation Authority for the following purposes:

- Present the results of a valuation of the Regional Transportation Authority Pension Plan as of January 1, 2008
- Review experience under the plan for the year ended December 31, 2007
- Provide the plan sponsor with the acceptable range of contributions under the plan for the year ending December 31, 2008
- Provide the plan's accountants with information concerning the funded status of the plan

Contributions

	Plan Year Ending	
Contributions	**December 31, 2008**	**December 31, 2007**
Minimum required	$ 9,195,000	$ 9,137,000
10-year funding	11,117,000	11,000,000

In this report, we use the term "minimum required contribution." However, because the plan is not subject to ERISA, there really is no true minimum required contribution. According to the plan document, for each plan year during the continuance of the plan, the Regional Transportation Authority shall make a contribution at least equal to such amount or range of contributions as may be determined advisable by the Plan actuary to maintain the plan on a sound actuarial basis. Mercer recommends a contribution in the range equal to the Normal Cost plus a 30-year amortization of the Unfunded Accrued Liability and the Normal Cost plus a 10-year amortization of the unfunded Accrued Liability.

State of Illinois Statute 40 ILCS 5/22-103, paragraph (c) states that "employers shall contribute to the affected pension plan, in addition to all amounts otherwise required, amounts sufficient to bring the funding ratio of the affected pension plan to 90% in accordance with an amortization schedule adopted jointly by the contributing employers and the trustee of the affected pension plan." Starting in 2009, the amount required to fund the pension up to 90% will be amortized over a period of 50 years and subsequently reduced by one each year. As previously mentioned, the minimum of the range of contributions we determine requires 100% of the unfunded liability amortized over 30 years. Consequently, the minimum of the range of the contributions may need to be adjusted starting in 2029. We will address this matter in more detail in the January 1, 2009 valuation report.

The Pension Protection Act of 2006 (PPA) specifically exempts governmental plans so there is no requirement for the Regional Transportation Authority to follow its funding requirements. If the Regional Transportation Authority were to adopt a contribution policy according to the PPA, contributions would be significantly higher for a period of seven years. After this period, contributions would be slightly higher than the plan's normal cost.

The Regional Transportation Authority's Board of Trustees selected a contribution to the plan for the plan year ending December 31, 2007 in the amount of $9,137,000, which was the minimum required contribution. The total contribution is to be allocated to the three divisions based on 2006 plan earnings, resulting in a contribution of $4,814,200 for Metra, $3,322,884 for Pace, and $999,916 for the RTA.

Section I: Report Highlights *(continued)*

Plan Experience During Prior Plan Year

During 2007, the plan experienced a net actuarial gain of $214,598. This gain consisted of a $2,100,557 liability loss and a $2,315,155 asset gain. During 2007, the investment return based on the actuarial value of assets was 10.31% compared to an assumed 8.50% return.

Between January 1, 2007 and January 1, 2008, the number of active participants decreased from 997 to 966. During the same time period, the number of retirees and beneficiaries increased from 336 to 355 and the number of vested terminated participants increased from 428 to 449.

Changes in Plan Provisions

There were changes in plan provisions since the last actuarial valuation as of January 1, 2007. Please see the Summary of Plan Provisions in the Actuarial Basis section for a description of these changes.

Changes in Actuarial Assumptions

There were changes in actuarial assumptions since the last actuarial valuation as of January 1, 2007. Please see the Summary of Actuarial Assumptions in the Actuarial Basis section for a description of these changes.

Changes in Actuarial Methods

There were no changes in actuarial methods since the last actuarial valuation as of January 1, 2007.

Section II: Certification

Mercer has prepared this report exclusively for the Regional Transportation Authority for the following purposes:

- Present the results of a valuation of the Regional Transportation Authority Pension Plan as of January 1, 2008
- Review experience under the plan for the year ended December 31, 2007
- Provide the plan sponsor with the acceptable range of contributions under the plan for the year ending December 31, 2008
- Provide the plan's accountants with information concerning the funded status of the plan as required under FAS No. 35 and GASB No. 25

This valuation report may not be relied upon for any other purpose or by any party other than the Regional Transportation Authority. Mercer is not responsible for the consequences of any other use.

A valuation report is a snapshot of a plan's estimated financial condition at a particular point in time; it is neither a prediction of a pension plan's future financial condition nor a prediction of a pension plan's ability to pay benefits in the future.

Over time, a plan's total cost will depend on a number of factors, including the amount of benefits it pays, the number of people to whom it pays them, and the amount earned on any assets invested to pay the benefits. These amounts and others are uncertain and unknowable at the valuation date, but are predicted to fall within a reasonable range of possibilities. To prepare this report, *actuarial assumptions*, as described within, are used to select a single scenario from the range of possibilities. The results of that single scenario are included in this report. However, the future is uncertain and the plan's actual experience will differ from those assumptions; these differences may be significant or material. In addition, different assumptions or scenarios may also be within the reasonable range and results based on those assumptions would be different. Actuarial assumptions may also be changed from valuation to valuation based on experience, changes in expectations about the future, and other factors.

Because actual plan experience will differ from the assumptions, decisions about benefit changes, investment policy, funding amounts, benefit security and/or benefit related issues should be made only after careful consideration of alternative future financial conditions and scenarios, and not solely on the basis of a valuation report or reports.

Data

We used and relied upon financial data submitted by the trustee without further audit. We have also used and relied upon participant data supplied by the plan sponsor; this data would customarily not be verified by a plan's actuary. We have reviewed the participant data for internal consistency and reasonableness and have no reason to doubt its substantial accuracy. Finally, we have also used and relied upon the plan documents, including amendments, supplied by the plan sponsor. The plan sponsor is solely responsible for the validity and completeness of this information.

Contributions

In computing the acceptable range of contributions, all costs, liabilities, and other factors under the plan were determined in accordance with generally accepted actuarial principles and procedures. In our opinion, the actuarial assumptions are reasonable and represent our best estimate of the anticipated experience under the plan. This report fully and fairly discloses the actuarial position of the plan on an ongoing basis.

Although the plan is not currently required by law to qualify under Internal Revenue Service Requirements, the Authority's intention to date has been for the plan provisions to meet such requirements. The minimum

Section II: Certification *(continued)*

contribution was determined to be equal to the Normal Cost plus a 30-year amortization of the Unfunded Accrued Liability.

The plan requires benefits to be offset by benefits vested in prior employer's plans. As of the date the data were received from the Plan Administrator, all prior plan offsets had not been reported, since the amounts of such vested benefits were not available at that time. To the extent that such offsets would reduce anticipated retirement benefits under the Regional Transportation Authority Pension Plan, the liabilities and costs reflected in this valuation are overstated.

Professional Qualifications

We are available to answer any questions on the material contained in the report, or to provide explanations or further details as may be appropriate. The undersigned credentialed actuary meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report. We are not aware of any direct or material indirect financial interest or relationship, including investments or other services that could create a conflict-of-interest, that would impair the objectivity of our work.

Robert A. Behar

July 31, 2008

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The information contained in this document (including any attachments) is not intended by Mercer to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

Section III: Development of Contributions

Principal Valuation Results

	Actuarial Valuation as of	
	January 1, 2008	**January 1, 2007**
Actuarial accrued liability		
▪ Active participants	$ 83,987,605	$ 81,394,151
▪ Inactive participants with deferred benefits	16,601,583	11,085,125
▪ Inactive participants receiving benefits	45,828,216	41,426,575
▪ Actuarial accrued liability	146,417,404	133,905,851
Actuarial asset value	114,031,540	102,523,735
Actuarial accrued liability funded ratio	77.88%	76.56%
Unfunded actuarial accrued liability	$ 32,385,864	$ 31,382,116
Normal cost	4,896,359	4,930,048
Expense load	800,000	800,000
Asset (gain)/loss	(2,315,155)	131,805
Actuarial accrued liability (gain)/loss	2,100,557	(156,036)
Total actuarial (gain)/loss	$ (214,598)	$ (24,231)

Section III: Development of Contributions

Development of Contributions for 2008

The total annual cost is comprised of the Normal Cost, including expenses, plus a level annual amount required to amortize the unfunded liability. As a governmental plan, the plan is not required to comply with Internal Revenue Code Section 430. The contribution amounts shown below demonstrate the minimum contribution and the 10-year funding contribution. Amounts are rounded to thousands.

Development of Contribution	December 31, 2008	December 31, 2007
1. Normal Cost increased with interest for one year	$ 6,181,000	$ 6,217,000
2. Unfunded Liability	32,385,864	31,382,116
3. Amortization of the Unfunded Liability over 30 years payable at end of year	3,014,000	2,920,000
4. Amortization of the Unfunded Liability over 10 years payable at end of year	4,936,000	4,783,000
5. Minimum Contribution: *(1. + 3.)*	$ 9,195,000	$ 9,137,000
6. 10-Year Contribution: *(1. + 4.)*	$ 11,117,000	$ 11,000,000

Section III: Development of Contributions

Effects of Changes

The effect of changes in assumptions and plan provisions on funding results is described below.

	Method Changes	Assumption Changes	Plan Changes	Total
Effect on Principal Values				
Normal cost	$ 0	$ (42,283)	$ (112,415)	$ (154,698)
Unfunded actuarial accrued liability	0	3,036,216	(1,918,639)	1,117,577
Actuarial accrued liability	0	3,036,216	(1,918,639)	1,117,577
Effect on Contribution Alternatives				
Minimum required	$ 0	$ 237,000	$ (301,000)	$ (64,000)
10-year funding	0	417,000	(414,000)	3,000

Section IV: Plan Accounting Under FAS 35

Actuarial Present Value of Accumulated Plan Benefits

The actuarial present value of accumulated plan benefits presented below is solely for purposes of fulfilling plan accounting and reporting requirements and is consistent with our understanding of FAS 35. These calculations may differ significantly from calculations for other purposes, such as determining contributions for an ongoing plan, determining the cost of terminating the plan, and determining the employer's pension expense under FAS 87.

This determination calculates the actuarial present value of all benefits earned by current participants as of the valuation date using demographic assumptions and an assumed interest rate. Assumptions regarding future compensation and Social Security increases and accrual of future benefit service are not necessary for this purpose.

We reserve the right to review any materials in which the actuarial calculations shown below are reproduced and credited to Mercer.

Accumulated Plan Benefits	January 1, 2008	January 1, 2007
Vested benefits		
▪ Active participants	$ 62,092,689	$ 54,528,944
▪ Inactive participants with deferred benefits	16,601,583	11,085,125
▪ Inactive participants receiving benefits	45,828,216	41,426,575
Total vested benefits	124,522,488	107,040,644
Nonvested benefits	5,056,195	7,815,939
Total accumulated plan benefits	**$ 129,578,683**	**$ 114,856,583**
Assumed rate of interest	8.50%	8.50%
Market value of assets available for benefits	$ 114,469,433	$ 107,756,535
Accumulated benefits funded ratio	88.34%	93.82%

Statement of Changes in Accumulated Plan Benefits

Actuarial present value of accumulated plan benefits as of January 1, 2007	**$ 114,856,583**
Increase/(decrease) during year attributable to:	
▪ Benefits accumulated and (gains)/losses	8,167,426
▪ Increase for interest due to decrease in discount period	9,459,595
▪ Benefits paid	(7,134,465)
▪ Plan amendment	(1,421,848)
▪ Change in actuarial assumptions	5,651,392
Net increase/(decrease)	14,722,100
Actuarial present value of accumulated plan benefits as of January 1, 2008	**$ 129,578,683**

Section V: Plan Accounting Under GASB 25

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b – a)	(a/b)	(c)	((b – a)/c)
1/1/1996	$ 55,296,224	$ 39,789,865	$ (15,506,359)	138.97%	$ 40,254,018	(38.52)%
1/1/1997	63,588,437	43,892,601	(19,695,836)	144.87%	42,614,449	(46.22)%
1/1/1998	76,378,094	48,660,237	(27,717,857)	156.96%	44,390,082	(62.44)%
1/1/1999	81,946,867	51,662,195	(30,284,672)	158.62%	46,099,909	(65.69)%
1/1/2000	86,771,358	64,467,694	(22,303,664)	134.60%	48,566,176	(45.92)%
1/1/2001	81,992,860	71,286,653	(10,706,207)	115.02%	49,548,474	(21.61)%
1/1/2002	76,888,695	79,946,039	3,057,344	96.18%	50,855,571	6.01%
1/1/2003	80,974,751	87,815,116	6,840,365	92.21%	53,969,194	12.67%
1/1/2004	87,998,878	97,275,818	9,276,940	90.46%	54,983,472	16.87%
1/1/2005	90,334,371	105,976,209	15,641,838	85.24%	56,417,461	27.73%
1/1/2006	94,697,937	124,521,129	29,823,192	76.05%	58,883,678	50.65%
1/1/2007	102,523,735	133,905,851	31,382,116	76.56%	61,357,214	51.15%
1/1/2008	114,031,540	146,417,404	32,385,864	77.88%	61,364,198	52.78%

Schedule of Employer Contributions

Year Ended December 31	Annual Required Contribution	Percentage Contributed
1996	$ 0	N/A
1997	0	N/A
1998	0	N/A
1999	0	N/A
2000	0	N/A
2001	0	N/A
2002	4,954,000	100%
2003	5,432,000	100%
2004	6,022,000	100%
2005	6,800,000	100%
2006	8,777,000	100%
2007	9,137,000	N/A[1]

[1] *Contribution of $9,137,000 for the plan year ended December 31, 2007 will be paid during 2008.*

Section VI: Plan Assets

Summary of Funding Assets

Asset Category	Market Value as of December 31, 2007	Market Value as of December 31, 2006
1. Interest-bearing cash and equivalents	$ 9,762,847	$ 8,171,423
2. Corporate Fixed Income Mutual Fund	36,710,809	32,380,895
3. Equities, Equity Mutual Funds, and Convertible Securities	67,974,548	67,178,202
4. Receivables		
▪ Accrued Income	21,229	26,015
5. Net assets	**$ 114,469,433**	**$ 107,756,535**

Section VI: Plan Assets

Development of Actuarial Value of Assets

1. Expected Market Value of Assets		
a. Market Value of Assets at January 1, 2007	$	107,756,535
b. Interest to end of year on a.		9,159,305
c. Contributions made for plan year ending December 31, 2006		8,777,000
d. Interest to end of year on c.		6,813
e. Benefit payments		7,134,465
f. Expected expenses		800,000
g. Interest on benefit payments and expenses		371,215
h. Expected Market Value of Assets as of January 1, 2008		117,393,973
2. Actual Market Value of Assets as of January 1, 2008		114,469,433
3. Asset gain/(loss)		(2,924,540)

4. Actuarial Value of Assets	Annual Gain/(Loss)	% Unrecognized	Amount Unrecognized
a. 2004	$ 1,807,849	20%	$ 361,570
b. 2005	(2,201,618)	40%	(880,647)
c. 2006	5,494,337	60%	3,296,602
d. 2007	(2,924,540)	80%	(2,339,632)
e. Sum of Asset Gain/(Loss) not yet recognized			437,893
f. Preliminary Actuarial Asset Value at January 1, 2008 *(2. - 4.e.)*			114,031,540
g. 120% of Market Value at January 1, 2008			137,363,320
h. 80% of Market Value at January 1, 2008			91,575,546
i. Actuarial Asset Value at January 1, 2008 *(lesser of f. and g. but not less than h.)*			$ 114,031,540

Section VI: Plan Assets

Historical Experience of the Trust Fund

The experience of the trust fund assets as considered on the prior page may be more readily understood if such experience is expressed as an annual yield. The rate of return based on Actuarial Asset Value can be compared to the assumed valuation rate of 8.5%.* The rate of return based on market value experience is useful (over a period of years) for testing the results of the existing investment policy.

Plan Year Ending	Actuarial Asset Value	Market Value
December 31, 2007	10.31%	5.38%
December 31, 2006	7.95%	13.91%
December 31, 2005	4.91%	5.65%
December 31, 2004	2.87%	10.44%
December 31, 2003	7.73%	18.97%
December 31, 2002**	9.25%	(8.64)%
December 31, 2001	(1.80)%	(1.80)%
December 31, 2000	(1.96)%	(1.96)%
December 31, 1999	9.49%	9.49%
December 31, 1998	10.49%	10.49%
December 31, 1997	23.16%	23.16%
December 31, 1996	16.93%	16.93%
December 31, 1995	27.13%	27.13%
December 31, 1994	(1.58)%	(1.58)%
December 31, 1993**	10.36%	10.36%
December 31, 1992	10.01%	8.50%
December 31, 1991	10.79%	21.50%
December 31, 1990	9.47%	4.15%
December 31, 1989	11.81%	21.06%
December 31, 1988	9.30%	11.53%
December 31, 1987	9.02%	4.35%
December 31, 1986	11.31%	13.54%
December 31, 1985	13.09%	22.52%
December 31, 1984 (Short Plan Year)	12.60%	30.52%
June 30, 1984	9.76%	(.98)%
June 30, 1983	11.60%	21.71%
June 30, 1982	9.74%	11.30%
June 30, 1981	8.85%	.14%
June 30, 1980	10.00%	12.80%

* Assets were assumed to earn 8.0% prior to 1999.

** Effective January 1, 1994, the Actuarial Asset Value was set to Market Value. The asset valuation method was again changed effective January 1, 2003 to use a smoothing method.

Section VI: Plan Assets

Reconciliation of Funding Assets

Transactions	December 31, 2006 to December 31, 2007	December 31, 2005 to December 31, 2006
Income		
1. Contributions received or receivable		
▪ Employer	$ 8,777,000	$ 6,800,000
2. Investment earnings		
– Unrealized appreciation or (depreciation)	(2,090,136)	10,142,987
– Accrued Income	21,229	(36,967)
– Dividends and Interest	2,312,755	1,870,358
– Realized gain/(loss) from sale	5,576,297	1,157,694
3. Other income	1,209	3,118
4. Total income	**$ 14,598,354**	**$ 19,937,190**
Disbursements		
5. Benefit payments		
▪ Recurring payments to participants or beneficiaries	$ 4,694,291	$ 4,138,684
▪ Lump sum payments to participants or beneficiaries	2,440,174	1,592,957
6. Administrative expenses	750,991	784,425
7. Total disbursements	**$ 7,885,456**	**$ 6,516,066**
Net		
8. Net income *(4. – 7.)*	**$ 6,712,898**	**$ 13,421,124**
9. Net assets at beginning of year	107,756,535	94,335,411
10. Net assets at end of year *(8. + 9.)*	**$ 114,469,433**	**$ 107,756,535**

Section VI: Plan Assets

Contributions for Prior Plan Year

Date	Amount: Employer	Amount: Employee	Interest to End of Plan Year	Total
12/21/2007	$ 3,044,957	$ 0	$ 6,813	$ 3,051,770
12/31/2007	5,732,043	0	0	5,732,043
Total	**$ 8,777,000**	**$ 0**	**$ 6,813**	**$ 8,783,813**

Section VII: Participant Data

Statistics

	Actuarial Valuation as of	
	January 1, 2008	**January 1, 2007**
Participant Data		
Number of participants in valuation		
Active participants		
▪ Vested participants	734	758
▪ Nonvested participants	232	239
▪ Total active participants	966	997
Inactive participants with deferred benefits	449	428
Inactive participants receiving benefits	355	336
Total	**1,770**	**1,761**
Active Participant Statistics		
Average age	49.1	48.7
Average years of service	11.7	11.3
Total compensation	$ 61,364,198	$ 61,357,214
Average compensation	63,524	61,542
Inactive Participant Statistics		
Inactive participants with deferred benefits[1]		
▪ Average age	51.3	51.0
▪ Total monthly benefits	$ 241,868	$ 232,032
▪ Average monthly benefit	544	542
Inactive participants receiving benefits		
▪ Average age	67.5	68.1
▪ Total monthly benefits	$ 408,502	$ 370,120
▪ Average monthly benefit	1,151	1,105

[1] *January 1, 2007 data does not include one retired participant who is awaiting lump sum payment. January 1, 2008 data does not include four retired participants who are awaiting lump sum payments.*

Section VII: Participant Data

Participant Data Reconciliation

		Inactive Participants		
	Active Participants	With Deferred Benefits	Receiving Benefits	Total
As of January 1, 2007	997	428	336*	1,761
Age retirements	(22)	(11)	33	0
Disability retirements	0	0	N/A	0
Deaths	0	0	(15)	(15)
Nonvested terminations	(28)	N/A	N/A	(28)
Vested terminations	(23)	23	N/A	0
Rehires	1	(1)	0	0
Lump sums	(8)	(2)	0	(10)
Survivors	(1)	1	0	0
Expiration of benefits	N/A	0	0	0
Transfer to union	(9)	9	N/A	0
Transfer to management	0	0	N/A	0
Data updates	0	2	1	3
New entrants during year	59	N/A	N/A	59
Net change	(31)	21	19	9
As of January 1, 2008	966	449	355*	1,770

* *Includes eight participants at January 1, 2007 and nine participants at January 1, 2008 who are alternate payees under a qualified domestic relations order.*

Section VII: Participant Data

Distribution of Active Participants

	Years of Service as of January 1, 2008									
Age	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40+**	**Total**
< 20										
20-24	11 40,809									11 40,809
25-29	33 44,397	11 47,817								44 45,252
30-34	32 54,326	18 49,836	4 54,105	1						55
35-39	43 56,049	28 58,357	17 55,422	2						90
40-44	37 56,260	45 63,035	11 60,157	14 58,256	3					110
45-49	41 55,920	36 59,210	32 62,138	26 71,736	17 83,275	3				155
50-54	25 53,943	41 67,301	23 71,908	27 73,095	23 85,216	20 78,925	4 87,855	1		164
55-59	28 57,583	39 61,583	23 59,145	33 68,962	59 75,278	10 74,579	16 99,918	4 133,726	1	213
60-64	14 36,115	15 55,369	14 58,373	13 60,853	26 82,806	5 76,925	5 72,460	1	4 90,088	97
65-69	3	3	5 47,360	2	1	1	2	1		18 50,167
70-74		3	2	2	1			1		9 41,314
75+										
Total	267	239 59,513	131	120 68,113	130 78,966	39 78,480	27	8 111,598	5	966 63,524

In each cell, the top number is the count of active participants for each age/service combination. The lower number is the average compensation of the active participants in that group. In cells with 3 or fewer participants, pay is not shown to preserve confidentiality.

Section VIII: Actuarial Basis

Funding Actuarial Cost Method and Valuation Procedures

Actuarial cost method: Liabilities and contributions shown in this report are computed using the projected unit credit method of funding. The objective under this method is to fund each participant's benefits under the plan as they accrue, taking into consideration future compensation increases. Thus, the total pension to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited service. Typically, when this method is introduced, there will be an initial liability for benefits credited for service prior to that date, and to the extent that the liability is not covered by assets of the plan, there is an unfunded liability to be funded over a stipulated period in accordance with an amortization schedule.

A detailed description of the calculation follows:

- An individual's **accrued benefit** for valuation purposes related to a particular separation date is the accrued benefit described under the plan but determined using the projected compensation that would be used in the calculation of the benefit on the expected separation date.
- The **benefit** deemed to accrue for an individual during a plan year is the excess of the accrued benefit for valuation purposes at the end of the plan year over the accrued benefit for valuation purposes at the beginning of the plan year. Both accrued benefits are calculated from the same projections to the various anticipated separation dates as described above.
- An individual's **accrued liability** is the present value of the accrued benefit for valuation purposes at the beginning of the plan year, and an individual's **normal cost** is the present value of the benefit deemed to accrue in the plan year. If multiple decrements are used, the accrued liability and the normal cost for an individual are the sum of the component accrued liabilities and normal costs associated with the various anticipated separation dates. Such accrued liabilities and normal costs reflect the accrued benefits as modified to obtain the benefits payable on those dates and the probability of the individual separating on those dates.
- The plan's **normal cost** is the sum of the individual normal costs, and the plan's **accrued liability** is the sum of the accrued liabilities for all participants under the plan.

Changes in actuarial cost method since prior valuation: There have been no changes since the prior valuation.

Financial and census data: We used financial data submitted by the trustee as of January 1, 2008 without further audit and participant data as supplied by the plan sponsor. Customarily, this information would not be verified by a plan's actuary. We have reviewed the information for internal consistency and we have no reason to doubt its substantial accuracy.

IRC Section 415(b): The limitations of Internal Revenue Code Section 415(b) have been incorporated into our calculations.

Participants included: The plan sponsor provides us with data on all employees as of the valuation date, but only those employees who have completed the plan's eligibility requirements are included in the valuation of liabilities. No actuarial liability is included for participants who terminated nonvested prior to the valuation date.

Transferred participants: The liabilities for employees who have transferred into another plan of the plan sponsor have been included with the liabilities for terminated vested participants.

Section VIII: Actuarial Basis

Funding Actuarial Cost Method and Valuation Procedures *(continued)*

Disabled participants: The liabilities for participants on long-term disability have been included with the liabilities for active participants. Disabled participants continue to earn credited service under the plan at their pay rate at the time of disability. Mortality rates are applied and participants are assumed to retire at normal retirement age.

Credited service: For purposes of determining credited service, employees are assumed to be credited with at least 1,000 hours for each year after the year of the current valuation.

Retirement plan offsets: As of the date the data were received from the plan sponsor, all prior plan offsets had not been reported by prior employees.

Section VIII: Actuarial Basis

Method for Determining Actuarial Value of Assets

The actuarial value of assets is equal to a smoothed market value where asset gains and losses are recognized over 5 years. The asset value determined under this method is adjusted to be no greater than 120% and no less than 80% of the fair market value as defined in Section 1.412(i)(2)-1(c) of the Internal Revenue Code.

Under this method 80% of the gain or loss for the immediately preceding year, 60% of the second preceding year, 40% of the third preceding year, and 20% of the fourth preceding year are subtracted from the market value of assets.

Changes Since Prior Valuation

There have been no changes since the prior valuation.

Section VIII: Actuarial Basis

Summary of Actuarial Assumptions

The following economic assumptions were used in valuing the liabilities and benefits under the plan.

Investment Return	▪ 8.50% compounded annually for funding purposes ▪ 8.50% compounded annually for the present value of accumulated plan benefits
Salary Increases	See age-graded table (4.50% per year compounded annually was used in the prior valuation)
Consumer Price Index	2.50% per year compounded annually
Mortality	RP2000 White Collar Mortality Table applied separately for males and females projected to 2011. See Table of Sample Rates.
Withdrawal	See table of sample rates for this year's valuation and prior valuation
Disability	1985 Study of disabled experience for class 1. See table of sample rates.
Expenses	An estimate by the Plan Administrator of such expenses for the year is included in the Normal Cost. The estimated expense for both 2007 and 2008 was $800,000. Actual administrative costs for 2007 were $750,991.
Retirement Age	Retirement according to the following rates:

Age	Current Year Valuation	Prior Year Valuation
55-59	4%	2%
60-61	10	5
62	15	25
63-64	10	10
65-69	35	50
70	100	100

Percentage Married	▪ Males .... 85% ▪ Females 50%
Age Difference	Males are assumed to be three years older than their spouses
Form of Payment	65% of lump sum eligible retirees were assumed to elect the lump sum form of payment (50% was used in the prior valuation.).
Benefit Commencement for Participants Entitled to Deferred Benefits	Age 60 (Age 65 was used in the prior valuation).

Section VIII: Actuarial Basis

Summary of Actuarial Assumptions *(continued)*

	Table of Sample Rates	
	Mortality	
Attained Age	Males	Females
20	0.02%	0.02%
25	0.03%	0.02%
30	0.03%	0.03%
35	0.06%	0.04%
40	0.08%	0.05%
45	0.12%	0.09%
50	0.16%	0.13%
55	0.27%	0.24%
60	0.47%	0.44%

	Table of Sample Rates			
	Withdrawal			
	Current Year's Valuation		Prior Year's Valuation	
Attained Age	Males	Females	Males	Females
20	5.47%	5.47%	7.94%	9.94%
25	5.33%	5.32%	7.72%	9.67%
30	5.12%	5.09%	7.22%	9.30%
35	4.77%	4.70%	6.28%	8.71%
40	4.27%	4.18%	5.15%	7.75%
45	3.69%	3.57%	3.98%	6.35%
50	2.77%	2.59%	2.56%	4.22%
55	1.26%	1.03%	0.94%	1.55%
60	0.39%	0.49%	0.09%	0.15%

The following select rates are added to the ultimate withdrawal rates.

Completed Years of Service	Percentage
0	10.0%
1	7.5%
2	5.0%
3	2.5%

Section VIII: Actuarial Basis

Summary of Actuarial Assumptions *(continued)*

Table of Sample Disability Rates

	Percentage	
Attained Age	**Males**	**Females**
20	0.029%	0.030%
25	0.038%	0.047%
30	0.048%	0.080%
35	0.069%	0.136%
40	0.117%	0.211%
45	0.202%	0.323%
50	0.358%	0.533%
55	0.722%	0.952%
60	1.256%	1.159%

Table of Sample Rates for Earnings Progression

Attained Age	**Percentage**
20	7.5%
25	7.0%
30	6.5%
35	6.0%
40	5.5%
45	5.0%
50	4.5%
55	4.5%
60	4.0%
65	3.5%

Section VIII: Actuarial Basis

Summary of Actuarial Assumptions *(continued)*

Changes Since Prior Valuation

- Retirement rates were revised.
- The lump sum election rate for those participants eligible to receive a lump sum was increased from 50% to 65%
- The benefit commencement age for current participants and expected future participants entitled to a deferred vested benefit was decreased from age 65 to age 60
- Withdrawal rates were revised.
- Disability incidence was incorporated into the valuation.
- The salary scale was changed from a flat 4.5% annual rate to an age-based salary scale.

Justification for Changes in Actuarial Assumptions

Assumptions were updated to better reflect anticipated future experience.

Section VIII: Actuarial Basis

Summary of Plan Provisions

Following is a summary of the major plan provisions used to determine the plan's financial position. It should not be used in determining plan benefits.

Effective Date and Plan Year	The Plan became effective July 1, 1976 and was amended and restated effective June 1, 1984, January 1, 1987, and January 1, 1989, and January 1, 1996. The plan year is the calendar year.
Most Recent Amendment	The plan was most recently amended and restated effective September 14, 2001. The plan was most recently amended effective August 1, 2006.
Plan Year	The plan year prior to July 1, 1984 was the twelve-month period commencing each July 1. There was a Short Plan Year from July 1, 1984 to December 31, 1984. Thereafter, the plan year is the calendar year.
Employees Eligible to Participate	Each employee on and after July 1, 1976, who commences employment with the Authority or an Affiliate Employer becomes a participant as of the later of July 1, 1976 and the first day of the month coincident with or next following the date of his commencement of employment with the Authority. Effective January 1, 1987, directors may participate if an irrevocable election is filed with the Committee. Special provisions apply to certain PACE employees who entered the plan in 1985 and certain METRA employees who entered the plan in 1987.
Employee Contributions	Employee contributions are neither required nor allowed by the plan.
Normal Retirement Date	First day of the calendar month coincident with or next following a participant's 65th birthday.
Early Retirement Date	An employee may retire early if he has attained age 55 and has completed 10 years of Vesting Service.
Disability Retirement Date	A participant who becomes disabled may commence receiving a disability income on the later of (1) his Normal Retirement date and (2) the cessation of long term disability benefits under the RTA plan.
Average Annual Compensation	The average of the annual compensation received by a Participant in the three completed plan years, whether consecutive or not, of his Continuous Service in which he receives his highest rates of compensation.

Section VIII: Actuarial Basis

Summary of Plan Provisions *(continued)*

Service Considered	"Continuous Service", with respect to the period prior to July 1, 1976, is the total number of months of his uninterrupted service with the Authority. If an employee is not employed by the Authority during all months in a plan year after July 1, 1976, and does not complete 1,000 hours of service, he is credited with one month of Continuous Service for each 83 hours of service completed during that Plan Year. If he completes 1,000 hours of service during any plan year after July 1, 1976, he will be credited with 12 months of service for that year, with the exception of the Short Plan Year. During the Short Plan Year commencing July 1, 1984 and ending December 31, 1984, an employee is credited with one month of Continuous Service for each month in which he has 83 hours of service. For purposes of determining Continuous Service for vesting and eligibility for early retirement, service credited for the Short Plan Year is 12 months. "Credited Service" is the sum of a participant's "Continuous Service" and any "Prior Service Credit" to which he is entitled. This latter term applies to employees who commenced employment prior to June 2, 1984 and also were employed on a full time basis prior to their current employment with the Authority by either 1. or 2. as follows: 1. the United States, any state, or any political subdivision of any State, or any agency created under an interstate contract approved by the Congress of the United States. 2. any entity which, at any time during such Employee's employment with such entity, provided public transportation or freight services by bus or rail in the United States. The Prior Service Credit is then equal to 4% of the service under the prior plan for each month of continuous service with the Authority which is in excess of 23 months, subject to a maximum credit of 100% of such prior service. Thus, the full credit is granted after 48 months (4 years) of employment with the Authority. All Prior Service Credits were fully accrued at the valuation date.
Rule of 85	Unreduced early retirement is available to participants between ages 55 and 65 if the Rule of 85 is satisfied. The Rule of 85 is satisfied if a participant's vesting service plus age at retirement is greater than or equal to 85 years.

Section VIII: Actuarial Basis

Summary of Plan Provisions *(continued)*

Normal Retirement Benefit	Normal Retirement Date is the first day of the month next following the month in which the participant attains age 65. A participant who retires at or after his Normal Retirement Date will receive an annual retirement income equal to the product of 1. and 2. below: 1. Final Average Annual Compensation, 2. 1.75% times Credited Service (max 70%) Thus, the maximum Credited Service is 40 years.
Early Retirement Benefit	A Participant who retires at an Early Retirement Date may receive at his Normal Retirement Date an annual retirement income equal to the benefit described in the immediately preceding section. In lieu of the above benefit, a Participant may elect to receive a reduced amount of retirement income commencing on the first day of any month between his Early and Normal Retirement Dates. The reduction will be 2.0% per year for each year that his payment commencement date precedes his Normal Retirement Date. Unreduced early retirement is available to participants between age 55 and 65 if the Rule of 85 is satisfied.
Deferred Vested Benefit	A participant who terminates his employment after completion of five years of Credited Service will be entitled to his accrued benefit commencing at his Normal Retirement Date. A participant who terminates his employment after completion of ten years of Credited Service can elect reduced early retirement at age 55.
Disability Benefit	A disabled participant who is eligible to commence normal retirement benefits is entitled to an amount determined as if Continuous Service continued until the Normal Retirement Date. Compensation is assumed to continue unchanged from the last calendar year worked.
Death Benefit	If an active or inactive participant dies prior to his Retirement Date after completion of 10 years of service and is survived by a spouse to whom he has been married for at least one year, the surviving spouse will receive a monthly benefit equal to 50% of the amount of pension which would have been payable to the participant if his Retirement Date had occurred on his date of death and he had elected a Joint and Survivor Pension. The benefit will commence to the spouse immediately if the employee was age 55 or older at death. If the employee was less than age 55 at death, the benefit will commence on the date the employee would have attained age 55.

Section VIII: Actuarial Basis

Summary of Plan Provisions *(continued)*

Death Benefit (continued)	If an active participant or an inactive participant dies prior to his Retirement Date after completion of five years of service but less than ten years, the eligible spouse will receive a monthly benefit equal to 50% of the amount of pension which would have been payable to the participant at his Normal Retirement Date and he had elected a Joint and Survivor Pension. The benefit will commence on the date the employee would have been eligible for Normal Retirement. If an active participant dies after his Normal Retirement Date, the Eligible Spouse will receive a monthly benefit payable immediately based on a 100% Joint and Survivor Pension. In lieu of this survivor benefit, the surviving spouse may elect instead to receive a lump sum distribution equal to the lump sum amount the participant would have been entitled to upon the date of his death.
Normal Form and Optional Forms of Retirement Benefits	The normal annuity form for single participant is a single life annuity. The normal annuity form for married participants is a reduced 50% Joint and Survivor annuity. Other available options are a ten year certain annuity, a joint and survivor annuity or any other option offered by the Committee. The lump-sum option is available to participants who retire on or after their Normal Retirement Date. Amounts payable from the plan are offset by the percent of the Prior Service Credit attributed to the benefit payable under the current plan multiplied by the sum of all prior benefits.
Actuarial Equivalence	Optional payment forms are converted from a single life annuity according to actuarial factors based on the following: **Mortality** 1. Participants – the 94 GAR Blended mortality table (no rating of ages) 2. Beneficiaries – the 94 GAR Blended mortality table (age rated down two years) 3. Lump-sum payment – applicable mortality table under the Pension Protection Act (94 GAR Blended projected to 2002) as required by Code Section 417(e) was used in the prior valuation) **Interest** 1. Optional annuity forms – 6.0% 2. Lump sum payments – applicable November segmented interest rates under the Pension Protection Act with five-year phase-in. (An interest rate equal to the November 30-year Treasury rate was used in the prior valuation.) In no event will the lump sum paid be less than the lump sum amount determined using the interest rate and mortality assumptions for optional annuity forms.

Section VIII: Actuarial Basis

Summary of Plan Provisions *(continued)*

Changes Since Prior Valuation	The 401(a)(17) compensation limit for eligible participants in certain governmental plans in effect July 1, 1993 increased from $335,000 to $345,000. The general 401(a)(17) compensation limit increased from $225,000 to $230,000. The 415(b) maximum benefit limit increased from $180,000 to $185,000. The lump sum basis was changed from the November 30-year Treasury rate and 94 GAR Blended mortality (projected to 2002) to the applicable November segmented interest rates and mortality under the Pension Protection Act.

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