SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
RETIREES' OTHER POST EMPLOYMENT BENEFITS TRUST

ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED JUNE 30, 2019 AND JUNE 30, 2018

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
RETIREES' OTHER POST EMPLOYMENT BENEFITS PLAN

JUNE 30, 2019 AND JUNE 30, 2018

Table of Contents

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EideBailly

CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Directors
Santa Clara Valley Transportation Authority
Retirees' Other Post Employment Benefits Trust
San Jose, California

We have audited the accompanying financial statements of the Santa Clara Valley Transportation Authority Retirees' Other Post Employment Benefits Trust (Plan), a component unit of the Santa Clara Valley Transportation Authority (VTA), as of and for the year ended June 30, 2019, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective fiduciary net position of the Plan, as of June 30, 2019, and respective changes in fiduciary net position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in Note 1, the financial statements present only the Plan and do not purport to, and do not, present fairly the financial position of VTA as of June 30, 2019 and 2018, and changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net OPEB liability and related ratios, schedule of employer contributions and the schedule of investment returns be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Prior Year Financial Statements

The financial statements of the Plan as of and for the year ended June 30, 2018 were audited by Vavrinek, Trine, Day & Co., LLP, who joined Eide Baily LLP on July 22, 2019, and whose report dated October 29, 2018, expressed an unmodified opinion on those statements.

Eide Bailly LLP

Palo Alto, California
October 28, 2019

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
RETIREES' OTHER POST EMPLOYMENT BENEFITS TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2019 AND JUNE 30, 2018

This section provides an overview and analysis of the financial activities of Santa Clara Valley Transportation Authority Retirees' Other Post Employment Benefits Trust (Plan) for the fiscal years ended June 30, 2019 and June 30, 2018. The Plan was established in May 2008 by the VTA's Board of Directors, and assets held for Other Post Employment Benefits (OPEB) were transferred to the Plan. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our financial statements.

FINANCIAL HIGHLIGHTS

The net position of the Plan at the close of fiscal year 2019 is $330,623,949 (net position restricted for retiree OPEB). The entire net position is available to meet the Plan's ongoing obligations to Plan participants and beneficiaries. Net position at the close of 2018 was $315,370,257 compared to $299,893,945 in 2017.

The Plan's funding objective is to meet long-term benefit obligations through contributions and investment income. Total additions to the Plan were $19,401,912 and $28,123,985 for the fiscal years ending June 30, 2019, and 2018 respectively. As of June 30, 2019, the Plan's OPEB liability was 128.06% funded compared to 126.66% as of June 30, 2018.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following discussion and analysis are intended to serve as an introduction to the Plan's financial statements, which comprise these components:

1. Statement of Fiduciary Net Position.
2. Statement of Changes in Fiduciary Net Position.
3. Notes to the Basic Financial Statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

The Statement of Fiduciary Net Position is a snapshot of account balances at year-end. It indicates the assets available for future payments to retirees and any current liabilities that are owed at this time.

The Statement of Changes in Fiduciary Net Position, on the other hand, provides a view of current year additions to and deductions from the Plan.

The Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position report information about the Plan's activities. These statements include all assets and liabilities, using the full accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All investment gains and losses are shown at trade date. In addition, both realized and unrealized gains and losses are shown on investments.

These two statements report the Plan's net position held in an irrevocable trust account for retirees' medical benefits. Net position, the difference between assets and liabilities, measures the Plan's financial position. Over time, increases and decreases in net position indicate whether the Plan's financial health is improving or deteriorating. Other factors, such as market conditions, should also be considered in measuring the Plan's overall health.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. (See notes to Financial Statements on pages 8-19 of this report).

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report presents certain required supplementary information concerning the Plan's Net OPEB liability.

FINANCIAL ANALYSIS

As previously noted, net position may serve over time as a useful indicator of the Plan's financial position. The assets of the Plan exceeded its liabilities at the end of fiscal years 2019, 2018 and 2017 as follows:

(Table 1)

Statement of Trust Net Position

	June 30, 2019	June 30, 2018	June 30, 2017
Assets			
Pooled cash and investment	$ 3,057,112	$ 1,643,790	$ 816,628
Investments at fair market value	327,294,644	313,379,760	297,771,699
Other assets	525,093	485,422	1,343,837
Total Assets	330,876,849	315,508,972	299,932,164
Liabilities			
Current liabilities	252,900	138,715	38,219
Net Position	$ 330,623,949	$ 315,370,257	$ 299,893,945

For the year ended June 30, 2019, the Plan's fiduciary net position restricted for OPEB increased by $15,253,692 or 4.84% due to investment earnings recognized during the year.

(Table 2)

Additions to Trust Net Position

	June 30, 2019	June 30, 2018	June 30, 2017
Contributions	$ 9,086,460	$ -	$ 4,047,200
Net investment income (loss)	19,401,912	28,123,985	33,326,133
Total Additions	$ 28,488,372	$ 28,123,985	$ 37,373,333

In FY 2019, the $9,086,460 contribution included $3,410,400 of implicit subsidy and $5,676,060 of cash contribution. For FY 2018, a $3,000,000 implicit subsidy was explicitly paid out of the Plan with no offsetting contribution. The amount of $4,047,200 presented as contributions in FY 2017 is an implicit subsidy paid by VTA on behalf of its participants in FY 2017 and no cash contributions were made.

Net investment income decreased by $8,722,073 in FY 2019 primarily due to lesser recognition of trading gain in FY2019. The greater trading gain in FY 2018 was caused by sales of securities to fund allocations to MFS Investment Principal and Principal Group Diversified Real Assets.

(Table 3)

Deductions From Trust Net Position

	June 30, 2019	June 30, 2018	June 30, 2017
Distributions to participants	$ 13,142,201	$ 12,539,334	$ 13,054,709
Administrative expenses	92,479	108,339	24,911
Total Deductions	$ 13,234,680	$ 12,647,673	$ 13,079,620

The distributions to participants which represent premium payments for retiree medical benefits and include the $3.4 million implicit subsidy in FY 2019 increased by $602,867 or 4.8%. Administrative expenses rose considerably between 2018 and 2017 due to the change in treatment of investment consulting fees from investment expense to administrative expense.

Requests for Information

Please address all questions or requests for additional information to the Finance and Budget Division, Attention: Chief Financial Officer, Santa Clara Valley Transportation Authority, 3331 North First Street, Building C, Second Floor, San Jose, CA 95134-1927.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
RETIREES' OTHER POST EMPLOYMENT BENEFITS TRUST

STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2019 AND JUNE 30, 2018

	2019	2018
ASSETS:		
Cash and investments:		
Cash and cash equivalents	$ 3,057,112	$ 1,643,789
Money market funds	2,184,007	663,923
Corporate bonds	35,738,986	27,459,938
U.S. treasury	4,313,368	13,239,213
U.S. government agency bonds	24,343,132	22,215,535
Municipal bonds	1,296,001	1,258,532
Equity based	199,434,720	188,782,487
Real asset funds	34,423,130	34,689,484
Alternative investments	25,561,300	25,070,649
Receivables	525,093	485,422
Total assets	330,876,849	315,508,972
LIABILITIES:		
Accounts payable	252,900	138,715
NET POSITION:		
Restricted for other post employment benefits	$ 330,623,949	$ 315,370,257

See accompanying notes to the basic financial statements.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
RETIREES' OTHER POST EMPLOYMENT BENEFITS TRUST

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED JUNE 30, 2019 AND JUNE 30, 2018

	2019	2018
ADDITIONS		
VTA contributions	$ 9,086,460	$ -
Net investment income:		
Net change in the fair value of investments	18,014,763	(47,177,254)
Investment earnings	1,841,241	75,732,329
Investment expense	(454,092)	(431,090)
Total net investment income	19,401,912	28,123,985
TOTAL ADDITIONS	28,488,372	28,123,985
DEDUCTIONS		
Distributions to participants	13,142,201	12,539,334
Administrative expenses	92,479	108,339
TOTAL DEDUCTIONS	13,234,680	12,647,673
INCREASE IN TRUST NET POSITION	15,253,692	15,476,312
NET POSITION		
Beginning of year	315,370,257	299,893,945
End of year	$ 330,623,949	$ 315,370,257

See accompanying notes to the basic financial statements.

NOTE 1 – DESCRIPTION OF THE PLAN

General

The Plan is a contributory single-employer defined benefit plan administered by VTA. The Plan, which was established in May 2008 by the VTA's Board of Directors, is reflected as an Other Post Employment Benefit Trust fund on VTA's financial statements. The Plan is a legally separate entity governed by VTA's Board of Directors. The following description of the Retirees' Other Post Employment Benefits Plan (Plan) provides only general information. Readers should refer to the trust agreement for a more complete description of the trust's provisions. The financial statements of the Plan are intended to present only the Plan's fiduciary net position and changes in fiduciary net position. They do not purport to, and do not, present fairly the financial position of VTA as of June 30, 2019 or June 30, 2018, and the changes in VTA's financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Membership

The membership of the Plan as of June 30, 2019 and 2018 consists of the following:

	2019	2018
ATU Retirees	1,126	1,104
Non-ATU Retirees	568	538
Active (Vested)	1,165	1,208
TOTAL	2,859	2,850

Description of the Benefits

VTA offers post employment benefits to its employees through the Santa Clara Valley Transportation Authority Other Post Employment Benefit (OPEB) Trust, a single employer defined benefit health plan funded and administered by VTA.

Employees who retire directly from VTA are eligible for retiree health benefits if they meet certain requirements related to age and service. For ATU retirees, VTA provides an ATU Retiree Health Care Program (the ATU Program), a post-employment benefit, in accordance with the agreement between VTA and the ATU, to all Classic ATU represented employees who retire from VTA on or after attaining the age of 55 with at least 15 years of eligibility service, or age 65 with 10 years of eligibility service, or upon Board of Pensions' approval age 65 with 5 years of eligibility service, or if an employee becomes disabled and has completed at least 10 years of eligibility service and to all New ATU represented employees who retire from VTA under PEPRA and its mandated provisions. ATU retirees can select from retiree health plans offered under the CalPERS program. For ATU retirees living in California: VTA contributes up to $100 per month above the Kaiser Bay Area Single Party rate for CalPERS medical plans, regardless of Medicare status. ATU retirees pay the excess above the VTA contribution of up to $100 per month above the Kaiser Bay Area Single Party rate. For ATU retirees living outside of California: VTA contributes up to $100 per month above the Kaiser Out of State Single Party rate for CalPERS medical plans, regardless of Medicare status. ATU retirees pay the excess above the VTA contribution of up to $100 per month above the Kaiser Out of State Single Party rate. ATU retirees who are eligible for Medicare are reimbursed for the Medicare Part B premium, excluding penalties/late enrollment fees.

For surviving spouses of ATU retirees: VTA pays the Public Employees' Medical & Hospital Care Act (PEMHCA) minimum employer premium contribution of $136 per month in 2019.

Non-ATU employees who retire directly from VTA on or after attaining the age of 50 years (Classic members) or 52 years (New members) with at least 5 years of CalPERS service are also covered under a Retiree Health Care Program (the administrative retiree program). Non-ATU retirees can select from retiree health plans offered under the CalPERS program.

For Non-ATU retirees living in California: VTA will contribute up to the Kaiser Bay Area Employee Only rate. Non-ATU retirees pay any premium in excess of the CalPERS Kaiser Bay Area Employee Only rate.

For Non-ATU retirees living outside of California: VTA will contribute up to the Kaiser Out of State Single Party rate. Non-ATU retirees pay any premium in excess of the CalPERS Kaiser Out of State Single Party rate.

Non-ATU retirees who are eligible for Medicare are reimbursed for the Medicare Part B premium, excluding penalties/late enrollment fees.

For surviving spouses of non-ATU retirees who elect a pension option with survivor benefits: VTA will contribute the same amount as it contributes for non-ATU retirees.

VTA also provides life insurance benefits for all ATU retirees and Executive Management retirees. ATU retirees who retired prior to January 1, 2010, receive $5,000 in life insurance coverage and those who retired on or after January 1, 2010, receive $7,000 in life insurance coverage. Executive Management retirees receive $50,000 in life insurance coverage for the first year of retirement, decreasing by $10,000 each year until its expiration in the sixth year.

Benefit allowance provisions are established through agreements and memorandums of understanding (MOU) between VTA and unions representing its employees.

Plan Termination

In the event of Plan termination, the net position of the Plan would be allocated as prescribed in the trust documents, generally to pay in the order indicated:

- VTA's remaining retiree OPEB liabilities.
- Reasonable expenses of administering the Plan.

Any assets remaining in the Plan after paying off the above liabilities shall revert back to VTA.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as promulgated by the Government Accounting Standards Board (GASB). Contributions are recognized when due, pursuant to formal commitments as well as statutory or contractual commitments. Benefits and refunds of contributions are recognized when due and payable under the provisions of the trust agreement.

Investments

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price on the last business day of the fiscal year at current exchange rates. Purchases and sales of securities are reflected on the trade date and investment income is recognized as earned. Securities that do not have an established market are reported at estimated fair value derived from third party pricing. Certain investments of the Plan are valued based on Net Asset Values (NAV) provided by the respective fund managers. For certain investments where no readily ascertainable fair value exists, the value of these investments is based on estimates provided by the fund managers. Because of the inherent uncertainty in privately held securities, the fair value may differ from the values that would have been used if a ready market for such securities existed.

Investment Policies

The Plan has adopted an internally developed investment policy that is governed by the standards established in the California Constitution. In addition, the Plan has written investment policies regarding the type of investments that may be made specifically for the Plan and the amount, which may be invested in any one financial institution or amounts that may be invested in long-term instruments. Management believes the Plan's investments have complied with the provisions of statutes pertaining to the types of investments held, institutions in which deposits were made, and security requirements.

Administrative Expenses

Certain internal costs (such as audit fees, investment consultant and actuarial fees) of administering the Plan are paid by the Plan. Administrative expenses for the year ended June 30, 2019 and 2018 were $92,479 and $108,339, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

NOTE 3 – INVESTMENTS

The Plan maintains all of its operating cash funds in VTA's cash and investment pool. The pool functions as a demand deposit account for the Plan, as amounts can be withdrawn at any time upon demand. VTA's management and its Board of Directors are responsible for oversight of the cash and investment pool. Information regarding the characteristics of the entire investment pool can be found in the VTA's financial statements. That report may be obtained by writing to Santa Clara Valley Transportation Authority – Finance and Budget Division, 3331 North First Street, San Jose, California, 95134. The fair value of the Plan's position in the cash pool is the same as the value of the cash pool shares. As of June 30, 2019 and 2018, the Plan has $3,057,112 and $1,643,789, respectively, in VTA's cash and cash equivalents.

Money Weighted Rate of Return

For the years ended June 30, 2019 and June 30, 2018, the annual money-weighted rate of return on the Plan's investments, net of Plan investment expense, were 6.44 and 9.83 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the timing of receipts and disbursements.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Plan will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Plan's investment policy provides for the use of a custodian/trustee to invest the Plan's assets as directed by investment managers. The Plan's investment securities were held by US Bank, N.A., a custodial bank, at June 30, 2019 and Union Bank Trust Department, a custodial bank, at June 30, 2018. Assets are separate from the counterparty, in the name of Santa Clara Valley Transportation Authority (VTA). VTA's securities are neither part of US Bank nor Union Bank's assets and not attachable by any of their creditors.

Concentration of Credit Risk

Concentration of credit risk is the risk that the failure of anyone issuer would place an undue financial burden on the Plan. The Plan's investment policy mitigates the concentration of credit risk by identifying percentage ranges for different types of investments and specific targets within the percentage ranges. Disclosure of concentration of credit risk is defined as any investment with one issuer that is greater than 5% of the total Plan investments. As of June 30, 2019 and 2018, the Plan had investments with UBS Core Real Estate Fund that exceeded 5% of the total Plan's investment portfolio.

Interest Rate Risk

Interest rate risk is the risk that changes in market rates will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market rates. One of the Plan's primary goals is to provide sufficient liquidity to meet future retirees' other post employment benefit obligations. However, the Plan does not have any policies specifically addressing interest rate risk.

The following table shows the time distribution for the maturity of the Plan's assets, other than equity-based securities, alternative investment and real asset funds which have no specific maturity dates, as of June 30, 2019 and June 30, 2018:

At June 30, 2019

Type of Investment	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	11-15 Years
Corporate bonds	$ 35,738,986	$ 733,622	$ 10,362,482	$ 10,969,531	$ 13,673,351
Municipal bonds	1,296,001	-	-	-	1,296,001
U.S. government agency bonds	24,343,132	331	1,992,001	312,747	22,038,053
U.S. treasury	4,313,368	-	-	4,313,368	-
Money market funds	2,184,007	2,184,007	-	-	-
Subtotal	67,875,494	$ 2,917,960	$ 12,354,483	$ 15,595,646	$ 37,007,405
Real asset funds	34,423,130				
Equity based	199,434,720				
Alternative investments	25,561,300				
Pooled cash in VTA's pool	3,057,112				
Total cash and investments	$ 330,351,756				

At June 30, 2018

Type of Investment	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	11-15 Years
Corporate bonds	$ 27,459,938	$ 952,767	$ 7,003,885	$ 9,615,212	$ 9,888,074
Municipal bonds	1,258,532	-	62,955	-	1,195,577
U.S. government agency bonds	22,215,535	-	1,952,915	555,601	19,707,019
U.S. treasury	13,239,213	2,993,481	9,880,856	364,876	-
Money market funds	663,923	663,923	-	-	-
Subtotal	64,837,141	$ 4,610,171	$ 18,900,611	$ 10,535,689	$ 30,790,670
Real asset funds	34,689,484				
Equity based	188,782,487				
Alternative investments	25,070,649				
Pooled cash in VTA's pool	1,643,789				
Total cash and investments	$ 315,023,550				

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by the nationally recognized statistical rating organizations. The Plan's investment policy has mitigated credit risk by prioritizing safety of principal above other investment objectives, by requiring third-party investment manager applicants to meet certain requirements, by diversifying the portfolio, and by establishing monitoring procedures.

The following is a summary of the credit quality distribution for investments with credit exposure at June 30, 2019 and 2018, respectively, as rated by Standard and Poor's:

Type of Investment	At June 30, 2019 Fair Value	At June 30, 2018 Fair Value
Corporate bonds:		
AAA	$ 1,116,276	$ 1,405,763
AA	3,529,819	861,936
A	4,410,344	2,075,785
BB	5,347,077	4,165,366
BBB	21,335,470	18,951,088
Municipal bonds:		
AA	626,401	582,863
A	301,022	281,487
BBB	368,578	394,182
U.S. government agency bonds:		
AAA	1,865,052	-
AA	22,478,080	22,215,535
U.S. treasury obligations:		
AAA	3,462,875	-
AA	850,493	13,239,213
Subtotal	65,691,487	64,173,218
Unrated:		
Real asset funds	34,423,130	34,689,484
Equity based	199,434,720	188,782,487
Alternative investments	25,561,300	25,070,649
Money market funds	2,184,007	663,923
Pooled cash in VTA's pool	3,057,112	1,643,789
Total cash and investments	$ 330,351,756	$ 315,023,550

Fair Value Measurement

The Plan's investments, measured and reported at fair value are classified according to the following hierarchy in which the levels are based on the nature of inputs used to measure the fair value of the investment:

Level 1 – Investment fair values based on prices quoted in active markets for identical assets.
Level 2 – Investment fair values based on observable inputs for the assets either directly or indirectly, other than those considered Level 1 inputs, which may include quoted prices for identical assets in markets that are not considered to be active, and quoted prices of similar assets in active or inactive markets.
Level 3 – Investment fair values based on unobservable inputs.

The categorization of investments within the hierarchy is based solely upon the objectivity of the inputs used in the measurement of the fair value of the investments and does not reflect the level of risk associated with the investments. Investments classified in Level 1 of the fair value hierarchy are valued from predetermined external pricing vendors or primary dealers who obtain quoted prices in active markets. These prices represent amounts at which the securities could be sold. Investments classified in Level 2 are subject to alternative pricing sources, including a combination of price sources and pricing models. Investments classified as Level 3 are valued using best available sources such as property appraisals, discounted cash flow models and public market comparable of similar assets where applicable. The following is the fair value hierarchy table:

At June 30, 2019

Type of Investment	Fair Value	Level 1	Level 2
Corporate bonds	$ 35,738,986	$ -	$ 35,738,986
Municipal bonds	1,296,001	-	1,296,001
U.S. government agency bonds	24,343,132	-	24,343,132
U.S. treasury	4,313,368	4,313,368	-
Equity based	199,434,720	-	199,434,720
Subtotal	265,126,207	$ 4,313,368	$ 260,812,839
Net asset value			
Real asset funds	34,423,130		
Alternative investments	25,561,300		
Not subject to the fair value hierarchy			
Money market funds	2,184,007		
Pooled cash in VTA's pool	3,057,112		
Total cash and investments	$ 330,351,756		

At June 30, 2018

Type of Investment	Fair Value	Level 1	Level 2
Corporate bonds	$ 27,459,938	$ -	$ 27,459,938
Municipal bonds	1,258,532	-	1,258,532
U.S. government agency bonds	22,215,535	-	22,215,535
U.S. treasury	13,239,213	13,239,213	-
Equity based	188,782,487	-	188,782,487
Subtotal	252,955,705	$ 13,239,213	$ 239,716,492
Net asset value			
Real asset funds	34,689,484		
Alternative investments	25,070,649		
Not subject to the fair value hierarchy			
Money market funds	663,923		
Pooled cash in VTA's pool	1,643,789		
Total cash and investments	$ 315,023,550		

The Plan's investments in real asset funds and alternative investments are valued based on net asset values provided by the funds' investment managers. The value provided represents VTA's share of these investments. The investment manager's valuation is based on the best information available and because of the inherent uncertainty the fair value may differ from the values that would have been used if a ready market for such securities existed. The fair value determination and redemption frequency is generally determined on a quarterly basis.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Plan has exposure through international equity commingled funds, international fixed income investments. The plan's investments in foreign securities as of June 30, 2019 and June 30, 2018 are as follows:

	2019	2018
Australian Dollar	$ 1,060,283	$ 1,176,768
British Pound Sterling	7,023,583	6,667,538
Brazilian Real	1,336,833	858,321
Canadian Dollar	787,059	950,532
Chilean Peso	165,650	164,793
Chinese Yuan	1,768,974	1,409
Colombian Peso	76,105	61,572
Czech Koruna	194,046	161,100
Danish Krone	504,286	424,033
Egyptian Pound	23,595	19,757
Euro	20,466,402	18,731,321
Hong Kong Dollar	3,595,035	5,945,948
Hungarian Forint	50,937	42,815
Indian Rupee	1,555,792	2,944,866
Indonesian Rupiah	2,496,137	278,522
Japanese Yen	4,926,607	5,120,420
Malaysian Ringgit	372,457	335,539
Mexican Peso	1,159,854	1,045,447
Pakistani Rupee	4,285	10,526
Philippine Peso	196,485	137,783
Poland Zloty	196,060	165,765
Qatari Rial	171,126	119,776
Saudi Riyal	240,746	-
Singapore Dollar	851,385	677,057
Russian Ruble	661,969	402,594
South African Rand	203,520	970,439
South Korean Won	2,650,216	2,575,214
Swiss Franc	8,512,487	6,267,861
Taiwan Dollar	1,870,417	1,968,445
Thai Baht	518,397	300,915
Turkish Lira	93,038	113,549
United Arab Emirates Dirham	122,480	82,668
Total	$ 63,856,246	$ 58,723,293

NOTE 4 – TOTAL OPEB LIABILITY, FIDUCIARY NET POSTION AND NET OPEB ASSET

The components of the net OPEB asset at June 30, 2019, and 2018 were as follow:

	2019	2018
Total OPEB Liability	$ 258,182,600	$ 248,991,900
Plan Fiduciary Net Position	330,623,949	315,370,257
Net OPEB Asset	$ 72,441,349	$ 66,378,357
Plan fiduciary net position as a percentage of the total OPEB liability	128.06%	126.66%

Actuarial Assumptions

The Total OPEB liability was determined by an actuarial valuation as of July 1, 2018 and July 1, 2017, with the liability rolled forward using standard update procedures and the following actuarial assumptions to June 30, 2019 and June 30, 2018, respectively.

	2019	2018
Health care trend rate	18.75% decreasing to 4% depending on the coverage elected	17.95% decreasing to 4% depending on the coverage elected
Inflation rate	2.50%	2.50%
Investment rate of return	7.00%	7.00%
Actuarial cost method	Entry Age Normal Cost Method	Entry Age
Discount rate	7.00%	7.00%
Mortality	Rates for ATU participants are adopted from the study of experience over the five years ending in December 31, 2016. In particular, rates of mortality for ATU members and their spouses are based on a Scale MP-2017 generational projection of the respective RP-2014 Blue Collar tables, adjusted back to 2006. Rates for administrative participants are from the CalPERS study of non-industrial miscellaneous employer experience over the fourteen years ending June 30, 2011.	RP2000 for ATU members and CalPERS study for administrative
Participation rate	92% will elect to use coverage at retirement	92% will elect to use coverage at retirement
Dependent coverage	25.5% will require dependent coverage	25.5% will require dependent coverage

The rates used in the experience study were based on a five-year study ending December 31, 2011 for ATU members and CalPERS experience study over 14 years ending June 2011.

Contributions to the Plan

VTA contributes to the Plan at the actuarially determined amount or rates applied to eligible payroll sufficient to maintain funding of vested benefits. VTA's contributions are established by an actuary. In fiscal year 2019, the $9,086,460 contribution included $3,410,400 of an implicit subsidy and $5,676,060 of cash contributions. In contrast, the $3,000,000 implicit subsidy was explicitly paid out of the Plan with no offsetting contribution and no contributions were made for fiscal year 2018.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be equal to the Actuarially Determined Contributions for the applicable fiscal years. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the expected real rate of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2019 and 2018:

	2019		2018	
Asset Class	Target Allocation	Expected Real Rate of Return	Target Allocation	Expected Real Rate of Return
Domestic Equity-Large Cap Active	30.00%	4.62%	30.00%	4.55%
International Equity	18.00%	4.86%	18.00%	4.77%
Emerging Markets Equity	6.00%	6.32%	6.00%	6.16%
Domestic Fixed Income	21.00%	1.58%	21.00%	0.97%
Absolute Return	8.00%	3.90%	8.00%	3.48%
Real-Estate	11.00%	3.41%	11.00%	3.61%
Real Assets	5.00%	4.06%	5.00%	3.61%
Cash	1.00%	0.24%	1.00%	0.00%
	100.00%		100.00%	

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate

The following presents the Net OPEB Asset as calculated using the current discount rate of 7.00%, as well as what the Net OPEB Asset would be if it was calculated using a discount rate that is one percentage-point lower (6.00%) or one percentage-point higher (8.00%) than the current rate:

	2019			2018		
	1% Decrease 6%	Current Discount Rate 7%	1% Increase 8%	1% Decrease 6%	Current Discount Rate 7%	1% Increase 8%
Net OPEB Asset	$ 41,767,600	$ 72,441,349	$ 98,067,800	$ 38,364,100	$ 66,378,357	$ 90,004,300

Health Care Trend Rates

The CalPERS benefit trend rates begin at various levels ranging from -18.75% (for the non-Medicare UHC HMO) to 17.62% (for the non-Medicare PERS Care PPO). These first-year percentages are based on the actual 2019 renewal and the type of medical plans (HMO vs. PPO, Medicare vs. non-Medicare), and then are graded down to an ultimate rate of 4.0% (reflecting the expected long-term trend for the medical Consumer Price Index).

Sensitivity of the Net OPEB Asset to Changes in the Trend Rates

The following presents the Net OPEB Asset as calculated using the current trend rates, as well as what the Net OPEB Asset would be if it was calculated using trend rates that are one percentage-point lower or one percentage-point higher than the current rates for all:

	2019			2018		
	1% Decrease 3%	Current Discount Rate 4%	1% Increase 5%	1% Decrease 3%	Current Discount Rate 4%	1% Increase 5%
Net OPEB Asset	$ 101,837,000	$ 72,441,349	$ 36,732,100	$ 93,571,900	$ 66,378,357	$ 33,910,100

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REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
RETIREES' OTHER POST EMPLOYMENT BENEFITS TRUST

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

	Fiscal Year Ending June 30, 2019	Fiscal Year Ending June 30, 2018	Fiscal Year Ending June 30, 2017
Total OPEB liability			
Service cost	$ 6,189,800	$ 5,697,100	$ 5,887,900
Interest cost	17,190,200	16,695,200	15,872,109
Benefits payments	(13,142,201)	(12,539,334)	(13,054,709)
Effect of Change in Actuarial Assumptions/Methods	6,522,800	(1,056,800)	-
Difference between Expected and Actual Experience	(7,876,499)	(1,670,566)	-
Effect of Plan Amendments	306,600	-	-
Net change in total OPEB liability	9,190,700	7,125,600	8,705,300
Total OPEB liability - beginning	248,991,900	241,866,300	233,161,000
Total OPEB liability - ending (a)	258,182,600	248,991,900	241,866,300
Plan fiduciary net position			
Contributions to Plan Trusts	9,086,460	-	4,047,200
Benefit payments from Plan Trusts	(13,142,201)	(12,539,334)	(13,054,709)
Administrative expense from Plan Trusts	(92,479)	(108,339)	(24,912)
Expected Investment Return	21,930,730	20,549,908	18,975,882
Investment Experience (Loss)/Gain	(2,528,818)	7,574,077	14,350,251
Net change in plan fiduciary net position	15,253,692	15,476,312	24,293,712
Plan fiduciary net position - beginning	315,370,257	299,893,945	275,600,233
Plan fiduciary net position - ending (b)	330,623,949	315,370,257	299,893,945
Net OPEB Asset - beginning	(66,378,357)	(58,027,645)	(42,439,233)
Net OPEB Asset - ending (a) - (b)	$ (72,441,349)	$ (66,378,357)	$ (58,027,645)
Plan fiduciary net position as a percentage of the total OPEB liability	128.06%	126.66%	123.99%
Covered-payroll	$ 181,760,579	$ 185,860,809	$ 176,709,270
Net OPEB liability as a percentage of covered-payroll	-39.86%	-35.71%	-32.84%
Measurement Date	6/30/2019	6/30/2018	6/30/2017

Information not available prior to 2017.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
RETIREES' OTHER POST EMPLOYMENT BENEFITS TRUST

SCHEDULE OF EMPLOYER CONTRIBUTIONS
(In Thousands)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially Determined Contribution (ADC)	$ 3,410	$ (2,113)	$ 4,574	$ 4,785	$ 12,093	$ 14,100	$ 17,315	$ 17,321	$ 16,208	$ 14,849
Contributions in Relation to the ADC	9,086	-	4,047	4,785	12,093	14,100	37,965	17,321	15,371	14,213
Contributions Deficiency/(Excess)	$ (5,676)	$ (2,113)	$ 527	$ -	$ -	$ -	$ (20,650)	$ -	$ 837	$ 636
Covered Payroll	$ 181,761	$ 185,861	$ 176,709	$ 168,869	$ 167,124	$ 162,902	$ 152,218	$ 142,651	$ 137,050	$ 140,601
Contributions as a Percentage of Covered Payroll	5.00%	0.00%	2.29%	2.83%	7.24%	8.66%	24.94%	12.14%	11.22%	10.11%

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
RETIREES' OTHER POST EMPLOYMENT BENEFITS TRUST

SCHEDULE OF INVESTMENT RETURNS

	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	6.4386%	9.8323%	12.5066%

Information not available prior to the implementation of GASB Statement No. 74.

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