

Santa Clara Valley Transportation Authority/ Amalgamated Transit Union Local 265 Pension Plan

Fiscal Years 2024 and 2025 Adopted Budget

July 1, 2023 to June 30, 2024

July 1, 2024 to June 30, 2025

Accounting and Retirement Services

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Santa Clara Valley Transportation Authority (SCVTA)
and
Amalgamated Transit Union (ATU) Local 265 Pension Plan
(the “Plan”)

Santa Clara County, California



Adopted Budget

Fiscal Years 2024 and 2025

Adopted by the Board of Trustees June 13, 2023

ABOUT THE “PLAN”

The Santa Clara Valley Transportation Authority (SCVTA) – Amalgamated Transit Union (ATU) Local 265 Pension Plan (the “Plan”) was established effective January 1, 1973. The Plan is administered by the Board of Pensions, which is composed of seven Trustees and four Alternate Trustees. The benefits provided under the Plan are negotiated between SCVTA and the Union, and approved by the VTA Board of Directors. All ATU represented employees are covered by the Plan, which is a single-employer defined benefit pension plan. The Plan provides retirement, disability, and death benefits based on the employees’ years of service, age, and final compensation. The Plan is subject to various Federal and State laws.

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Transmittal Letter to the Board of Pensions

June 30, 2023

Board of Trustees
SCVTA/ATU Local 265 Pension Plan

Subject: Fiscal Years 2024 and 2025 Budget
SCVTA/ATU, Local 265 Pension Plan

As part of good governance and compliance with Section 2 of the Pension Plan document related to the Administration of the Pension System, we are pleased to present the Adopted Budget for Fiscal Years 2024 and 2025 for the SCVTA/ATU Local 265 Pension Plan and ATU Spousal Medical/Retiree Vision-Dental Fund. This document is in support of the Board's effective discharge of duties for the exclusive purpose of providing retirement benefits to members and their beneficiaries.

The Adopted Budget presents fiscal guidelines with respect to the Plan which operates under reasonable care, skill, prudence, and due diligence. The objective is to provide insights into the finances for the coming years, as impacted largely by employer and employee contributions, as well as performance of investments of the Plan.

The FYs 2024 and 2025 Budget accounts for some long-term contracts which are expiring during the year, which includes legal counsel and investment consultant services. In addition, it is anticipated that an Asset/Liability Study and actuarial audit of the Plan will be conducted during the budget years. With the new actuarial-related initiative introduced by Actuarial Standards of Practice (ASOP 4), the Plan anticipates increased professional services relative to the analysis that will be conducted on the effect of this standard on the Plan's liability and funding policy. The Budget projects no extraordinary events that may result in a one-time budgetary impact as what the Plan may have experienced from the May 2021 Guadalupe Yard tragic event. Public trust is earned through planning, transparency and accountability, and the Board of Pensions is committed to bringing both information and oversight affecting our fiscal responsibility to the Plan and the members it serves.

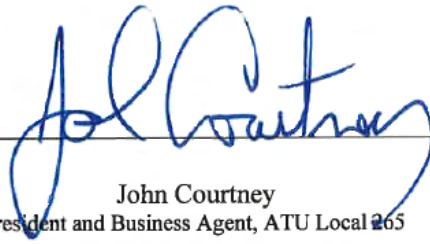
Although the Board has adopted a budget on a biennial basis, this is the first year that the SCVTA/ATU Pension Trust and ATU Spousal Medical/Retiree Vision-Dental funds will be submitting to the Government Finance Officers Association (GFOA) an adopted budget to be considered for the Distinguished Budget Presentation Award. This award is a manifestation that a government entity satisfies the highest quality that reflects both the guidelines established by the National Advisory Council on State and Local Budgeting and the GFOA's best practices on budgeting. We believe that the FYs 2024 and 2025 Adopted

Budget meets the Distinguished Budget Presentation Award, and we are submitting it to the GFOA to determine its eligibility for a certificate.

The preparation of the FYs 2024 and 2025 Adopted Budget required a concerted team effort, including staff from Accounting, Retirement Services, Marketing and Copy Center. We would like to acknowledge the effort, commitment and assistance of our Board Trustees and staff who demonstrated a commendable degree of personal dedication and professionalism in producing this document.



Greg Richardson
Assistant General Manager/Chief Financial Officer, SCVTA



John Courtney
President and Business Agent, ATU Local 265

MESSAGE FROM THE CHAIRPERSON OF THE BOARD

June 30, 2023

The Board of Trustees and staff are proud to present our adopted Fiscal Years 2024 and 2025 Budget for the Santa Clara Valley Transportation Authority (SCVTA)/Amalgamated Transit Union (ATU) Local 265 Pension Plan, and ATU Spousal Medical/Retiree Vision-Dental Fund Included in this document is the Strategic Plan of the ATU Board of Pensions (the “Board”) with a vision of providing the highest standard of retirement services to Plan members, beneficiaries, and employers (both SCVTA and ATU Local 265).

Our objective is to constantly observe the Plan’s core values on all matters faced by the Board, particularly those affecting retirement services and benefits. It is simply unavoidable that challenges come along the way during the Board's normal course of business. This comes in various forms but those that require more creativity, monitoring and care are those that occur beyond the Board's control such as trustee and staff longevity and engagement, as well market fluctuations affecting funding level. It is the intention of the Board to address arising issues extensively, reach a consensus, and implement actions for the interest of the Plans. Continuing education is key in achieving our purpose. The Board's goal of obtaining more quality and useful reports for purposes of making decisions is equally important. We believe that this document guides our efforts during the next two years. Most importantly, this helps achieve our long-term objectives of acting as good stewards, and continuously striving to improve our services to our stakeholders and its constituents at large.

As this is the first year that the Plans have put together a formal budget document, we appreciate your interest in this document and welcome your feedback for future possible improvements.

A handwritten signature in blue ink, appearing to read "Grace Ragni".

Grace Ragni
Chairperson, SCVTA/ATU Local 265 Board of Pensions



**WORKING IN PARTNERSHIP FOR
GOOD STEWARDSHIP OF THE
ATU RETIREMENT PLANS**

S Safe

T Transparent

E Equitable

W Welcoming

A Attentive

R Respectful

D Diligent

Executive Summary

The success in the management and administration of any retirement plans is heavily dependent on the collaboration, and respect among its various partners, including its trustees, and the retiree community together with their beneficiaries. To maintain the trust of the stakeholders of the Plans, the SCVTA/ATU Local 265 Pension Plan and Spousal Medical/Retiree Vision-Dental Fund are committed to operate under the principles of professional standards and established core values.

Despite the challenges the Plans faced during the last two years due to certain unexpected events, the Plans proudly report the accomplishments and progress made on tasks identified in the work plan. Market fluctuations affecting funding levels are inevitable, but the Board's continuous and regular receipt of update on the market and the economy will help attain some comfort level that appropriate decisions are made, issues that arise are addressed and related solutions are implemented as expeditiously as necessary. Employer contributions to the SCVTA/ATU Local 265 Pension Plan have historically been at the actuarially-determined level (page 30). These contributions are paid by the SCVTA to the Plan at the beginning of the year. This funding practice is anticipated to continue during the budget period and after. The Board of Trustees established these goals with specificity, reasonableness and measurability in mind. It is anticipated that these goals will guide and help prepare in achieving both short-term and long-term objectives. Timeline for implementing the goals is FY 24 and FY 25. Costs of implementing the goals are included in the proposed budget.

Accomplishments	Goals
<ol style="list-style-type: none"> 1. Timely and proactively responded to ongoing complex issues, as well as those which arose from extraordinary events. <ul style="list-style-type: none"> • Participated in the actuarial discussions, and coordination with SCVTA Human Resources and Risk Management, as well as provided guidance to SCVTA Disbursements in the calculation of retirement benefits and identification of the best method of disbursing funds to the survivors of the tragedy that occurred at the Guadalupe Yard. This also included the follow through with SCVTA in ensuring that associated actuarial costs were transferred from SCVTA to the Plan's account. • Coordinated with SCVTA General Counsel's Office in extending the provision of the benefit of credit monitoring to the retiree community and remained vigilant on updates from the SCVTA Information Technology during the cyberattack incident. • Despite certain limitations from the pandemic, Board continued to fulfill its duties to avoid interruptions in its ministerial approval of retiring individuals. Board approved and staff processed approximately 150 retirements during the FYs 22/23. 2. Completed and implemented the PEPRA Policy for the SCVTA/ATU Local 265 Pension Plan. 3. Approved the assumptions used in the production of the actuarial report with valuation date of January 1, 2022 and 2023. Subsequently, accepted the actuarial reports used in determining employer and employee contributions to the Plan and implemented changes in SCVTA's SAP system in a timely manner. 4. Completed RFP and contract processes related to selection of service providers, including death audit/death certificate retrieval/address location services, tax legal counsel services, Private Credit and Private Equity investment managers. 5. Reported the results of the Plan's financial condition and accepted the results of an unqualified audit opinion on the Plan. 6. Adopted the FYs 2024 and 2025 Budget 	<p><i>Goal 1: Achieve a funding level that sustains the Plan with assistance from consultants who provide advice on best strategies involving investments, legal proceedings and actuarial valuation/analysis applicable to the Plan.</i></p> <p>Timely and carefully select qualified consultants whose contracted services are nearing completion. This will include selecting the SCVTA Investment Manager who oversees the Plans' investments and acts as liaison between the Plans and external money managers.</p> <p><i>Goal 2: Foster better transparency in reporting and promote professional excellence.</i></p> <p>This will be accomplished by improving investment reporting and reflecting necessary improvements in the investment policy; submitting the Adopted Budget to the Government Finance Officers Association (GFOA); and systematic follow through on outstanding items included in the workplan.</p> <p><i>Goal 3: Continue to timely approve and accurately process retirement benefits to eligible pensioners and beneficiaries.</i></p> <p>This will require continuous coordination with actuary and SCVTA Disbursements, particularly by the Retirement Services staff.</p> <p><i>Goal 4: Maintain engaged trustee and staff members.</i></p> <p>This will be accomplished by reasonably ensuring that trustee and staff members maintain the required continuing education hours.</p>

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SECTION 1
INTRODUCTION TO THE PLAN

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Plan Profile

The Pension Plan is the Santa Clara Valley Transportation Authority (SCVTA) – Amalgamated Transit Union (ATU), Local 265 Pension Plan (formerly called the “Santa Clara County Transit District – Amalgamated Transit Union Pension Plan”). The Pension fund and Pension contract are administered and enforced by the Board of Pensions (“Board”). The Board is composed of seven Trustees, three each appointed by the ATU and SCVTA, and one jointly appointed by the ATU and SCVTA. The Board may also appoint up to two alternates each by the ATU and SCVTA.

The Board oversees, directs, and administers the Plan and its funds. Employees of SCVTA who are represented by ATU and clerical staff hired by the ATU are covered by the Plan, which is a single-employer defined benefit plan. The Plan provides retirement, disability, and death benefits based on the employees’ years of service, age, and final compensation. Employees covered by the Plan are classified as Classic and PEPRA (Public Employees’ Pension Reform Act of 2013)

Classic employees:

- hired prior to January 1, 2016;
- age of 55 or older who have at least 15 years of eligibility service, or age 65 who have at least 10 years of eligibility service are entitled to full annual pension benefits;
- age 65 or older with less than 10 years but more than 5 years of eligibility service are entitled to a full annual pension benefits, provided the Board of Pensions approves such a benefit;
- who become disabled after 10 or more years of eligibility service may apply for early retirement;
- with 10 or more years of eligibility service are eligible for a terminated vested retirement with a pension benefit payable at age 65;
- currently contribute 3.40% effective September 9, 2019.

PEPRA employees:

- hired on or after January 1, 2016;
- age 62 or older who have at least 5 years of eligibility service and benefit service are entitled to full annual pension benefits;
- age 52 or older who have at least 5 years of eligibility service and benefit service are eligible to retire with a reduced pension benefit;
- who become disabled after 10 or more years of eligibility service may apply for early retirement;
- with 5 or more years of eligibility service and benefit service are eligible for a terminated vested retirement with a pension benefit payable at age 52;
- benefit provisions and all other requirements are established by VTA’s Board of Directors but are subject to the California Public Employees’ Pension Reform Act of 2013 (PEPRA);
- contribute at least 50%, rounded to the nearest quarter of one percent, of the normal cost rate for the Plan for all active Plan Members, as determined by the Plan’s actuary;
- currently contribute 6.0% effective June 18, 2018.

Employees may elect to receive their pension benefits in the form of a joint or survivor annuity, excluding terminated vested and disability retirements. These benefit provisions and all other requirements are established by California statute and the labor agreement between the SCVTA and ATU Local 265. SCVTA’s contribution to the Plan is actuarially-determined and is the estimated sum necessary to finance the cost of the benefits earned by employees with an additional amount to finance the unfunded accrued liability.

The ATU Spousal Medical/Retiree Vision-Dental is a separate fund from the SCVTA/ATU Local 265 Pension Plan, which is administered by the Board and staff. Both are employee-funded defined contribution plans. The ATU Spousal Medical is a medical insurance benefit for

eligible pensioners’ spouses. The ATU Retiree Vision and Dental is a vision and dental benefit for eligible pensioners.

The Board of Trustees

Membership

The SCVTA/ATU, Local 265 Pension Plan (the “Plan”) is a trust governed by its own Board of Trustees. The Board consists of seven voting members and four alternates. The seven voting members consist of three SCVTA-represented employees (appointed by the SCVTA General Manager/CEO), three ATU-represented employees (appointed by the ATU) and one independent member (jointly appointed by the SCVTA and ATU Local 265).

Representation	Representatives	SCVTA Divisions
SCVTA	3 voting members	Finance, Human Resources, and Operations
	2 alternates	Finance and Human Resources
ATU	3 voting members	Operations
	2 alternates	
Independent	1 voting member	

2023 SCVTA and ATU Board Members

Grace Ragni Chairperson Asst. Controller, SCVTA	David Howard Vice-Chairperson Bus Dispatcher, ATU
Linda Durham Trustee Employee Relations Manager, SCVTA	John Courtney Trustee ATU Local 265 President and Business Agent
Naunihal “Nauni” Singh Trustee Deputy Director, Transit Ops – Rail, SCVTA	Jesus Iboa Trustee Bus Maintenance, ATU
Cassandra Leventon Alternate Human Resources Manager, SCVTA	Dashpinder Gill Alternate Bus Operator, ATU
Mike Smith Alternate Finance, Debt & Investment Manager, SCVTA	Ashley Olvera Alternate Bus Operator, ATU
Michael McKeon 7 th Trustee ATU Retiree	
Maria Chavez Board Secretary Retirement Services, SCVTA	
Other Staff Members <i>(Consisting of Investment Program Manager, Legal Counsel and Retirement Services staff)</i>	

Committee Structure

As the Board is faced with complex pension matters and oversees associated consequences of certain decisions made, various committees have been established to provide advice and perform in-depth review of policy and procedural matters before the Board takes final action. These individual committees and their responsibilities are described below.



Advisory Committee

The function of the advisory committee is to review policies and procedures under development to reasonably ensure that they meet the needs of the Plan and its members. This committee meets as necessary.

Policy/Procedure Advisory Committee

The Pension Plan Policies Sub-Committee is represented by SCVTA, ATU and staff members. This committee advises the Board on policy and procedural issues affecting the Plan. This committee ensures that the development of policies and procedures comply with the Plan and in accordance with the regulatory laws and directives.

Standing Committee

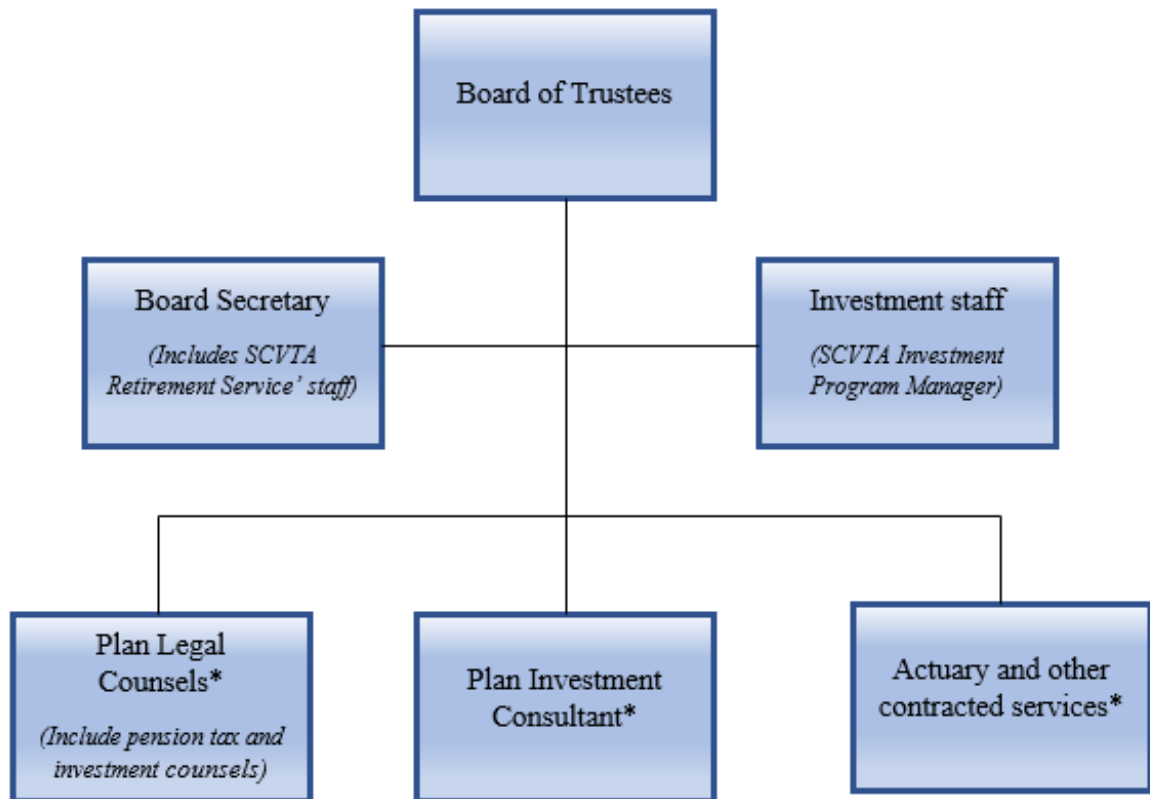
The Board Standing Committee meets the first Tuesday of each month to review the Plan's investment performance and proposed policies, as well as form recommendations to the full Board for final approval. Members of the Standing Committee are appointed by the SCVTA and ATU management. The only standing committee of the Board is the Investment Committee

Investment Committee

Reviews and recommends policies relating to the general administration and investment-related issues of the Plan and ATU Spousal Medical/Retiree Vision/Dental Fund. Members of the committee participate in the selection of third-party contractors (such legal counsels, investment consultants, actuaries, etc.)

Organization Structure

To act as an effective steward of the Plan's resources and ensure that the Plan complies with regulatory requirements, the Board elicits services of both SCVTA staff and third-party contractors. The Board Secretary responds to the administrative needs of the Board, including budget preparation. Investment staff reports and monitors investment activities, in close coordination with the Plan's investment consultant. The Plan's Legal Counsel provides legal advisory services and defends the Plan from any potential claims and litigation. The Plan's actuary provides analyses of pension contributions and funding levels, as well as provides necessary disclosures for the Pension fund to meet the requirements of Governmental Accounting Standards Board Statement No. 67.



*Outsourced services

Profile of the SCVTA/ATU Local 265 Pension Plan and ATU Spousal Medical/Retiree Vision-Dental

The Pension Plan is a single-employer defined benefit pension plan. The Plan provides retirement, disability, and death benefits based on the employees' years of service, age, and final compensation.

The Pension Plan was established effective January 1, 1973. The Plan is administered by the Board of Pensions, which is composed of seven Trustees and four Alternate Trustees. Benefits provided under the Plan are negotiated between SCVTA and the Union, and approved by the VTA Board of Directors. The Plan is subject to various Federal and State laws.

The Pension Plan is accounted for in the Santa Clara Valley Transportation Authority's Fiduciary Funds as a Trust fund. As a Trust fund, resources of the Plan are held for the benefit of its members, beneficiaries, and ATU-employed staff members. As of June 30, 2022, the Plan has 3,224 members, consisting of retirees and beneficiaries receiving benefits, terminated vested members not yet receiving benefits, and active members.

The Fiduciary Funds of Santa Clara Valley Transportation Authority include the ATU Spousal Medical/Retiree Vision-Dental. The Board of Pensions also administers the ATU Spousal Medical and Retiree Vision-Dental Fund. These are employee-funded defined contribution plans. As of June 30, 2022, there were 452 participating spouses who were eligible for benefits from the Spousal Medical Fund. The Retiree Vision-Dental Fund is a vision and dental benefit for eligible pensioners. As of June 30, 2022, there were 1,152 enrolled retirees.

The SCVTA/ATU Local 265 Pension Plan and ATU Spousal Medical Retiree Vision Dental Fund are part of the financial audit conducted on the SCVTA Annual Comprehensive Financial Report (ACFR). A description of the Plan's employer is included in Section 4 of this document. Other funds included in the SCVTA ACFR are: Transit, BART Operating, Express Lanes, Joint Development, Congestions Management and Highway Program, Congestion Management Program, 2000 Measure A, 2016 Measure B, Vehicle Registration Fees, Bay Area Air Quality and Other Post Employment Benefits, as well as Internal Service Funds including General Liability, Workers' Compensation and Compensated Absences.

A stand-alone audit report is issued for the The SCVTA/ATU Local 265 Pension Plan. The ATU Spousal Medical/Retiree V

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SECTION 2
BUDGETARY FOUNDATION

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Funding

The Pension Plan's revenue is derived from investment earnings, employer contributions, and member contributions. The Pension Plan receives actuarially-determined contributions from the employer, Santa Clara Valley Transportation Authority. The Revenues by Source section of this document (page 18) presents the details of the funding for the Pension Plan.

The Spousal Medical/Retiree Vision-Dental Fund's revenue is derived from investment earnings and employee contributions. The Revenues by Source section of this document (page 20) presents the details of the funding.

Basis of Accounting and Budgeting

The financial statements of the Trust Funds are prepared on an accrual basis in accordance with Generally Accepted Accounting Principles (GAAP). Employer and member contributions are recognized in the period in which the member performs service for SCVTA. Investment earnings include marked to market gains/losses. Benefits and other expenditures are recognized when due and incurred in accordance with the terms of the plans.

The budget is prepared using the accrual basis of accounting. This recognizes member and employer contributions as revenues in the period member services are performed and member earnings are received. Benefits and other expenditures are recognized as expenses when due and incurred. Expenses are recorded when the associated liabilities are incurred regardless of when payment is made.

Strategic Plan



Vision

To provide the highest standard of retirement services to Plan members, beneficiaries, and the employers.

Mission

To effectively and equitably develop and administer policies, procedures and programs that provide asset safety to members and their beneficiaries on behalf of the Santa Clara Valley Transportation Authority and Amalgamated Transit Union Local 265 Pension Plan, in keeping with the spirit of reasonable care, skill, prudence, and due diligence.

Core Values

Safety – Income protection to members and their beneficiaries, as well as SCVTA and ATU by investing on assets with due diligence and care, as well as spending on Plan-related activities/ items on a “need to incur” basis only. We strive to achieve and maintain a funding level that reasonably sustains the Plan

Integrity – Business is conducted in an ethical, honest, and transparent manner.

Quality - Customer service provided to members, beneficiaries, and employers with operational excellence.

Diversity – We value, respect, and serve the needs of the Plan’s stakeholders.

Accountability – As stewards of the Plan’s assets primarily generated from contributions of members and SCVTA, we take responsibility for our actions which are based on reasonable care, skill, prudence and due diligence. We honestly report financial condition and activities of the Plan to members and their beneficiaries, as well as the employer.

Basis of Strategic Plan Creation

Vision, Mission, and Core Values are derived from the Collective Bargaining Agreement between the employer, SCVTA, and ATU, Local 265. Investments are guided by the Plan’s Investment Policy. Visibility and subsequent completion of tasks included in the Board Work Plan were also considered during the development of the Strategic Plan.

Strategic Plan at a Glance

Vision	To provide the highest standard of retirement services to Plan members, beneficiaries and the employers.			
Mission	To effectively and equitably develop and administer policies, procedures and programs that provide asset safety to members and their beneficiaries on behalf of the Santa Clara Valley Transportation Authority and Amalgamated Transit Union Local 265 Pension Plan, in keeping with the spirit of reasonable care, skill, prudence and due diligence			
Overarching Priorities	Support efforts in achieving plan sustainability	Enhance transparency and improving service to stakeholders	Promote programs that will engage participation of trustees and staff	
Core Values	Safety	Integrity and Quality	Diversity	Accountability
Long-term Goals	Excel in fulfilling the needs of the ATU retirement community <i>Responsive and proactive in providing reasonable solutions</i>	Advance transparency and quality in reporting <i>Provide easy access to information that is in accordance with professional standards</i>	Maintain operational stability and level of expertise among trustees <i>Trustees and staff members comply with training requirements and replace lost resources/skills in the most expedient way possible.</i>	Strategic realignment of Plan structure, policies and programs <i>Effective policy and decision-making and implementation</i>
Strategic Objectives	1.1 Continue to timely approve and process retirement requests 1.2 Further develop policies in support of achieving Plan sustainability 1.3 Innovate the provision for decisions in support of improving financial health and condition.	2.1 Optimize the skills and expertise of in-house and external resources 2.2 Improve and increase access to available and useful resources 2.3 Support improvement of investment performance reporting and monitoring	3.1 Develop and sustain competencies and expertise 3.2 Scale-up engagement of internal and external experts using effective and efficient infrastructure and service delivery	4.1 Revisit policies and procedures and identify updates as necessary 4.2 Streamline processes if reasonable and when necessary 4.3 Advance programs that promote effectiveness and efficiency, while still complying with by-laws.
Key Measure	Commencement of processing retirement requests within one month from receipt. Outperforming the total portfolio benchmark (over, 3, 5, and 10 year basis) Immediate inclusion of issues that need Board attention in the Work plan.	Inclusion of analysis, on a regular basis, of the investment performance as reported in the Investment Report, and providing highlights as appropriate.	Compliance with education/training requirements of 36 hours every two years Placing immediate priority to the process of selecting/hiring in-house and contracted skills/expertise prior to departure or contract expiration. Regular status updates are reported to the Board.	Regular monitoring of tasks in the Work plan relative to policies, procedures and programs. Presentation of planned action to the Board and documentation of level of effort to be performed

Implementation of Strategic Plan

Working toward implementation of the Strategic Plan requires education/training and continuous monitoring that trustees and staff members acquire the necessary tools to perform effectively and efficiently in their roles. A semi-annual report on the education/training hours attended by the trustees and staff members is presented to the Board.

Sub-committees are established to reasonably ensure that goals are accomplished effectively and as intended. Regular reporting of sub-committees' action plans and accomplishments is brought forward to the Board for information or action.

The biennial budget is adopted by the Board to continuously monitor the fiscal stability of the Plan. Quarterly analysis is performed and reporting of the variance between budget and actual is provided to the Board. There are monthly and quarterly presentations of investment performance to the Board. Financial statements of the SCVTA/ATU Local 265 Pension Plan and ATU Spousal Medical/Retiree Vision-Dental funds are audited on an annual basis.

Long-Range Plan

As actuarial reports are generated, assumptions are constantly reviewed and approved by the Board. Certain assumptions pertaining to discount rates are constantly under discussion to ensure that it remains relevant and reasonably reflects current market conditions.

Appropriations

The activities of the SCVTA/ATU, Local 265 Pension Plan and ATU Spousal Medical/Retiree Vision-Dental Funds are reported in the employer's retiree trust funds. These funds are used to account for assets held by VTA as a trustee for individuals and other entities. The assets of one fund cannot be used to pay for the liabilities of another fund. The assets are maintained separately in specific investments.

Budget Policies

- Biennial Budget is presented to the Board for approval.
- The Budget's focus is on implementing the current Strategic Plan.
- Due care and fiscal prudence should be observed when implementing current programs and initiatives.
- Allocation of expenditures is permissible with approval by the Board.
- A balanced budget occurs when revenues meet or exceed budgeted expenses in a fiscal year.
- Amendments to the budget require approval by the Board.

Debt Policy

The SCVTA/ATU Local 265 Pension Plan and Spousal Medical/Retiree Vision-Dental funds have no debt obligations. These plans do not anticipate incurring debt in the near future. The Board does not allow for issuance of any debt.

Capital Budget

As the SCVTA/ATU Local 265 Pension Plan and ATU Spousal Medical/Retiree Vision-Dental funds do not acquire property and fixed assets, there is no budget for capital-related expenditure. Costs of the software and fixed assets used for purposes of administering the Plan are borne by SCVTA, the employer. No overhead associated with these costs is allocated to the Plans. Administrative staffing of the Plans is discussed further in Section 4.

Actuarial Methods and Assumptions

Annual contributions to the SCVTA/ATU, Local 265 Pension Plan are computed under the Entry Age to Final Decrement Cost Method. Under this method, the Normal Cost is calculated as the amount necessary to fund members' benefits as a level percentage of total payroll over their projected working lives. At each valuation date, the Actuarial Liability represents the difference between the liability for the members' projected benefits and the present value of future Normal Cost contributions.

In the January 1, 2023 actuarial valuation, the actuarial assumptions included 6.75% investment rate of return, net of investment expenses and 2.50% cost-of living as measured by the Consumer Price Index. Assumed pay increases for active participants consisted of the compounded rate increases due to salary growth of 2.75%, and increases due to longevity and promotion. The unfunded actuarial liability is amortized in level dollar payments over a rolling 20-year period.

Fund Description and Structure

The SCVTA/ATU, Local 265 Pension Plan and ATU Spousal Medical/Retiree Vision-Dental funds are accounted for separately as fiduciary funds. The Pension Plan, which is accounted for in one fund, was established to provide retirement, disability, and death benefits to eligible ATU employees and their beneficiaries. The Spousal Medical provides medical insurance benefit for eligible pensioners' spouses, while the Retiree Vision-Dental provides vision and dental benefit for eligible pensioners. The Spousal Medical/Retiree Vision-Dental is accounted for in one fund.



Budget Process and Development

The following is a description of the process for developing the Budget for the SCVTA/ATU, Local 265 Pension Plan and ATU Spousal Medical/Retiree Vision-Dental Fund.

The Biennial Budget is based on an accrual basis of accounting. This means that revenues are recognized in the period they are earned, and expenditures are recognized in the period they are incurred. Contribution revenues are recognized upon employee service performance. For benefit payments, expenses are recognized when determined eligible and payable. The FYs 2024 and 2025 Budget for the SCVTA/ATU Local 265 Pension Plan was developed using zero-based budgeting which requires the analysis of programs and expenditures. The Board believes that such methodology leads to focused operations, controlled costs, and disciplined execution of the strategic plan. Absent the annual actuarial valuation report for the ATU Spousal Medical/Retiree Vision-Dental Fund, the budgets of this fund were based on the average of the previous four fiscal years.

The Budget is prepared by the Office of the Plan’s Board Secretary. A draft is generated and reviewed by SCVTA Accounting Department. Upon completion of this review, the Office of the Board Secretary drafts the proposed budget for presentation to the Board of Pensions and obtains approval. The FYs 24 and 25 Budget complies with established financial policies.

The proposed budget is not presented to the Advisory and Standing Committees because members of the committees are also members of the Board. The Final Proposed Budget is presented to the Board for adoption at the regularly scheduled board meetings in June. Board adoption authorizes the appropriation of the funds, giving legal authority to spend or commit Plan’s resources.

Any amendments subsequent to the Board adoption of the Budget, are presented to the Board for approval during the regular meeting. Recommendations, discussion on causes of the change, budgetary impact and potential outcome if approval is not granted, are included in the board memo. Status of the budget versus actual is reported to the Board semi-annually.

Budget Timeline

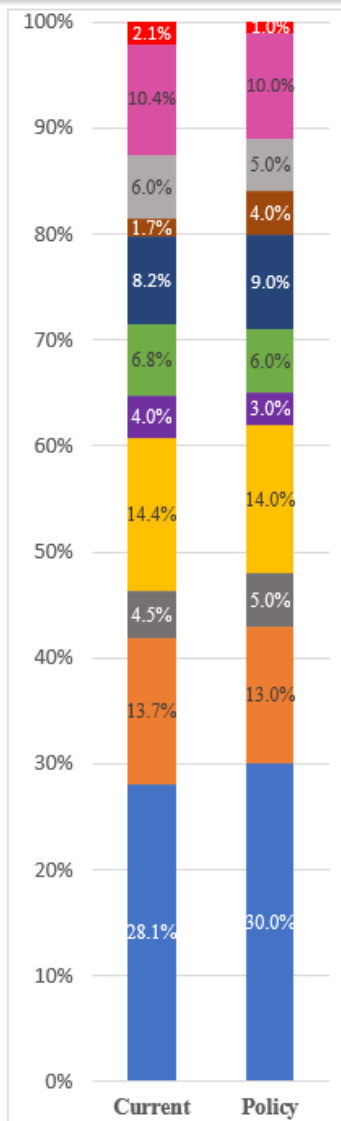
Date	Activities
December 31, 2022	Start review and analysis of budgetary line items by the Office of the Board Secretary
March 31, 2023	Discussion of budget components between Office of Board Secretary and Accounting staff.
April 15, 2023	Office of the Board Secretary drafts the Proposed Budget for input from the Board Chairperson and Vice-Chairperson.
April 30, 2023	Office of the Board Secretary finalizes Proposed Budget
May 8, 2023	Board Secretary distributes Proposed Budget to the Board for input/comments
June 13, 2023	Board Secretary presents the Final Proposed Budget to the Board of Pension for adoption

Asset Allocation

The SCVTA/ATU Local 265 Pension Plan utilizes 11 external money managers that are overseen by the Plan’s investment consultant, in conjunction with the SCVTA’s Investment Program Manager. The fund is invested using the “prudent person” standard as authorized by Section 3 of the investment policy guidelines adopted by the SCVTA/ATU Local 265 Pension Plan Board of Pensions. The Plan’s goal is to have a well-managed investment program that provides for its financial needs and allows investments to be appropriately diversified and prudently invested to minimize risk and maximize return.

SCVTA/ATU Local 265 Pension Plan Asset Allocation Summary

As of June 30, 2022



	Market Value	Current	Policy	Diff. Current vs. Policy	Policy Range	Within Range
Domestic Equity	\$174,467,510	28.1%	30.0%	-1.9%	25.0 – 35.0%	Yes
International Equity	85,259,649	13.7%	13.0%	0.7%	7.0 – 16.0%	Yes
Emerging Markets Equity	27,675,973	4.5%	5.0%	-0.5%	0.0 – 10.0%	Yes
Domestic Fixed Income	89,534,806	14.4%	14.0%	0.4%	10.0 – 24.0%	Yes
Treasury	24,526,538	4.0%	3.0%	1.0%	0.0 – 6.0%	Yes
Hedge Funds	42,396,637	6.8%	6.0%	0.8%	3.0 – 9.0%	Yes
Private Debt	50,784,329	8.2%	9.0%	-0.8%	0.0 – 12.0%	Yes
Private Equity	10,689,982	1.7%	4.0%	-2.3%	0.0 – 8.0%	Yes
Real Assets	37,474,082	6.0%	5.0%	1.0%	0.0 – 10.0%	Yes
Real Estate	64,709,883	10.4%	10.0%	0.4%	5.0 – 15.0%	Yes
Cash	12,431,435	2.1%	1.0%	1.1%	0.0 – 5.0%	Yes
Totals	\$619,950,824	100.0%	100.0%	0.0%		

* Totals may not be precise due to rounding.

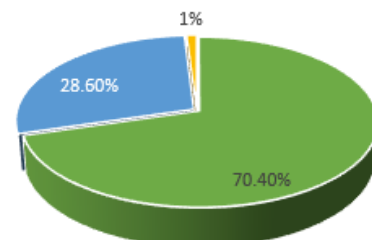
ATU Spousal Medical/Retiree Vision-Dental

The ATU Spousal Medical/Retiree Vision- Dental is a defined contribution pension trust fund. This is the type of retirement plan in which employees allocate part of their paychecks to an account for purposes of funding their retirements. Benefits are based on amounts contributed by ATU participants, plus any investment earnings on the contributions made. This is accounted for in a separate fund and utilizes two money managers. Composition of the assets as of June 30, 2022, is as follows:

	Market Value	%
Domestic Equity	\$27,626,293	70.4%
Domestic Fixed Income	11,221,824	28.6%
Cash	389,030	1.0%
Total	\$39,237,147	100.0%

* Totals may not be precise due to rounding.

■	Domestic Equity
■	Domestic Fixed Income
■	Cash



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SECTION 3
BUDGET COMPONENTS

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Revenue Schedules

Contributions made to the SCVTA/ATU Local 265 Pension Plan are based on the annual actuarial valuation report. Employer contributions are prepaid to the fund. Revenues include employer and employee contributions, with Classic employee contributions set to 3.4%, and PEPRAs employee contributions set to 6.0%. Projected employer contributions in FY 2023 decreased primarily as result of the assets of the Plan returning more than the assumed rate of return of 6.75%.

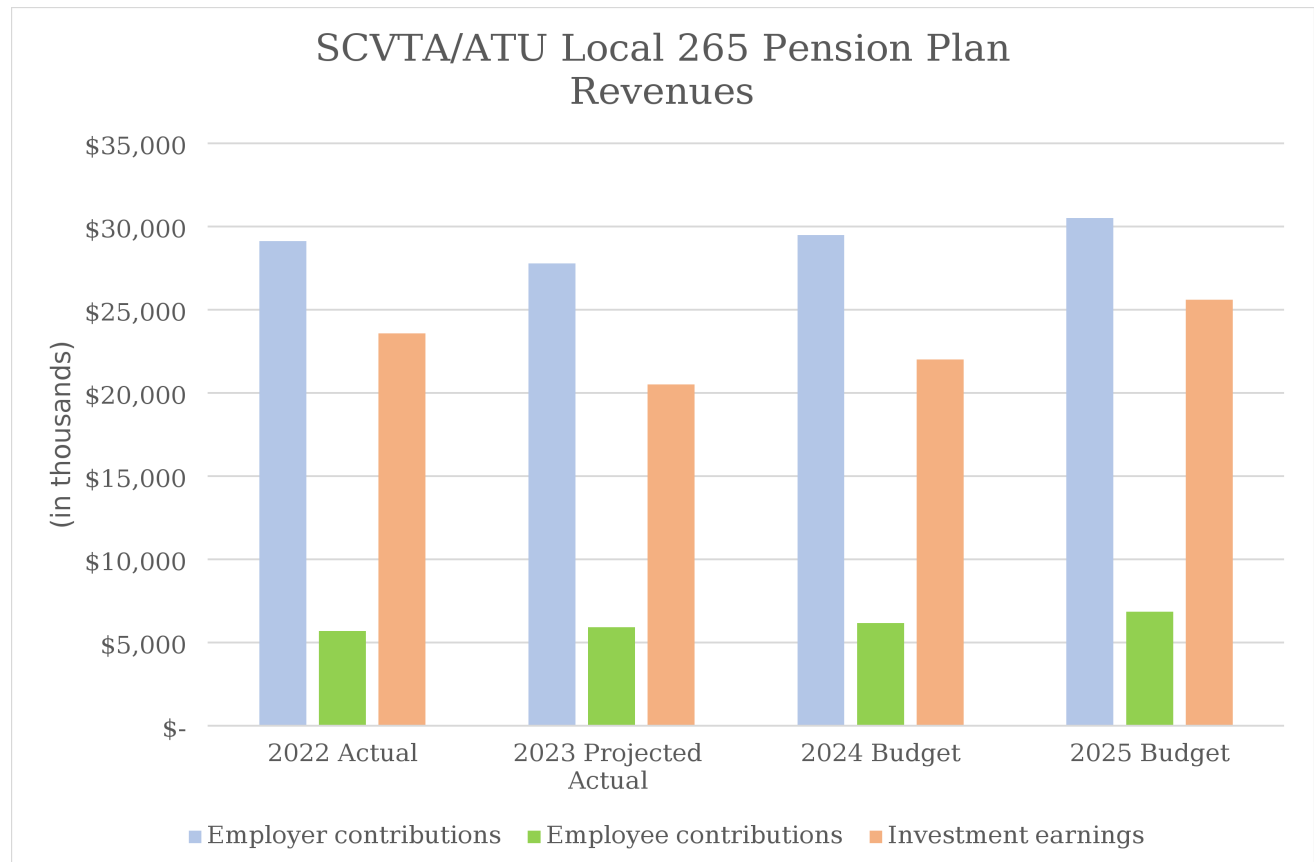
	('000)			
	2022 Actual	2023 Projected Actual**	2024 Proposed/Adopted Budget	2025 Proposed/Adopted Budget
Employer contributions	\$ 29,114	\$ 27,761	\$ 29,466	\$ 30,500
Employee contributions*	5,674	5,917	6,159	6,850
Investment earnings***	23,578	20,500	22,000	25,600
Total	\$ 58,366	\$ 54,178	\$ 57,625	\$ 62,950

* Includes ATU contributions for its employees

** Projection on May 31, 2023

*** Stated at gross as investment expense is separately budgeted. This does not include mark-to-market gains/loss.

**** Total may not be precise due to rounding.



Assumptions used in Budgeted Revenue Calculations:

a. Employer Contribution

		Classic	PEPRA	TOTAL
1	Entry Age Normal Cost	\$13,458,790	\$6,002,965	\$19,461,755
2	Employee Contributions	3,311,584	2,847,599	6,159,183
3	Employer Normal Cost (1) – (2)	10,147,205	3,155,366	13,302,572
4	Annual Pay of Active Members	100,633,095	49,035,602	149,668,697
5	Normal Cost as a Percentage of Pay	13.82%	12.65%	13.43%
6	Employee Contribution Rate	3.40%	6.00%	4.25%
7	Employer Normal Cost Rate	10.42%	6.65%	9.18%
8	Amortization of Unfunded Liability	10,548,754	5,140,103	15,688,857
9	Expected Administrative Expenses	319,377	155,623	475,000
10	Employer Contribution (3) + (8) + (9)	21,015,336	8,451,093	29,466,429
11	Employer Contribution with Interest	22,433,871	9,021,541	31,455,413
12	Projected Fiscal Year Payroll	102,007,416	49,705,269	151,712,685
13	Employer Contribution as a % of Projected Payroll	21.99%	18.15%	20.73%
14	Employer Contribution Payable at Beginning FY24	\$21,713,022	\$8,731,660	\$30,444,683

* Total may not be precise due to rounding.

FY 2024 budgeted employer contribution is based on the actuarial report with valuation date of January 1, 2023. Further discussion on employer contributions calculated by the actuary is provided in Section 4.

The employer contribution rate to the ATU Pension Plan is estimated to increase by 3.5% as deferred losses are realized from unfavorable asset returns. This is consistent with the trend information in the actuarial valuation report as provided in Section 4. Above amount includes ATU funded employer contributions of \$18,824.

b. Employee Contributions

ATU members hired before January 1, 2016 contributed 0.95% of the compensation to the Plan as of October 2016, which increased to 1.90% beginning October 2017 and increased again to 3.40% beginning September 2019. New PEPRA members hired on or after January 1, 2016 contribute half of the PEPRA normal cost of the Plan rounded to nearest 0.25%. Once established, the contribution rate for PEPRA members will be adjusted to reflect a change in the normal cost rate, but only if the normal cost rate changed by more than 1% of payroll. The PEPRA member rate of 5.5%, effective since October 2016, was increased to 6.00% effective July 2018 because the total normal cost rate for PEPRA members (12.12% as of January 1, 2018) had increased by more than 1% of pay from when the rate was initially determined. The PEPRA member contribution rate will remain at 6% based on the result of the most recent valuations.

The increase in budgeted employee contributions is due to growth in payroll and larger share of participants subject to the PEPRA provisions.

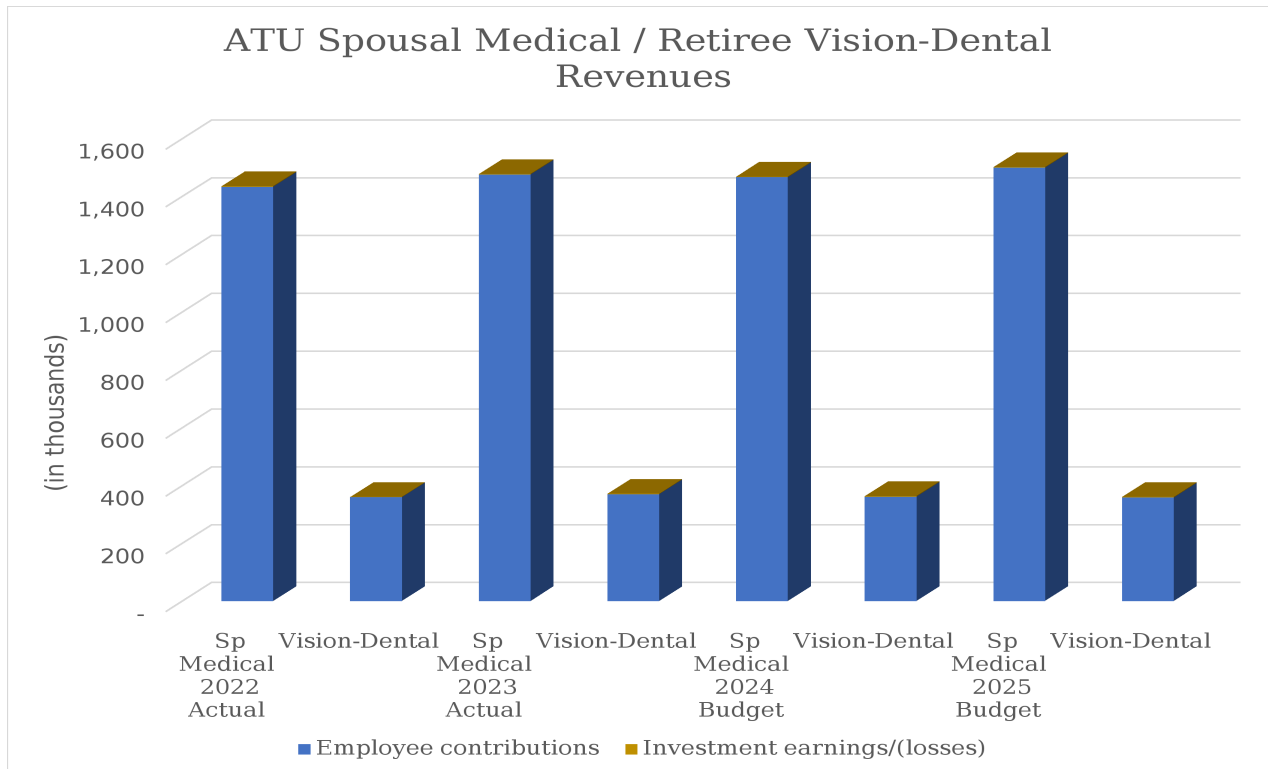
c. *Investment earnings, net of investment expenses*

Investment income is assumed to be at 6.75%, with anticipated to growth in Plan Assets. Consultant investment fee is expected to increase as a result of upcoming contract expiration and subsequent fee negotiation.

Contributions to the ATU Spousal Medical/Retiree Vision-Dental Fund are based on the provisions of the SCVTA and ATU Collective Bargaining Agreement. Revenues include employee contributions, as well as investment income. ATU-represented employees contribute \$0.40 per hour to the ATU Spousal Medical Fund, and \$0.10 per hour to the ATU Retiree Vision-Dental Fund. FY 2024 for Employee Contributions were expected to increase by the average increase from the previous four years. FY 24 and FY 25 budget for Retiree Vision Dental is anticipated to generally remain steady. Other revenue includes investment income and projects to the target return of 6.75%, but trading losses are anticipated during the budgeted years due to change in investment strategy from primarily large cap index to more broadly diversified with slightly more exposure to small and mid-sized U.S. companies.

	(*000)											
	2022 Actual			2023 Actual			2024 Proposed/Adopted Budget			2025 Proposed/Adopted Budget		
	Sp. Med.	Vision Dental	Total	Sp. Med.	Vision Dental	Total	Sp. Med.	Vision Dental	Total	Sp. Med.	Vision Dental	Total
Employee contributions	\$1,433	\$359	\$1,792	\$1,475	\$369	\$1,844	\$1,535	\$361	\$1,896	\$1,598	\$358	\$1,956
Investment earnings*	1	-	1	1	1	2	1	1	2	1	1	2
Total	\$1,434	\$359	\$1,793	\$1,476	\$370	\$1,846	\$1,536	\$362	\$1,898	\$1,599	\$359	\$1,958

*This is gross investment earnings. Marked to market values are excluded.



Expense Schedules

Individual expense line items were justified and estimated depending on related conditions and associated cost drivers. This process entails analyzing each granular need of the plans. This allows for a strategic, top-down approach to analyze the plan's performance.

SCVTA/ATU Local 265 Pension Plan Administrative Expenses

	(*000)			
	FY 2022 Actual	FY 2023 Projected Actual*	FY 2024 Proposed/ Adopted Budget	FY 2025 Proposed/ Adopted Budget
Pension payments	\$ 50,387	\$ 54,278	\$ 59,596	\$ 64,014
Other Purchased Services:				
Medical/Psychiatric evaluations (initial and re-evaluations)	14	73	72	81
Benefit determinations	35	53	52	51
Annual actuarial evaluations	32	39	40	41
Annual GASB67/68 reporting	10	10	11	11
Actuarial consulting fees	130	41	102	42
Experience study	-	35	-	-
Actuarial audit	-	-	65	-
7th Pension Board Trustee Stipend	2	2	2	2
Fiduciary liability insurance	49	53	54	57
Legal counsel	119	128	137	141
Death audit service/address location service	5	5	6	6
Social Security earnings	1	1	1	1
Printing – Pension Plan doc	-	5	5	5
Educational expenses	8	25	27	27
Travel	2	22	26	26
CALAPRS membership	1	1	1	1
SACRS membership	-	2	2	2
Miscellaneous expenses	8	25	25	25
Investment expense:				
Investment consultant/inv management/custodian / investment admin	3,867	3,957	3,091	3,281
Total	\$ 54,670	\$ 58,755	\$ 63,315	\$ 67,814

*Projection on May 31, 2023.

Assumptions used in Budgeted Expense Calculations:

a. *Pension Payments*

This was derived by analyzing actual trend of the prior year and calculating the average annual pensions amounts. All categories increased by 2%, except for the Term Vested. This is to account for anticipated increased average final earnings due to future higher wages. Term Vested payments were based on actual average annual amounts for pending retirements for the related fiscal years.

Term vested individuals are separated employees who are vested and when they reach the age of 65 (Classic) or age of 52 (PEPRA) are eligible for a pension benefit. These individuals are tracked to determine when they are scheduled to begin to receive a pension benefit for the budgeted years, assuming individuals are still able to receive when their pension benefit is to be effective.

Category	Ave. 2022 Actual Annual Payment to a Retiree	Annual Payment with an assumed 2% inc.	Monthly Average Payment per Retiree	Annual No. of Retirees	Ave. Monthly No. of Retirees	Monthly Payment to Retirees	Month	Interpolated 2023 Mo. Payments	Add new retirees/ death changes	Budgeted 2024
Service	\$41,099	\$41,921	\$3,493	62	5.166667	\$18,049	Jan	\$4,768,117	\$30,501	\$4,798,618
Disability	16,358	16,685	1,390	3	0.25	348	Feb	4,768,117	61,002	4,829,119
ATU to Admin	27,421	27,970	2,331	8	0.666667	1,554	Mar	4,768,117	91,503	4,859,620
Rule of 70	18,165	18,528	1,544	1	0.083333	129	Apr	4,768,117	122,004	4,890,121
Surv Sps/Benef	23,355	23,801	1,983	8	0.666667	1,322	May	4,768,117	152,505	4,920,622
Ex-spouses	11,856	12,093	1,008	8	0.666667	672	Jun	4,768,117	183,006	4,951,123
Term Vested	13,019		1,085	10	0.833333	904	Jul	4,768,117	213,507	4,981,624
Deceased	21,241	21,666	1,805	50	4.166667	7,523	Aug	4,768,117	244,008	5,012,125
Total						\$30,501	Sep	4,768,117	274,509	5,042,626
							Oct	4,768,117	305,010	5,073,127
							Nov	4,768,117	335,511	5,103,628
							Dec	4,768,117	366,012	5,134,129
							Total	\$57,217,404	\$2,379,078	\$59,596,482

Category	Ave. 2023 Actual Annual Payment to a Retiree	Annual Payment with an assumed 2% inc.	Monthly Average Payment per Retiree	Annual No. of Retirees	Ave. Monthly No. of Retirees	Monthly Payment to Retirees	Month	Interpolated 2024 Mo. Payments	Add new retirees/ death changes	Budgeted 2025
Service	\$41,921	\$42,760	\$3,563	62	5.166667	\$18,410	Jan	\$5,134,127	\$30,828	\$5,164,955
Disability	16,685	17,019	1,418	3	0.25	355	Feb	5,134,127	61,656	5,195,783
ATU to Admin	27,970	28,529	2,377	8	0.666667	1,585	Mar	5,134,127	92,484	5,226,611
Rule of 70	18,528	18,899	1,575	1	0.083333	131	Apr	5,134,127	123,312	5,257,439
Surv Sps/Benef	23,801	24,277	2,023	8	0.666667	1,349	May	5,134,127	154,140	5,288,267
Ex-spouses	12,093	12,335	1,028	8	0.666667	685	Jun	5,134,127	184,968	5,319,095
Term Vested	23,029		1,919	4	0.333333	640	Jul	5,134,127	215,796	5,349,923
Deceased	21,666	22,099	1,842	50	4.166667	7,673	Aug	5,134,127	246,624	5,380,751
Total						\$30,828	Sep	5,134,127	277,452	5,411,579
							Oct	5,134,127	308,280	5,442,407
							Nov	5,134,127	339,108	5,473,235
							Dec	5,134,127	369,936	5,504,063
							Total	\$61,609,524	\$2,404,584	\$64,014,108

b. *Medical/Psychiatric Evaluations*

The estimated number of evaluations is based on average 5-year experience. FY 2025 re-evaluation count was increased due to anticipated need as employees continue to retire under disability retirements. The increase in re-evaluations in FY 2025 is based on the assumption that at least 3 of the initial medical evaluations for possible disability applicants in FY 2024 may be approved for an occupational disability requiring a medical re-evaluations.

Type of Evaluation	FY 2024			FY 2025		
	Estimated Count	Cost per unit	Total Cost	Estimated Count	Cost per unit	Total Cost
Medical	6	\$7,000	\$42,000	6	\$7,000	\$42,000
Re-evaluation	6	3,000	18,000	9	3,000	27,000
Psychiatric	3	4,000	12,000	3	4,000	12,000
Totals			\$72,000			\$81,000

c. *Benefit Determinations*

The estimated number of benefit determinations is based on average 5-year experience. Unit cost for various types of determinations is expected to increase based on current contract with the actuary. FY 2025 benefit determinations for Term Vested was reduced due to lesser number of expected term vested individuals who are scheduled to begin to receive their pension benefit. The term vested benefit determination is accomplished with only one final calculation.

Type of Benefit Determinations	FY 2024			FY 2025		
	Estimated Count	Cost per unit	Total Cost	Estimated Count	Cost per unit	Total Cost
Service: Estimates	62	\$380	\$23,560	62	\$390	\$24,180
Service: Final	62	190	11,780	62	195	12,090
Disability: Estimates	3	380	1,140	3	390	1,170
Disability: Final	3	190	570	3	195	585
Term Vested	10	380	3,800	4	390	1,560
ATU to Admin: Estimates	8	380	3,040	8	390	3,120
ATU to Admin: Final	8	190	1,520	8	195	1,560
Rule of 70: Estimates	1	380	380	1	390	390
Rule of 70: Final	1	190	190	1	195	195
Re-calculations	31	190	5,890	31	195	6,045
Totals			\$51,870			\$50,895

d. *Annual Actuarial Valuation*

The actuarial fees were increased by \$2,000 due to anticipated additional actuarial services related to the Cost of Living Adjustment provision of the Collective Bargaining Agreement.

e. *Actuarial Consulting fees*

This includes the standard fees paid to the actuary to perform additional analyses as requested by the Board to determine potential impact to costs to the Pension Plan, including the annual contributions of employees and employers. FY 2022 actual was an anomaly as this year recorded a one-time actuarial fees for the calculation of retirement benefits to the survivors of the May 2021 tragedy at the Guadalupe Yard. FY 2024 reflects a higher budgeted cost due to an actuarial audit scheduled to occur during that year.

f. Experience Study

An Experience Study is conducted by the Plan’s actuary every five years. The most recent experience study covered the period January 1, 2017 through December 31, 2021 and was presented to the Board in December 2022. There will be no Experience Study in FYs 2024 and 2025.

g. Actuarial Audit

This is conducted generally every five years to reasonably ensure that that the actuarial analyses performed by the Plan's actuary are in accordance with the standards. The most recent audit was performed in 2018 and an audit is anticipated to occur in FY 2024. The estimate is based on prior actuarial audit escalated by 10%.

h. 7th Pension Board Trustee Stipend

This is a \$150 per month stipend paid to the seventh Pension Board Trustee for attending at least one meeting per month.

i. Fiduciary Liability Insurance

These are the estimated amounts based on November 20, 2022 Fiduciary Liability insurance policy and Crime Coverage policy actual premiums (actual of \$51,522) adjusted for 5% premium increase in FYs 2024 and 2025.

j. Legal Counsel

This is the estimated legal advisory fees for the Plan’s legal counsel and the specialized legal counsel related to investment manager contracts. It is estimated that legal costs will increase due to certain plan asset proceedings currently undertaken.

k. Death Audit Service/Address Location Service

The estimates were based on contract with Pension Benefit Information (PBI) for Death Audit, 8 Death Certificates per year, and 20 Ad Hoc Address Location Searches per year.

	FY 2024	FY 2025
Death Audit	\$5,000	\$5,250
Death Certificate Retrieval	600	600
Ad Hoc Address Location	45	45
Total	\$5,645	\$5,895

For FY 2024 costs are estimated to be approximating FY 2023 costs, and increasing by a minimal amount in FY 2025.

l. Social Security Earnings

These estimates are based on the following assumptions with unit cost remaining steady.

		FY 2024	FY 2025
Non-scouted earnings	55 @ \$3 per request	\$165	\$165
Scouted earnings*	10 @ \$106 per request	1,060	1,060
*requires manual keying and additional research			
Total		\$1,225	\$1,225

m. Printing – Pension Plan Document

This is estimated to remain steady at \$5 thousand in FYs 2024 and 2025.

n. Educational Expenses

These estimates are based on the following courses and assuming that costs remain steady during the 2-year period.

	No. of events	No. of Attendees	Cost per Attendee	FY 2024	FY 2025
CALAPRS Trustees’ Roundtable	2	13	\$50	\$1,300	\$1,300
CALAPRS Investment Officers’ Roundtable (virtual)	2	2	50	200	200
CALAPRS Compliance Roundtable (virtual)	2	5	50	500	500
CALAPRS Administrator’s Roundtable (virtual)	2	2	50	200	200
Administrator’s Institute	1	1	2550	2,550	2,550
Principles of Pension Governance (Pepperdine)	1	3	3,000	9,000	9,000
SACRS Public Pension Investment Management Program	1	2	2,500	5,000	5,000
CALAPRS General Assembly	1	11	250	2,750	2,750
CALAPRS Overview/Benefit/Staff Training	3	5	50	750	750
CALAPRS Intermediate /Advanced Staff Training	1	4	500	2,000	2,000
Pension Bridge Annual Conference	1	11	250	2,750	2,750
Investment consultant conference (complimentary)				0	0
Total				\$27,000	\$27,000

o. Travel

Estimates were based on estimated airfare/hotel/mileage costs for attending investment consultant conferences held in Boston and Arizona, CALAPRS General Assembly, Pension Bridge, CALAPRS Principles of Pension Governance, and SACRS Public Investment Management Program.

p. CALAPRS Membership

This is estimated to remain constant at \$1 thousand annually.

q. SACRS Membership

This is estimated to remain constant at \$1.5 thousand annually.

r. Miscellaneous Expenses

This is estimated to remain constant at \$25 thousand in FYs 2024 and 2025. Miscellaneous expenses include financial statement audit fees and other contingencies. It is also expected that expenses will be incurred for additional consultant fees as a result of temporary help elicited due to SCVTA Investment Manager position continuously remaining vacant.

s. *Investment Consultant/Investment Manager/Investment Administration*

This primarily represents the investment consultant fees. The increased cost in budgeted investment management fees is a result of continued increase in value of investment portfolio which is generally the basis for the money managers’ fees.

	FY 2024	FY 2025
Investment Consulting	\$214,000	\$214,000
Investment Management Fees	2,799,674	2,988,652
Custodial Fees	17,093	18,247
ClearWater Analytics	60,000	60,000
Total	\$3,090,767	\$3,280,899

Estimates for Investment Consulting include performance monitoring and additional services such as money manager searches and portfolio structuring analysis. Estimates for Investment Consulting for FY 2024 and FY 2025 are estimated to be the relatively steady since the current contract expires in March 2024. A Request for Proposals process will start summer/fall 2023. FYs 22 and 23 recorded extraordinary expenses relating to consultant expenses that were not expected to recur during the budgeted years. This includes additional consultant referrals for assets needing redemption.

Benefit payments for the ATU Spousal Medical / Retiree Vision-Dental Fund for 2023 projected actuals were estimates based on the fiscal year through May 31, 2023 using the monthly average amount. Increase for budgeted year of 3% is based on average annual increase from the previous four year’s actual statistics. Administrative expenses include investment expense. Investment expense is expected to decrease relative to 2023 Projected Actual due to change in portfolio strategy from primarily large cap index to more broadly diversified with slightly more exposure to small and mid-sized U.S. companies. Other administrative expenses are anticipated to increase in the FY 25 proposed budget due to a planned actuarial analysis for the fund’s asset and liability.

ATU Spousal Medical / Retiree Vision-Dental Expenses

	(*000)											
	2022 Actual			2023 Projected Actual**			2024 Proposed Budget			2025 Proposed Budget		
	Sp. Med.	Vision Dental	Total	Sp. Med.	Vision Dental	Total	Sp. Med.	Vision Dental	Total	Sp. Med.	Vision Dental	Total
Benefit payments	\$1,507	\$315	\$1,822	\$1,484	\$350	\$1,834	\$1,525	\$328	\$1,853	\$1,569	\$327	\$1,896
Administrative expenses*	12	7	19	26	18	44	20	10	30	25	9	34
Total	\$1,519	\$322	\$1,841	\$1,510	\$368	\$1,878	\$1,545	\$338	\$1,883	\$1,594	\$336	\$1,930

*Professional services for tax consultants. Includes investment expense.

** Projection on May 31, 2023.

Fund Balances

The Fund Balance is also referred to as the Net Position and represented by the difference between assets and liabilities. The Net Position of the SCVTA/ATU Local 265 Pension Plan and the ATU Spousal Medical/ Retiree Vision-Dental funds is restricted. Restriction implies that the

funds could be spent only for specific purpose imposed by the fund contributors. Both funds are reported in the retiree trust funds of the SCVTA. These trust funds are used to account for assets held by the SCVTA as a trustee for the benefit of other parties or entities, i.e. ATU members and retirees as well as their beneficiaries.

SCVTA/ATU Local 265 Sources and Uses of Funds Summary

SCVTA/ATU Local 265 Pension Plan (in thousands)

Line	Description	FY 2022 Actual	FY 2023 Projected Actual*	FY 2024 Proposed/ Adopted Budget	FY 2025 Proposed/ Adopted Budget
1	Sources:				
2	Employer contribution	\$29,114	\$27,761	\$29,466	\$30,500
3	Employee contribution	5,674	5,917	6,159	6,850
4	Investment earnings**	23,578	20,500	22,000	25,600
5=2+3+4	Subtotal	58,366	54,178	57,625	62,950
6	Uses:				
7	Benefit payments	50,387	54,278	59,596	64,014
8	Investment expense	3,867	3,957	3,091	3,281
9	Administrative expenses	416	520	628	519
10=7+8+9	Subtotal	54,670	58,755	63,315	67,814
11=5-10	Difference between Sources and Uses	3,696	(4,577)	(5,690)	(4,864)
12	Beginning Fund Balance	693,669	697,365	692,788	687,098
13=11+12	Ending Fund Balance	\$697,365	\$692,788	\$687,098	\$682,234

* Projection on May 31, 2023.

**This is gross investment earnings. Marked to market values are excluded.

ATU Spousal Medical / Retiree Vision-Dental (in thousands)

Line	Description	FY 2022 Actual	FY 2023 Projected Actual*	FY 2024 Proposed Budget	FY 2025 Proposed Budget
1	Sources:				
2	Employee contribution	\$1,792	\$1,844	\$1,896	\$1,956
3	Investment earnings**	1	2	2	2
4=2+3	Subtotal	1,793	1,846	1,898	1,958
5	Uses:				
6	Benefit payments	1,822	1,834	1,853	1,896
7	Investment expense	16	29	18	15
8	Administrative expenses	3	15	12	19
9=6+7+8	Subtotal	1,841	1,878	1,883	1,930
10=4-9	Difference between Sources and Uses	(48)	(32)	15	28
11	Beginning Fund Balance	34,650	34,602	34,570	34,585
12=10+11	Ending Fund Balance	\$34,602	\$34,570	\$34,585	\$34,613

* Projection on May 31, 2023.

**This is gross investment earnings. Marked to market values are excluded.

SECTION 4
SUPPLEMENTARY INFORMATION

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Assets and Liabilities

The most recent available audited financial statements for SCVTA/ATU Local 265 Pension Plan and ATU Spousal Medical/Retiree Vision-Dental Fund were for the fiscal year ending June 30, 2022, provided as follows:

	('000)			
	SCVTA/ATU Local 265 Pension Plan	ATU Spousal Medical/Retiree Vision-Dental		
		Sp. Med.	Vision - Dental	Total
ASSETS				
Cash and cash equivalents	\$ 7,523	\$ 228	\$ 161	\$ 389
Investments	611,810	22,797	16,051	38,848
Receivables	618	-	-	-
Total assets	619,951	23,025	16,212	39,237
LIABILITIES				
Accounts Payable	94	-	-	-
Unearned revenues	29	-	-	-
Total liabilities	123	-	-	-
NET POSITION				
Restricted*	\$ 619,828	\$ 23,025	\$ 16,212	\$ 39,237
Add/Subtract non-budgetary items:				
Fair value loss/(gain) from investments	77,537			(4,635)
Total Net Position without non-budgetary items	\$ 697,365			\$ 34,602

*Restricted Net Position pertains to net assets on which limitations have been placed by contributors. This includes appreciation/depreciation in the value of investment. For example, FY 2022 recognized a \$77.537 million fair value loss and \$4.635 million fair value gain for SCVTA/ATU Local 265 Pension Plan and ATU Spousal Medical/Retiree Vision-Dental Trust, respectively.

Net Pension Liability and Related Ratios

Provided below is a 10-year schedule of the SCVTA/ATU Local 265 Pension Plan Net Pension Liability and funding ratio. Most recent available audited data pertain to FY 2022 and calculated in accordance with GASB 68 (amounts in thousands). The Total Pension Liability at the beginning of the measurement year is measured as of a valuation date of January 1 of the year of measure, and projected forward to the beginning of the measurement year.

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service Cost	\$ 19,528	\$ 17,118	\$ 18,275	\$ 17,818	\$ 16,953	\$ 16,024	\$ 14,788	\$ 13,468	\$ 12,094
Interest	54,663	53,888	52,368	51,921	47,850	46,152	45,110	43,069	41,417
Difference between expected and actual experience	2,339	(5,186)	2,349	(17,900)	12,285	6,440	7,748	4,517	-
Changes in assumptions	(879)	15,130	7,307	-	21,918	13,105	14,577	-	-
Benefit payments	(50,386)	(48,506)	(47,023)	(44,311)	(41,566)	(38,454)	(35,588)	(33,418)	(30,964)
Net Change in Total Pension Liability	25,265	32,444	33,276	7,528	57,440	43,267	46,635	27,636	22,544
Total Pension Liability-Beginning	832,268	799,824	766,548	759,020	701,580	658,313	611,678	584,042	561,498
Total Pension Liability-Ending	<u>857,533</u>	<u>832,268</u>	<u>799,824</u>	<u>766,548</u>	<u>759,020</u>	<u>701,580</u>	<u>658,313</u>	<u>611,678</u>	<u>584,042</u>
Plan Fiduciary Net Position									
Contributions-Employer	29,114	28,770	30,552	32,282	28,524	27,385	25,751	25,590	25,787
Contributions-Member	5,674	5,222	4,850	3,343	2,725	1,070	-	-	-
Net investment income	(55,302)	157,392	(12,424)	23,408	40,605	60,472	2,245	16,094	64,139
Benefit payments	(50,386)	(48,506)	(47,023)	(44,311)	(41,566)	(38,454)	(35,588)	(33,418)	(30,964)
Administrative Expense	(416)	(420)	(375)	(409)	(403)	(324)	(281)	(301)	(313)
Net Change in Plan Fiduciary Net Position	(71,316)	142,458	(24,420)	14,313	29,885	50,149	(7,873)	7,965	58,646
Plan Fiduciary Net Position-Beginning	<u>693,703</u>	<u>551,245</u>	<u>575,665</u>	<u>561,352</u>	<u>531,467</u>	<u>481,318</u>	<u>489,191</u>	<u>481,226</u>	<u>422,580</u>
Plan Fiduciary Net Position-Ending	<u>622,387</u>	<u>693,703</u>	<u>551,245</u>	<u>575,665</u>	<u>561,352</u>	<u>531,467</u>	<u>481,318</u>	<u>489,191</u>	<u>481,226</u>
Net Position Liability	<u>\$ 235,146</u>	<u>\$ 138,565</u>	<u>\$ 248,579</u>	<u>\$ 190,883</u>	<u>\$ 197,668</u>	<u>\$ 170,113</u>	<u>\$ 176,995</u>	<u>\$ 122,487</u>	<u>\$ 102,816</u>
Measurement Date	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Plan Fiduciary Net Position as a % of Total Pension Liability	72.58%	83.35%	68.92%	75.10%	73.96%	75.75%	73.11%	79.98%	82.40%
Covered Payroll	\$ 143,982	\$ 130,271	\$ 137,584	\$ 133,749	\$ 139,288	\$ 131,544	\$ 126,796	\$ 115,914	\$ 107,880
Net Pension Liability as a % of covered payroll	163.32%	106.37%	180.67%	142.72%	141.91%	129.32%	139.59%	105.67%	95.31%
Annual money-weighted rate of return, net of investment expense	(11.79)%	26.46%	2.53%	4.75%	4.77%	12.80%	1.34%	3.69%	15.42%

Notes: Totals and percentages may not be precise due to independent rounding

Information not available prior to FY 2014.
Source: FY 2022 ACFR

Schedule of Employer Contributions

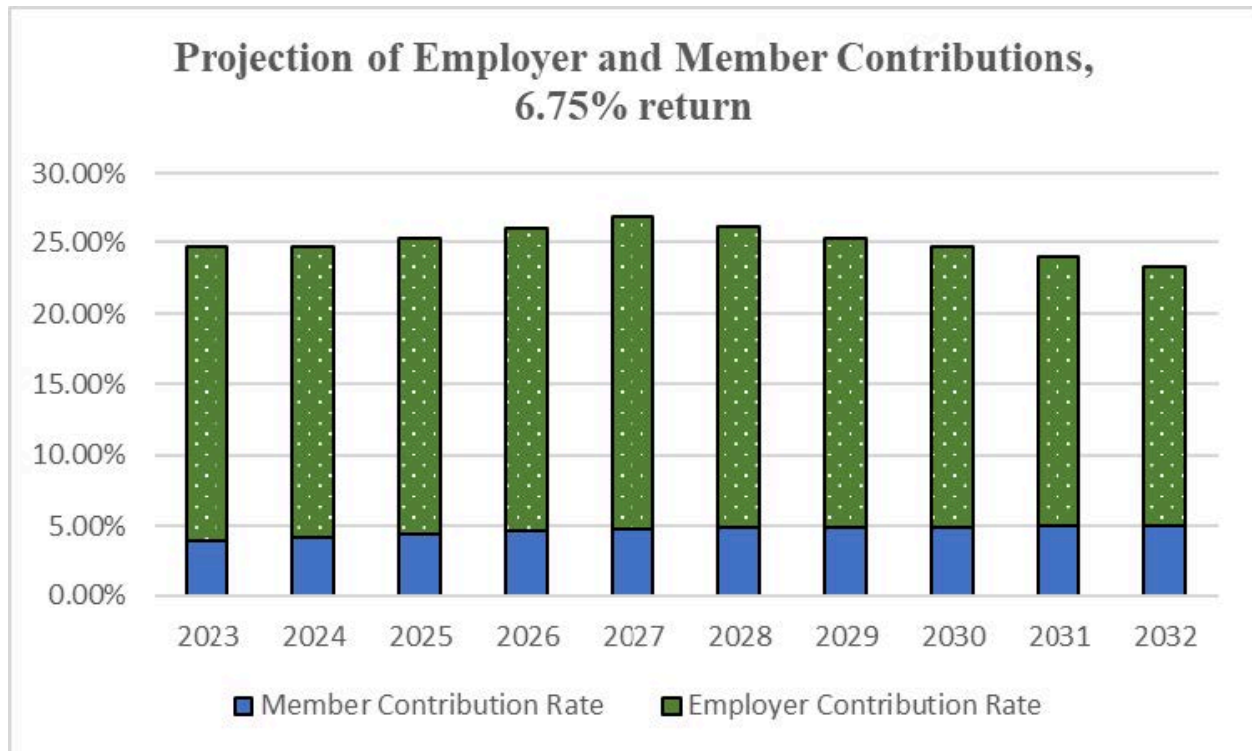
The contribution requirements are based on actuarially-determined amount and approved by the Board. The aggregate is the estimated sum necessary to finance the cost of the benefits earned by employees during the year with an additional amount to finance the unfunded accrued liability. Below includes only SCVTA contributions and exclude the amount contributed by ATU staff members (amounts in thousands).

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially-determined Contribution	\$ 29,114	\$ 28,770	\$ 30,552	\$32,282	\$ 28,524	\$ 27,385	\$ 25,720	\$ 25,549	\$ 25,787	\$ 24,413
Contribution in Relation to the Actuarially-determined Contribution	<u>29,114</u>	<u>28,770</u>	<u>30,552</u>	<u>32,282</u>	<u>28,524</u>	<u>27,385</u>	<u>25,751</u>	<u>25,590</u>	<u>25,787</u>	<u>24,413</u>
Contributions Deficiency/ (Excess)	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ (31)	\$ (41)	\$ _____ -	\$ _____ -
Covered Payroll	\$ 143,982	\$ 130,271	\$ 137,584	\$ 133,749	\$ 139,288	\$ 131,544	\$ 126,796	\$ 115,914	\$ 107,880	\$ 104,136
Contributions as a Percentage of Covered Payroll	20.22%	22.08%	22.21%	24.14%	20.48%	20.82%	20.31%	22.08%	23.90%	23.44%

*Source: FY 2022 ACFR

Future Expected Financial Trends

This is the assessment of the implications of the January 1, 2023 valuation results in terms of the benefit security (assets over liabilities) and contribution levels. The projections below are based on the assumption that the SCVTA/ATU Local 265 Pension Plan will exactly achieve the investment return assumption of 6.75% each year. Future payroll increases are assumed to be at 2.75% per year.



Source: SCVTA/ATU Local 265 Pension Plan Actuarial Report, January 1, 2023 valuation date.

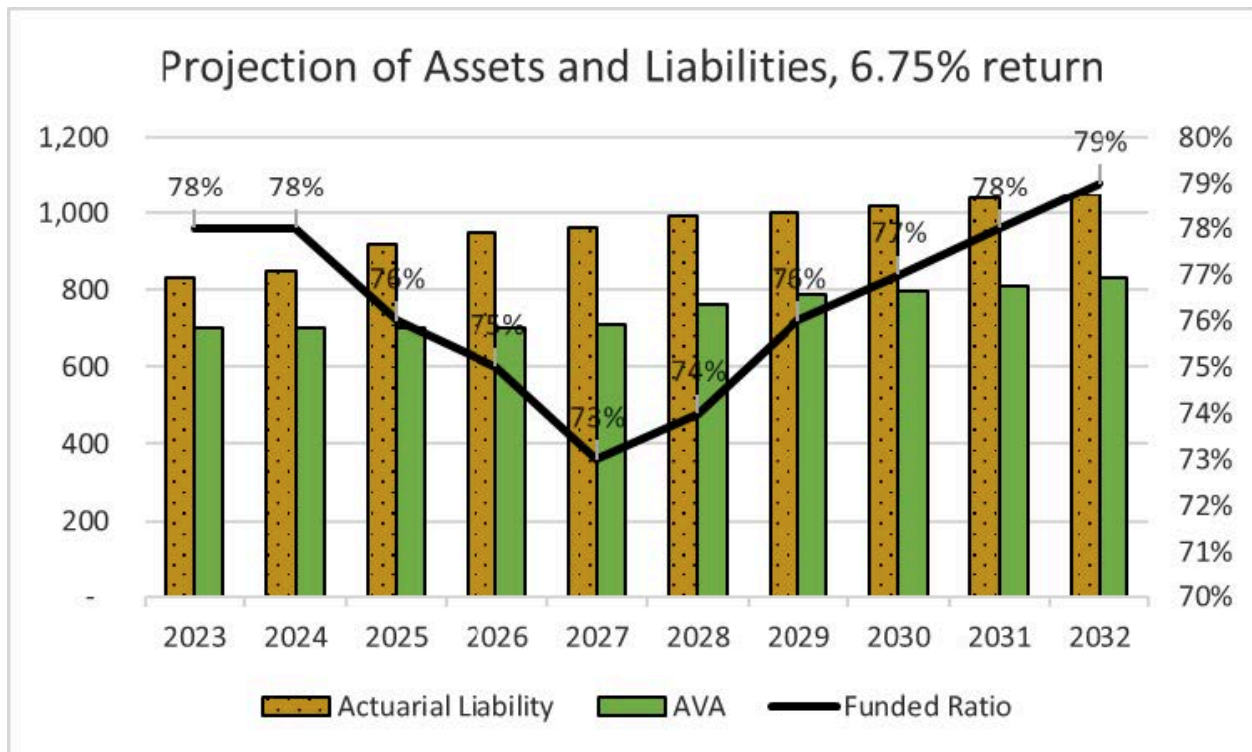
The contribution rate graph is expected to increase as deferred losses are realized over the next four years, and then gradually declining, due to the use of a rolling, level dollar amortization policy and expected increases in member contribution rate, as a larger share of the participants are subject to the PEPR provisions. After peaking in 2027, the contribution rate is expected to decline steadily with assumed payroll growth.

These projections are necessary to serve as guiding mechanisms in achieving Plan sustainability and improving funding level to adequately meet future liabilities.

Asset and Liability Projections

The following shows the projection of SCVTA/ATU Local 265 Pension Plan assets and liabilities assuming that assets will earn 6.75% each year during the projection period. The funded ratio, based on Actuarial Value of Assets (AVA), is shown on the line graph. Below shows that the projected funded status is expected to decline over the next four years as the asset losses are fully recognized under the asset smoothing method, and gradually increases over the remainder of the projection period as the current unfunded liability is amortized over a rolling 20-year period, assuming the actuarial assumptions are achieved. However, it is the actual return on Plan assets that will determine the future funded status and employer contribution rate to the Plan.

Because a rolling amortization period is being used, the Unfunded Actuarial Liability (UAL) is not expected to be fully amortized by the end of the 20-year projection period, assuming all assumptions are met. However, the UAL is expected to continue to decrease in dollar terms, once the current asset losses are fully recognized in the smoothed value of the assets. The funded ratio is expected to continue to increase, as the use of a 20-year rolling period with level dollar amortization will result in an amortization payment greater than the interest on the UAL.



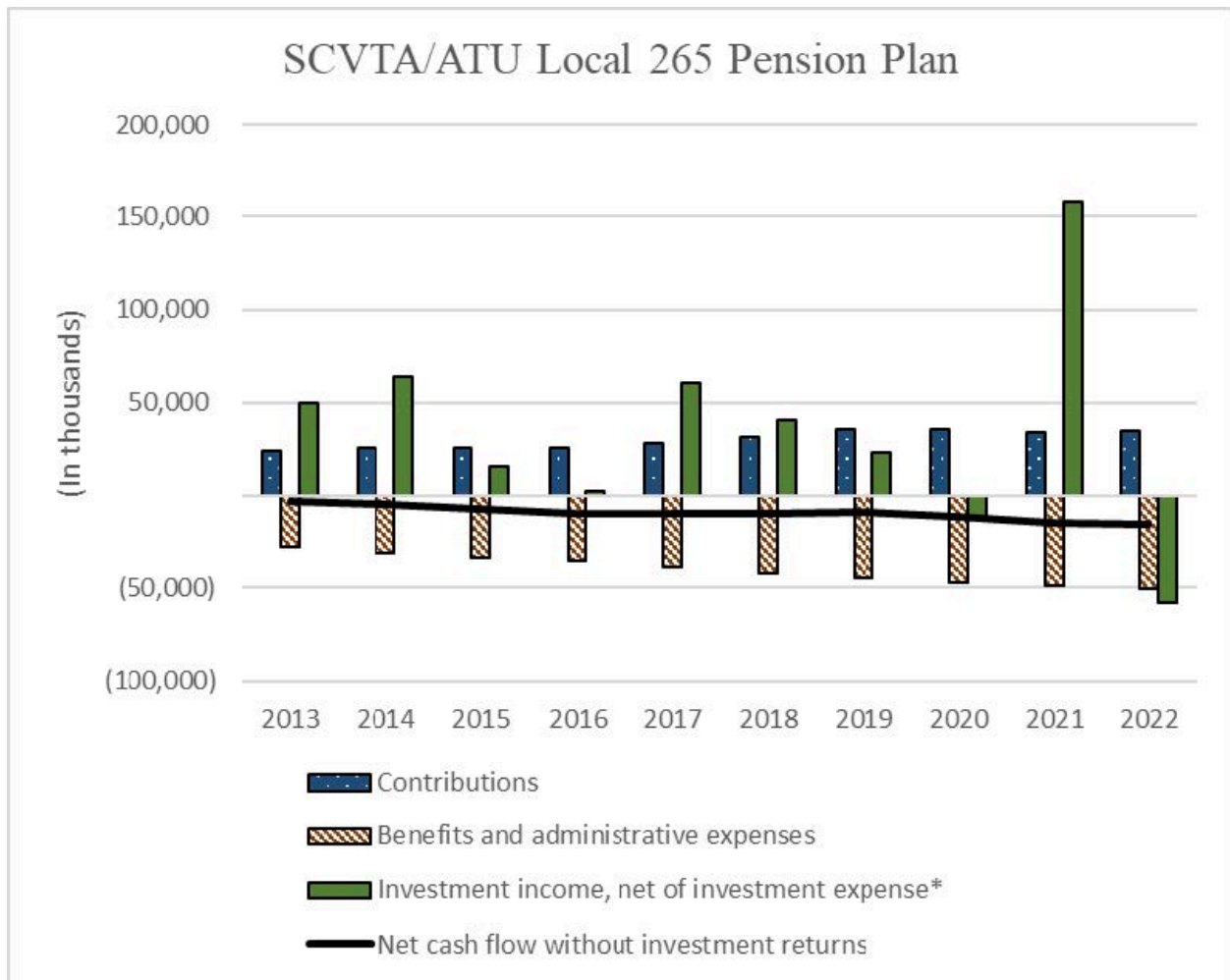
Source: SCVTA/ATU Local 265 Pension Plan Actuarial Report, January 1, 2023 valuation date.

Cash Flows

The cash flows of the SCVTA/ATU Local 265 Pension Plan depicts the contributions made less benefit payments and administrative expenses. This reflects the ability to have funds available to meet benefit payments without having to rely on investment performance as this element could be particularly difficult during volatile markets.

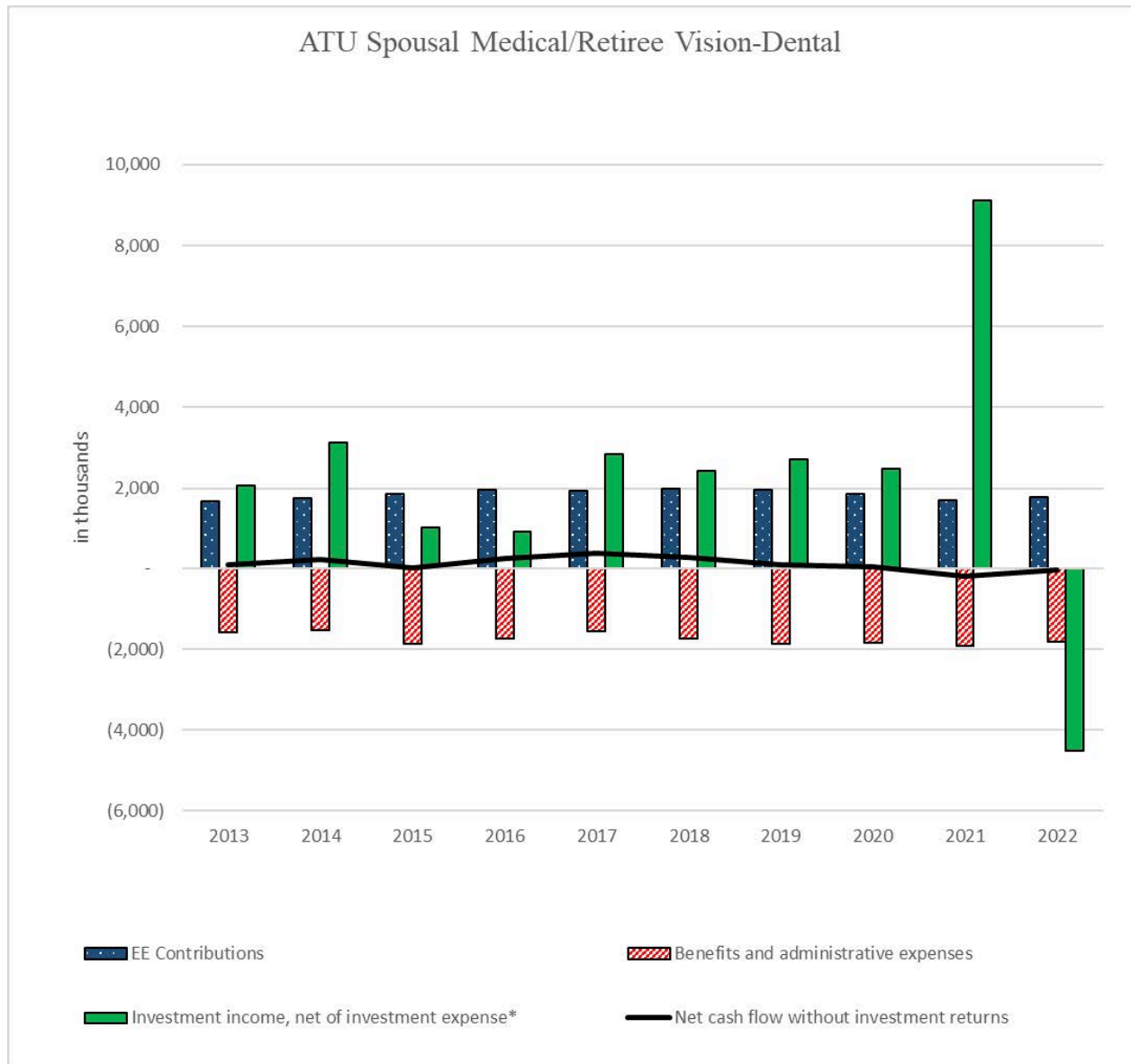
The Plan's net cash flow excluding investment returns, shown in the yellow line graph in the chart has been negative for the last 10 years. This means that sources (contributions) were less than the uses (benefits payments and administrative expenses). The Plan's actuary acknowledges that a negative cash flow does not necessarily mean that a plan is in a dangerous position. Accordingly, a mature plan should eventually reach a negative cash flow pattern (ignoring investment returns), since the investment earnings are intended to pay for a portion of the benefits that would otherwise be covered by contributions.

The implications of the Plan's negative cash flow are that that the impact of market fluctuations can be more severe as assets are being depleted to pay benefits in down markets causing less principal available to be reinvested during favorable return periods.



Source: Financial data are based on the SCVTA Annual Comprehensive Financial Report.

The cash flows of ATU Spousal Medical/Retiree Vision-Dental Fund is relatively healthier as the contributions made by participants exceed the benefit payments and administrative expenses. Similar to the SCVTA/ATU Local 265 Pension Plan, the cash flow of the ATU Spousal Medical/Retiree Vision-Dental did not consider the results of the fund's investment performance. This is to reflect the ability to have funds available to meet benefit payments without having to rely on investment performance. It is important to note the Retiree Vision-Dental only started paying benefits in FY 2015.



Source: Financial data are based on the SCVTA Annual Comprehensive Financial Report.

Profile of the Santa Clara Valley Transportation Authority(SCVTA), the Employer

SCVTA is an independent special district and political subdivision of the State of California. SCVTA was created in 1972 and was known as the Santa Clara County Transit District (District). The District served Santa Clara County (County) which is situated in the southern portion of the San Francisco Bay Area and is bordered by the counties of Alameda, San Mateo, Santa Cruz, San Benito, Merced, and Stanislaus. In 1976, Santa Clara County voters approved a half-cent Measure A sales tax proposal to fund the District. In 1995, the District merged with the County's congestion management agency and operated under the governance of its own Board of Directors. On January 1, 2000, SCVTA's name was officially changed to the Santa Clara Valley Transportation Authority.

Today, SCVTA provides bus, light rail, and paratransit services, as well as participates as a funding partner in regional rail service including Caltrain, Capitol Corridor, and the Altamont Corridor Express. As the County's congestion management agency, SCVTA is responsible for countywide transportation planning, including congestion management, design and construction of specific highway, pedestrian, and bicycle improvement projects, as well as promotion of transit-oriented development. VTA is also a partner agency with San Francisco Bay Area Rapid Transit District (BART) in the operations and maintenance of the Silicon Valley Rapid Transit (SVRT) Extension. VTA continually builds partnerships to deliver transportation solutions that meet the evolving mobility needs of Santa Clara County.

SCVTA is governed by a 12-member Board of Directors (the Board or the Board of Directors) consisting of elected officials appointed by the jurisdictions they represent. Five members of the Board and one alternate are appointed by the San Jose City Council. One member of the Board and one alternate are appointed from among the city councils of the cities of Los Altos, Mountain View, Palo Alto, and the Town of Los Altos Hills. One Board member and one alternate are appointed from among the city councils of the cities of Campbell, Cupertino, Monte Sereno, Saratoga, and the Town of Los Gatos. One Board member and one alternate are also appointed from among the city councils of the cities of Gilroy and Morgan Hill. Two members of the Board and one alternate are appointed from among the city councils of the cities of Milpitas, Santa Clara, and Sunnyvale. The final two seats on the Board and one alternate are appointed by the Santa Clara County Board of Supervisors. The allocation of Board representation is generally based on population.

The Board of Trustees of the SCVTA/ATU Local 265 Pension Plan and ATU Spousal Medical/Retiree Vision-Dental Fund is independent from the SCVTA Board of Directors.

ECONOMIC ENVIRONMENT WHERE EMPLOYER IS SITUATED

Located on the southern coast of San Francisco Bay, Santa Clara County is part of one of the state's busiest urban areas and encompasses an area of approximately 1,300 square miles. The County's population of over 1.9 million is the sixth largest in the state, and has the highest concentration of tech employment by far of any county or metropolitan area in the United States according to the Continuing Study of the California Economy. Santa Clara County has approximately 6,500 technology companies which include large tech companies such as Apple, Cisco, eBay, Facebook, Hewlett-Packard, Intel, Yahoo, etc. It is also reported that the tech companies that remain in Santa Clara County are much more service-oriented, offering digital products like Zoom whose use increased dramatically during the pandemic, and providing employees the ability to easily shift online. The county also continues to benefit from other large industry groups such as education and health care, construction, as well as leisure and hospitality. According to the Silicon Valley Business Journal, unemployment rates are at their lowest level since right before the onset of the pandemic and Silicon Valley is amid a dramatic building boom that promises to remake the region.

The Employment Development Department reported in June 2022 that the County's unemployment rate continued a year-to-year improvement to 2.2% from 5.2% the prior year. The Bay Area leisure and hospitality sectors continued to have the largest job gains since COVID restrictions were imposed early in the pandemic. Tech companies are gradually bringing employees back to offices, with many big companies adopting the hybrid approach allowing employees to work remotely. It is reported that the recovery remains uneven as many businesses remain at risk of falling well behind the tech sector. The retail and restaurant sector rebounded, but employment remains far below pre-COVID levels with consumer-focused businesses struggling to fill jobs.

According to the U.S. Department of Labor report for June 2022, the national unemployment rate has decreased to 3.6% and the number of unemployed persons was 5.9 million, compared to prior year when unemployment rate was 6.1% and the number of unemployed was 9.9 million. The present favorable labor market condition is, however, countered by the setting in of inflation and destabilization of international events brought about by lockdowns in China and war in Ukraine, threatening to exacerbate supply shortages for commodities and other important products.

The State Budget acknowledges the continued impact of COVID-19 and the many challenges that existed before the pandemic began, but also recognizes continued economic growth over the past year and strives to build reserves and pay down its long-term liabilities. The same resiliency that helped the State through the pandemic will continue to be critical to protect programs in the future and respond reasonably to state emergencies. The State believes that there are elements that would constrain its ability to significantly expand ongoing commitments which include economic risks resulting from certain conditions such as corona virus variants, vaccine hesitancy, higher inflation that cut wage gains particularly of lower income workers, and a stock market decline that would affect state revenues. Unemployment at the state level remains low at 4.0% in June 2022, from 8.0% the prior year.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Demographic and Economic Data - Population Trends

According to population estimates provided by the State of California, the number of residents in Santa Clara County continued to decrease by approximately 0.03 % in 2022 as compared to the 2020 Census.

A historical summary of population in the County and its incorporated cities is provided in the following table:

County of Santa Clara Population

	1970	1980	1990	2000	2010	2020	2022
Campbell	24,731	26,843	36,048	38,138	39,349	42,288	42,833
Cupertino	18,216	34,297	40,263	50,546	58,302	59,549	59,610
Gilroy	12,665	21,641	31,487	41,464	48,821	57,084	59,269
Los Altos	24,872	25,769	26,303	27,693	28,976	30,876	31,526
Los Altos Hills	6,862	7,421	7,514	7,902	7,922	8,413	8,400
Los Gatos	23,466	26,906	27,357	28,592	29,413	31,439	33,062
Milpitas	27,149	37,820	50,686	62,698	66,790	77,961	80,839
Monte Sereno	3,074	3,434	3,287	3,483	3,341	3,594	3,488
Morgan Hill	6,485	17,060	23,928	33,556	37,882	46,454	46,451
Mountain View	54,206	58,655	67,460	70,708	74,066	82,272	83,864
Palo Alto	55,999	55,225	55,900	58,598	64,403	69,226	67,473
San Jose	445,779	629,400	782,248	894,943	945,942	1,049,187	976,482
Santa Clara	87,717	87,700	93,613	102,361	116,468	129,104	130,127
Saratoga	27,199	29,261	28,061	29,843	29,926	31,030	30,667
Sunnyvale	95,408	106,618	117,229	131,760	140,081	156,503	156,234
Unincorporated	152,181	127,021	106,193	100,300	89,960	86,989	84,458
County Total ¹	<u>1,066,009</u>	<u>1,295,071</u>	<u>1,497,577</u>	<u>1,682,585</u>	<u>1,781,642</u>	<u>1,961,969</u>	<u>1,894,783</u>
California	<u>18,136,045</u>	<u>23,668,145</u>	<u>29,760,021</u>	<u>33,871,648</u>	<u>37,253,956</u>	<u>39,782,870</u>	<u>39,185,605</u>

¹Totals may not be precise due to independent rounding.

Source: U.S. Census; State of California, Department of Finance, Demographic Research Unit.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Demographic and Economic Data - Income and Unemployment Rates
Ten Years Ended June 30, 2022

Year	Santa Clara County Personal Income (In thousands) ^{1, 2}	Santa Clara County Per Capita Personal Income ^{1, 2}	Unemployment Rate ³
2013	\$ 130,624,491	\$ 70,151	6.8%
2014	141,873,705	74,883	5.2%
2015	158,728,715	82,756	3.9%
2016	170,672,534	88,920	4.0%
2017	190,001,690	98,032	3.5%
2018	209,019,944	107,877	2.9%
2019	223,624,580	115,997	2.7%
2020	235,835,442	123,661	10.7%
2021	238,193,796	124,898	5.2%
2022	240,575,734	126,147	2.2%

¹Bureau of Economic Analysis U.S. Department of Commerce.

²Actual data is available through 2020. Years 2021 and 2022 data are preliminary and assume a 1% increase over prior year.

³California Employment Development Department. Not seasonally adjusted.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Demographic and Economic Data - Wage and Salary Employment by Industry (Annual Average) Ten Years Ended June 30, 2021

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Civilian Labor Force¹ (In thousands)	910.9	924.0	993.7	1,018.4	1,026.5	1,041.7	1,048.8	1,053.7	1,044.6	1,071.3
Civilian Employment	830.6	857.5	942.3	976.1	987.9	1,008.0	1,021.5	1,027.5	990.7	1,046.9
Civilian Unemployment	80.3	66.5	51.4	42.3	38.6	33.7	27.3	26.2	53.9	24.4
Civilian Unemployment Rate										
County	8.8%	7.2%	5.2%	4.2%	3.8%	3.2%	2.6%	2.5%	5.2%	2.2%
State of California	10.6%	8.5%	7.4%	6.2%	5.7%	4.4%	4.1%	15.1%	8.0%	4.0%
Wage and Salary Employment² (In thousands)										
Total Farm Agriculture	\$ 3.5	\$ 5.1	\$ 3.6	\$ 3.6	\$ 3.9	\$ 3.5	\$ 3.5	\$ 3.1	\$ 5.9	\$ 5.6
Construction and Mining	35.6	37.6	38.6	42.3	47.9	48.5	48.0	51.2	50.4	54.9
Manufacturing	155.1	156.3	156.6	159.4	161.3	163.4	169.1	169.7	170.7	175.1
Transportation & Public Utilities	12.7	13.9	14.7	15.0	14.8	14.9	15.5	15.7	16.6	17.0
Wholesale Trade	34.4	36.2	36.2	36.0	37.4	35.2	31.4	31.3	28.3	28.1
Retail Trade	80.3	84.2	82.3	84.9	85.0	85.0	85.0	82.2	73.1	75.3
Finance, Insurance & Real Estate	33.6	33.9	35.1	35.0	35.2	35.8	36.8	37.4	37.4	37.5
Services	455.4	450.0	469.1	491.4	509.3	522.8	539.3	549.4	514.6	564.5
Government	90.2	93.5	92.4	89.9	91.2	92.8	94.0	94.2	90.1	96.8
Information	N/A	N/A	66.2	74.7	74.5	85.0	91.6	100.7	109.3	111.7
Total³	\$ 900.8	\$ 910.7	\$ 994.8	\$1,032.2	\$ 1,060.5	\$ 1,086.9	\$ 1,114.2	\$1,134.9	\$1,096.4	\$1,166.5

¹Labor force data are based upon place of residence. Employment includes self-employed, unpaid family, workers domestics, and workers involved in labor-management disputes. Data are benchmarked to 2021. FY 2021 is the most recent available data.

²Wage and salary employment is reported by place of work. Data is benchmarked to 2021.

³Totals may not be precise due to independent rounding.

Sources: State of California, Employment Development Department.
Department of Finance, Statistics & Demographic Research.

ADMINISTRATIVE STAFFING OF THE SCVTA/ATU LOCAL 265 PENSION PLAN and ATU SPOUSAL MEDICAL/RETIREE VISION-DENTAL

As SCVTA administers the operation of the Plans, the administrative staff consists of departments within the SCVTA. Labor charges for these staff are not allocated to the Plans. Consulting services relating to Legal and Investments are part of the administrative expenses of the Plans. Staffing in FY 2022 did not vary from previous year and therefore, it is anticipated that staffing level for the projected years will remain constant.

1. Retirement Services - responsible primarily for the schedule and organization of board meetings, processing retirement requests, monitoring external contracts like budget tracking, identifying those nearing completion for timely procurement of related services, and preparing the Plans' Budget.

Goals: Enhance transparency and improve service to stakeholder

Performance Measures:

- a. Processing of retirement requests are carried out within two months prior to the employee's retirement date, depending on submission of retirement documents
- b. Commencement of procurement process at least six months prior to expiration of third-party service provider's contracts
- c. Regular budget reporting

Number of administrative positions involved: 7

2. Investment Services - responsible primarily for overseeing Plan's investment portfolio; coordinates investment-related needs of the Board; monitors compliance with investment policy and acts as liaison between the Board and external investment consultants.

Goals: Support efforts in achieving Plans' sustainability

Performance Measures:

- a. Complete and timely investment performance is reported to the Board monthly.
- b. Monthly reporting of compliance with investment policy

Number of administrative positions involved: 2

3. Accounting - responsible primarily for preparing financial statements of the Plans; coordinates the external audit performed on the Plans and reasonably ensures that audit needs are met and responded to in a timely manner.

Goals: Promote financial transparency and maintain fiscal integrity

Performance Measures:

- a. Accurate and timely financial statements are reported to the Board quarterly.
- b. Unqualified audit opinion on the financial statements of the Plans is obtained.

Number of administrative positions involved: 2

TOTAL ADMINISTRATIVE POSITIONS: 11

PLANS' MEMBERSHIP COUNT

	Actual					2023 Projected Actuals*	2024 Budgeted*	2025 Budgeted*
	2018	2019	2020	2021	2022			
SCVTA/ATU Local 265 Pension Plan								
Retirees and beneficiaries currently receiving benefits	1443	1,493	1,537	1,546	1,602	1,645	1,688	1,733
<i>Annual increase</i>		3.47%	2.95%	0.59%	3.62%			
<i>Average annual increase</i>					2.65%			
Terminated vested members not yet receiving benefits	137	131	122	114	108	102	96	90
<i>Annual increase</i>		-4.38%	-6.87%	-6.56%	-5.26%			
<i>Average annual increase</i>					-5.77%			
Active Members	1607	1,519	1,510	1,482	1,514	1,492	1,471	1,449
<i>Annual increase</i>		-5.48%	-0.59%	-1.85%	2.16%			
<i>Average annual increase</i>					-1.44%			
Total	3,187	3,143	3,169	3,142	3,224	3,238	3,255	3,273
<i>Annual increase</i>		-1.38%	0.83%	-0.85%	2.61%			
<i>Average annual increase</i>					0.30%			

ATU Spousal Medical/Retiree Vision-Dental

Spousal Medical	394	417	433	447	452	468	484	501
<i>Annual increase</i>		5.84%	3.84%	3.23%	1.12%			
<i>Average annual increase</i>					3.51%			
Retiree Vision-Dental	1092	1,116	1,137	1,131	1,152	1,168	1,183	1,199
<i>Annual increase</i>		2.20%	1.88%	-0.53%	1.86%			
<i>Average annual increase</i>					1.35%			
Total	1,486	1,533	1,570	1,578	1,604	1,635	1,668	1,701
<i>Annual increase</i>		3.17%	2.41%	0.51%	1.65%			
<i>Average annual increase</i>					1.93%			

*Projections and budgets are based on the average increase of the four actual previous years for each of the member category.

**Totals may not be precise due to rounding.

APPENDIX

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APPENDIX

ACTUARIAL VALUE OF ASSETS

The value of cash, investments and other property belonging to a pension plan as used by the actuary for the purpose of an Actuarial Valuation. The purpose of an Actuarial Value of Assets is to smooth out fluctuations in market values.

ATU

Amalgamated Transit Union Local 265, guided by a Collective Bargaining Agreement.

CALAPRS

California Association of Public Retirement Systems

CLASSIC

ATU employees hired before January 1, 2016.

DEFINED BENEFIT PLAN

The type of pension plan that provides a fixed, pre-established benefit for employees at retirement, depending on employee's final compensation, tenure of service and age.

DEFINED CONTRIBUTION PLAN

The type of retirement plan in which employees allocate part of their paychecks to an account funding their retirements. Benefits are based on amounts contributed by participants plus any investment earnings on the contributions made.

FUNDED RATIO

Percentage of Plan Assets to Total Pension Liability

FIDUCIARY FUNDS

Funds are used to report assets held in a trustee capacity on behalf of others.

LEVEL DOLLAR AMORTIZATION

Same amount of amortization payment.

NORMAL COST

That portion of the Actuarial Present Value of pension plan benefits and expenses that is allocated to a valuation year by the Actuarial Cost Method.

PEPRA

Public Employees' Pension Reform Act. Pertains to ATU employees hired on or after January 1, 2016.

PLAN

Refers to SCVTA/ATU, Local 265 Pension Plan

PLANS

Refers to SCVTA/ATU Local 265 Pension Plan, as well as ATU Spousal Medical/Retiree Vision-Dental Plans

ROLLING AMORTIZATION

Type of amortization where the amortization period resets each year.

RULE OF 70

A Pre-Retirement Death Benefit which requires the Employee Member to have at least one period of 10 or more years of Eligibility Service; the sum of the Employee Member's age plus the Employee's years of Eligibility Service must equal or exceed 70 and the Employee Member must be married to (or the domestic partner of) the surviving spouse/registered domestic partner for one year on the date of the Employee Member's death; provided, however, that this provision shall not apply where the Employee Member's death is caused by an accident occurring after the date of the marriage.

SACRS

State Association of County Retirement Systems

SCVTA

Santa Clara Valley Transportation Authority, the employer

TERM VESTED

An Employee Member who terminates employment with VTA or ATU Local 265 or whose employment is terminated by VTA or ATU Local 265; and has completed at least one period of 10 or more years of Eligibility Service (Classic) or at least 5 or more years of Eligibility and Benefit Service (PEPRA); and has not qualified for a Retirement Benefit in accordance with Section 3 or a Disability Retirement in accordance with Section 4.

TRUST

Arrangement where funds are held in custody by one entity, for use by another entity for which the trust was established.

UNFUNDED ACTUARIAL LIABILITY

The excess of the Actuarial Liability over the Actuarial Value of Plan Assets.

ZERO-BASED BUDGETING

A budgeting approach that involves developing a new budget from scratch, versus starting with the previous period's budget and adjusting it as needed.

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VTA Finance
3331 North First Street, San Jose, CA 95134
(408)321-7019

VTA Retirement Services
3331 North First Street, San Jose, CA 95134
(408)321-5548

<https://www.vta.org/business-center/financial-investor-information>