Santa Clara Valley Transportation Authority
Amalgamated Transit Union Pension Plan

(A Component Unit of the Santa Clara Valley Transportation Authority)

Independent Auditor's Report, Management's Discussion and Analysis, Basic Financial Statements and Required Supplementary Information

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For Fiscal Year Ended June 30, 2016 and June 30, 2015

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
AMALGAMATED TRANSIT UNION PENSION PLAN

JUNE 30, 2016 AND JUNE 30, 2015

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Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Directors
Santa Clara Valley Transportation Authority
Amalgamated Transit Union Pension Plan
San Jose, California

We have audited the accompanying financial statements of the Santa Clara Valley Transportation Authority Amalgamated Transit Union Pension Plan (the Plan), a component unit of the Santa Clara Valley Transportation Authority (VTA), as of and for the years ended June 30, 2016 and 2015, 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.

260 Sheridan Avenue, Suite 440 Palo Alto, CA 94306 Tel: 650.462.0400 www.vtdcpa.com Fax: 650.462.0500

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Plan, as of June 30, 2016 and June 30, 2015, and the respective changes in financial position thereof for the years 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, 2016 and 2015, and changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. As described in Note 2, in 2016 the Plan adopted new accounting guidance, GASB Statement No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to these matters.

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 pension 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.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
October 21, 2016

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
AMALGAMATED TRANSIT UNION PENSION PLAN

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015

This section provides an overview and analysis of the financial activities of Santa Clara Valley Transportation Authority Amalgamated Transit Union Pension Plan (Plan) for the fiscal year ended June 30, 2016. 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 2016 was $481,318,427 (net position held in trust for pension benefits). The entire net position is available to meet the Plan's ongoing obligations to Plan participants and beneficiaries. Net position at the close of fiscal year 2015 was $489,192,230 compared to $481,225,647 in fiscal year 2014.

The Plan's funding objective is to meet long-term benefit obligations through contributions and investment income. As of June 30, 2016, the Plan's measurement date, the funded ratio for the Plan was approximately 73%. In general, there was approximately $0.73 of actuarial assets to cover each dollar of actuarial liability. As of June 30, 2015, the Plan's measurement date, the funded ratio for the Plan was approximately 80%. In general, there was approximately $0.80 of actuarial assets to cover each dollar of actuarial liability.

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. Statements of Plan Net Position
2. Statements of Changes in Plan Net Position
3. Notes to the Basic Financial Statements

Please note, however, that this report also contains other supplementary information in addition to the basic financial statements themselves.

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

The Statements of Plan Net Position and the Statements of Changes in Plan 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 fair value. In addition, both realized and unrealized gains and losses are shown on investments.

These two statements report the Plan's net position restricted for pension benefits. Net position, the difference between assets and liabilities, measure the Plan's financial position. Over time, increases and decreases in the Plan's net position indicate whether its financial health is improving or deteriorating. Other factors, such as market conditions, should also be considered in measuring the Plan's overall financial position.

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 8-15 of this report).

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report presents certain required supplementary information related to the Plan's historical net pension liability, actuarial methods and assumptions and the plan's annual money-weighted rate of return.

FINANCIAL ANALYSIS

As previously noted, net position may serve over time as a useful indication of the Plan's financial position. The assets of the Plan exceeded its current liabilities at the close of fiscal year 2016. Despite fluctuations in the equity markets, the Plan's board and actuary concur that the Plan remains in a financial position to meet its obligations to the plan participants and beneficiaries with a 73% funded ratio as of the last actuarial valuation.

(Table 1)

Statement of Plan Net Position

	June 30,		
	2016	2015	2014
Assets			
Cash and cash equivalents	$ 90,540	$ 752,508	$ 214,756
Investments at fair value	480,780,630	487,536,880	480,099,952
Other assets	1,075,999	1,401,270	1,345,886
Total Assets	481,947,169	489,690,658	481,660,594
Liabilities			
Current liabilities	628,742	498,428	434,947
Net Position	$ 481,318,427	$ 489,192,230	$ 481,225,647

For the year ended June 30, 2016, the Plan's total net position held in trust for pension benefits decreased by $7,873,803 or 1.61% as a result primarily of decrease in fair value of investments during the year. The increase in outstanding accounts payable raised the Plan's liabilities by $130,314.

(Table 2)

Additions to Plan Net Position

	June 30, 2016	June 30, 2015	June 30, 2014
Contributions	$ 25,751,474	$ 25,590,315	$ 25,787,439
Net investment income	2,243,639	16,095,540	64,138,754
Total Additions	$ 27,995,113	$ 41,685,855	$ 89,926,193

VTA contributions went up from $25.6 million in FY 2015 to $25.8 million in 2016. Of the total contributions in fiscal year 2016, $31,171 was put in by ATU for its staff. Lower mark-to-market gains resulting from modestly higher volatility in the global equity markets principally caused the drop in net investment income from $16 million to $2.2 million in FY 2016.

(Table 3)

Deductions to Plan Net Position

	June 30, 2016	June 30, 2015	June 30, 2014
Distributions to participants	$ 35,587,609	$ 33,417,941	$ 30,967,019
Administrative expenses	281,307	301,331	314,008
Total Deductions	$ 35,868,916	$ 33,719,272	$ 31,281,027

The distributions to participants have steadily risen due to the growing number of retirees and beneficiaries receiving benefits. Fiscal year 2016 administrative expenses decreased as a consequence of the decline in fiduciary liability insurance and legal fees.

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
AMALGAMATED TRANSIT UNION PENSION PLAN

STATEMENTS OF PLAN NET POSITION
AS OF JUNE 30, 2016 AND JUNE 30, 2015

	2016	2015
ASSETS		
Restricted Assets		
Cash and cash equivalents	$ 90,540	$ 752,508
Domestic equity securities	118,373,826	115,852,608
Corporate obligations	64,111,994	94,839,562
U.S. Government agency	41,032,175	52,261,812
US Treasury obligations	13,519,291	7,659,437
Money market	3,551,419	6,150,642
Mutual funds	240,191,925	210,772,819
Receivables	1,075,999	1,401,270
TOTAL ASSETS	481,947,169	489,690,658
LIABILITIES		
Accounts payable	628,742	498,428
NET POSITION		
Restricted for pension benefits	$ 481,318,427	$ 489,192,230

See accompanying notes to the basic financial statements

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
AMALGAMATED TRANSIT UNION PENSION PLAN

STATEMENTS OF CHANGES IN PLAN NET POSITION
FOR FISCAL YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015

	2016	2015
ADDITIONS:		
Contributions	$ 25,751,474	$ 25,590,315
Net investment income:		
Net appreciation (depreciation) on investments	(17,424,415)	(9,622,211)
Investment earnings	22,009,075	28,054,256
Investment expense	(2,341,021)	(2,336,505)
Total net investment income	2,243,639	16,095,540
TOTAL ADDITIONS	27,995,113	41,685,855
DEDUCTIONS		
Distributions to participants	35,587,609	33,417,941
Administrative expenses	281,307	301,331
TOTAL DEDUCTIONS	35,868,916	33,719,272
INCREASE/ (DECREASE) IN PLAN NET POSITION	(7,873,803)	7,966,583
NET POSITION		
Beginning of year	489,192,230	481,225,647
End of year	$ 481,318,427	$ 489,192,230

See accompanying notes to the basic financial statements

NOTE 1 – DESCRIPTION OF THE PLAN

The following description of the Santa Clara Valley Transportation Authority Amalgamated Transit Union Pension Plan (Plan), a component unit of the Santa Clara Valley Transportation Authority (VTA), provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

A. General

The Plan is a single-employer defined benefit pension plan covering VTA employees who are members of the Santa Clara Valley Transportation Authority Amalgamated Transit Union (ATU) and is administered by a Pension Board, consisting of three members appointed by VTA, three members appointed by the ATU, and one member jointly appointed. The membership of the Plan as of June 30 comprises the following:

	2016	2015	2014
Retirees and beneficiaries currently receiving benefits	1,337	1,282	1,216
Terminated vested members not yet receiving benefits	147	130	138
Active Members	1,568	1,541	1,474
TOTAL	3,052	2,953	2,828

B. Pension Benefits

Employees with 10 or more years of service are entitled to full annual pension benefits beginning at normal retirement age of 65. Employees with less than 10 years of service are entitled to a reduced annual benefit at age 65 provided the Pension Board approves of such a benefit. Employees with 15 or more years of service are entitled to full annual pension benefits beginning at age 55. The Plan permits early retirement if an employee becomes disabled after 10 or more years of service, and deferred vested retirement upon employee termination after 10 or more years of service, with benefits payable permitted at age 65. Employees may elect to receive their benefits in the form of a joint or survivor annuity. These benefit provisions and all other requirements are established by California statute and the labor agreement with the ATU.

Benefit terms do not provide for annual cost-of-living adjustments to each member's retirement allowance subsequent to the member's retirement date.

C. Contributions to the plan

VTA contributes to the Plan at actuarially determined amounts sufficient to maintain funding of vested benefits. The actuarially determined amount is the estimated amount necessary to finance the costs of benefits earned by the plan members during the year, with an additional amount to finance any unfunded accrued liability. Total contributions to the Plan for the fiscal year ended June 30, 2016, were made in the amount of $25,751,474 in accordance with actuarially determined requirements computed as of January 1, 2015. For the fiscal year ended June 30, 2015, the contributions amounting to $25,590,315 were made also in accordance with the actuarially determined requirements computed as of January 1, 2014.

D. Plan Termination

In the event of plan termination, the net position of the Plan would be allocated as prescribed in the Plan documents, generally to provide the following benefits in the order indicated:

- Retirement benefits payable to retired members (as defined) and disabled members (as defined).
- Actuarial reserves for the retirement benefits of other vested members (as defined).

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The accompanying basic 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 requirements. Benefits and refunds of contributions are recognized when due and payable under the provisions of the Plan.

B. Investments

Investments are reported at fair market 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. The fair market value of the investments in mutual funds of $240,191,925 and $210,772,819 at June 30, 2016 and 2015, respectively, were valued by the respective mutual fund management firms. Purchases and sales of securities are reflected on the trade date while investment income is recognized as earned.

The following investments and investment activities are prohibited except when specified in the investment management agreement or when commingled/pooled investment vehicles are selected because investment firms have their own guidelines for commingled/pooled accounts.

- Non-hedging transactions that leverage / increase the risk of the Plan's portfolios.
- Short sales or substantially similar transactions.
- Letter stock, private placements, or direct placements.
- Purchase of securities on margin, or lending or borrowing money or securities.

C. Net Appreciation (Depreciation) on Investments

Net appreciation (depreciation) on investments pertains to unrealized gains and losses. Unrealized appreciation (depreciation) adjusts investment carrying amounts to reflect current market values, based on quoted prices in an active market.

D. Administrative Expenses

Certain internal costs of administering the Plan are paid by the Plan. Administrative expenses for the years ended June 30, 2016 and 2015 were $281,307 and $301,331 respectively.

E. 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.

F. New Accounting Principles

GASB Statement No. 72 – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application.* The primary objective of this statement is to define fair value and describe how fair value should be measured, define what assets and liabilities should be measured at fair value, and determine what information about fair value should be disclosed in the notes to the financial statements. The Statement is effective for periods beginning after June 15, 2015, or the fiscal year 2015-16. The Plan has implemented the provisions of this statement as of June 30, 2016.

NOTE 3 – INVESTMENTS

The Plan has adopted an internally developed investment policy that is governed by the standards established in the California Law. 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. Management believes the Plan has complied with the provisions of statutes pertaining to the types of investments held, institutions in which deposits were made, and security requirements.

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 – Fiscal Resources Division, 3331 North First Street, San Jose, California, 95134. The fair market value of the Agency's position in the cash pool is the same as the value of the cash pool shares. As of June 30, 2016 and 2015, the Plan had $90,540 and $752,508, respectively, in VTA's cash and investment pool.

For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.34 percent. For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 3.69 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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 Union Bank Trust Department, a custodial bank, at June 30, 2016 and 2015, separate from the counterparty, in the name of Santa Clara Valley Transportation Authority (VTA). VTA's securities are not part of Union Bank's assets and not attachable by any of its creditors.

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 is 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 pension benefit payment obligation, however, the Plan does not have any policy specifically addressing interest rate risk. The Plan had a net investment of $118,373,826 and $115,852,608 invested in equity based securities as of June 30, 2016 and June 30, 2015, respectively, and $240,191,925 and $210,772,819 invested in mutual funds as of June 30, 2016 and June 30, 2015, respectively.

The following table shows the time distribution for the maturity of the Plan's assets as of June 30, 2016:

Type of Investment	Fair Value	Less Than 1 Year	1-5 Years	Greater than 6 Years
Corporate Obligations	$ 64,111,993	$ 3,612,918	$ 14,133,329	$ 46,365,746
U.S. Government agency obligations	41,032,175	16,975	341,894	40,673,306
U.S. Treasury obligations	13,519,291	5,992,646	7,526,645	-
Money market*	3,551,419	3,551,419	-	-
Total	$ 122,214,878	$ 13,173,958	$ 22,001,868	$ 87,039,052

The following table shows the time distribution for the maturity of the Plan's assets as of June 30, 2015:

Type of Investment	Fair Value	Less Than 1 Year	1-5 Years	Greater than 6 Years
Corporate Obligations	$ 94,839,562	$ 2,260,267	$ 27,327,282	$ 65,252,014
U.S. Government agency obligations	52,261,812	524,490	853,035	50,884,286
U.S. Treasury obligations	7,659,437	6,421,831	1,237,606	-
Money market*	6,150,642	6,150,642	-	-
Total	$ 160,911,453	$ 15,357,230	$ 29,417,923	$ 116,136,300

*The time distribution for the money market funds is based on the weighted average maturity of investments comprising the funds.

The fair value of interest sensitive instruments may also be affected by the creditworthiness of the issuer, prepayment options, relative values of alternative investments, and other general market conditions. Certain fixed maturity investments have call provisions that could result in shorter maturity periods.

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 as a percentage of total investments at June 30, 2016 and 2015, as rated by Standard and Poor's:

		Percent of Portfolio	
Type of Investment	Rating	2016	2015
Domestic equity securities	Not Rated	24.6%	23.7%
Corporate obligations	AAA	0.0%	1.8%
	AA+	0.0%	0.4%
	AA-	0.3%	0.2%
	AA	0.3%	0.2%
	A+	0.2%	1.2%
	A	0.4%	0.6%
	A-	0.3%	2.4%
	BBB+	3.5%	3.6%
	BBB	3.5%	3.7%
	BBB-	2.0%	2.2%
	BB+	0.9%	1.4%
	BB	0.4%	1.2%
	BB-	0.2%	0.0%
	B	0.2%	0.0%
	B+	1.3%	0.5%
U.S. Agency Securities	AA+	8.5%	10.7%
U.S. Government Securities - Treasury	AA+	2.8%	1.6%
Pooled cash and investment with VTA Enterprise	Not Rated	0.0%	0.2%
Money market	Not Rated	0.7%	1.3%
Mutual funds	Not Rated	49.9%	43.1%
TOTAL		100.0%	100.0%

Concentration of Credit Risk

Concentration of credit risk is the risk that the failure of any one 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, 2016, the Plan had $26,480,536 or 5.50% of total Plan investments, invested in securities issued by Federal National Mortgage Association (Fannie Mae). As of June 30, 2015, the Plan had $33,659,998 or 6.9% of total Plan investments, invested in securities issued by Fannie Mae. Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools and other pooled investments are exempt from this requirement, as they are normally diversified themselves.

The fair value measurement of the ATU Pension Plan was categorized based on hierarchy established by generally accepted accounting principles. The fair value hierarchy gives the highest priority to unadjusted quoted prices that are directly observable in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority when pricing inputs are unobservable (Level 3 measurements). Below is the fair value hierarchy table:

	Fair Value Hierarchy			
Investment Type	**Level 1**	**Level 2**	**Level 3**	**Market Value**
Corporate Bonds	$ 1,139,259	$ 62,108,516	$ 864,218	$ 64,111,993
US Government Agency Bonds		41,032,175		41,032,175
US Treasury	13,519,291			13,519,291
Equity- Based Investments	118,373,826	196,345,460	43,846,466	358,565,752
Levelled Investment Total	$ 133,032,376	$ 299,486,151	$44,710,684	477,229,211
Money Market Funds				3,551,419
Cash Deposits				90,540
TOTAL				480,871,170

NOTE 4 – NET PENSION LIABILITY

The components of the net pension liability of VTA were as follows:

	2016	2015
Total pension liability	$ 658,313,928	$ 611,678,072
Plan fiduciary net position	481,318,427	489,190,774
Net pension liability	$ 176,995,501	$ 122,487,298
Plan fiduciary net position as a percentage of the total pension liability	73%	80%

The total pension liability was determined by an actuarial valuation as of January 1, 2016 and a measurement date as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

	2016	2015
Inflation	3.00 percent	3.25 percent
Salary increases	3.00 percent	3.00 percent
Investment rate of return	7.25 percent	7.50 percent

Mortality rates for actives, retirees, beneficiaries, and terminated vested members are based on the male and female RP-2000 Combined Healthy Blue Collar Tables published by the Society of Actuaries (projected from 2000 to 2025 using 50% of scale BB), with a one year set-back for females. Rates of mortality for all disabled members are given by the Mortality Table for Disabled Members Not Receiving Social Security Benefits published by the Pension Benefit Guaranty Corporation (PBGC), with no age adjustment.

The actuarial assumptions used in the January 1, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2007–December 31, 2011.

The long-term expected rate of return on pension plan investments was determined by first using a building-block methodology to develop long term performance projections for each major asset class. These projections are then combined to produce the long-term expected rate of return by weighting the projected rate of returns by the target asset allocation percentages. The methodology yields a nominal 10 year rate of return. The long term assumption for inflation is then subtracted to yield a real rate of return. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 and June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table:

	FY 2016			FY 2015		
Asset Class	***Target Allocation***	**Long-Term Expected Real Rate of Return**	**Standard Deviation**	***Target Allocation***	**Long-Term Expected Real Rate of Return**	**Standard Deviation**
Domestic Equity-Large Cap	15%	5.00%	17.95%	17.00%	5.25%	18.30%
Domestic Equity-Large Cap Index	10%	5.00%	17.95%	13.00%	5.25%	18.30%
Domestic Equity-Small Cap	10%	5.30%	22.75%	7.00%	5.60%	22.95%
International Equity	13%	5.30%	21.30%	14.00%	5.25%	20.20%
Emerging Markets Equity	5%	5.35%	27.85%	5.00%	5.65%	27.95%
Domestic Fixed Income	27%	0.75%	3.75%	33.00%	0.75%	3.75%
Absolute Return	9%	3.00%	9.30%	0.00%	3.00%	8.85%
Real-Estate	10%	3.75%	16.45%	10.00%	3.90%	16.50%
Cash	1%	0.00%	0.90%	1.00%	0.00%	0.90%

The discount rate used to measure the total pension liability was 7.13 percent. The projection of cash flows used to determine the discount rate assumed that VTA will continue contribute to the Plan based on an actuarially determined contribution. 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 until at least 2074 when only a portion of the projected benefit payments are expected to be made from the projected Fiduciary Net Position. Projected benefit payments are discounted at the long-term expected return on assets of 7.25% to the extent the Fiduciary Net Position is available to make the payments and the municipal bond rate of 2.85% to the extent they are not available. The single equivalent rate used to determine the Total Pension Liability as of June 30, 2016 is 7.13%. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

The following table shows the sensitivity of the net Pension Liability to changes in the discount rate. It presents the net pension liability of VTA as of June 30, 2016, calculated using the discount rate of 7.13 percent, as well as what the VTA's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.13 percent) or 1-percentage-point higher (8.13 percent) than the current rate.

Also shown below is the net pension liability of VTA as of June 30, 2015, calculated using the discount rate of 7.50 percent, as well as what the VTA's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	FY 2016			FY 2015		
	1% Decrease (6.13%)	**Current Discount Rate (7.13%)**	**1% Increase (8.13%)**	**1% Decrease (6.50%)**	**Current Discount Rate (7.50%)**	**1% Increase (8.50%)**
VTA's net pension liability	$248,282,011	$176,995,501	$116,161,352	$187,493,170	$122,487,298	$66,882,570

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
AMALGAMATED TRANSIT UNION PENSION PLAN

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE FISCAL YEARS ENDED JUNE 30, 2016, 2015 AND 2014

Amounts in thousands

	2016*	2015	2014
Total Pension Liability			
Service cost	$ 14,788	$ 13,468	$ 12,094
Interest (includes interest on service cost)	45,110	43,069	41,417
Difference between expected and actual experience	7,748	4,517	-
Changes in assumptions	14,577	-	-
Benefit payments, including refunds of member contributions	(35,588)	(33,418)	(30,967)
Net change in total pension liability	46,635	27,636	22,544
Total Pension Liability, beginning	611,678	584,042	561,498
Total Pension Liability, ending	658,313	611,678	584,042
Plan Fiduciary Net Position			
Contributions - employer	25,751	25,590	25,787
Net investment income	2,245	16,094	64,139
Benefit payments, including refunds of member contributions	(35,588)	(33,418)	(30,967)
Administrative expense	(281)	(301)	(313)
Net change in Plan Fiduciary Net Position	(7,873)	7,965	58,646
Plan Fiduciary Net Position, beginning	489,191	481,226	422,580
Plan Fiduciary Net Position, ending	481,318	489,191	481,226
Net Pension Liability, ending	$176,995	$ 122,487	$102,816
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	73.11%	79.98%	82.40%
Covered-employee Payroll	$126,796	$ 115,914	$107,880
Net Pension Liability as a percentage of covered-employee payroll	139.59%	105.67%	95.31%

***Notes to schedule:**

Investment rate of return: Reduced from 7.5% in 2015 to 7.25% in 2016 net of investment expense

Inflation : Reduced from 3.25% in 2015 to 3.0% in 2016

Benefit changes: There were no changes in the benefit during the year.

Information prior to 2014 is not available

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SCHEDULE OF EMPLOYER CONTRIBUTIONS
(In Thousands)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually-required Contribution	$ 25,720	$ 25,549	$ 25,787	$ 24,413	$ 19,148	$ 17,807	$ 17,905	$ 14,843	$ 16,137	$ 14,859
Contributions in Relation to the Contractually-required contribution	25,751	25,590	25,787	24,413	19,148	17,807	17,905	14,843	16,137	14,859
Contributions Deficiency/(Excess)	$ (31)	$ (41)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee Payroll	$126,796	$115,914	$107,880	$104,136	$104,726	$ 98,741	$ 98,036	$ 99,775	$ 99,408	$ 94,847
Contributions as a Percentage of Covered-employee Payroll	20.31%	22.08%	23.90%	23.44%	18.28%	18.03%	18.26%	14.88%	16.23%	15.67%

Notes to Schedule

Timing — Actuarially-determined contribution rates are calculated based on the actuarial valuation six months prior to the beginning of the fiscal year

Key Methods and Assumtions Used to Determine Contribution Rates:

Actuarial cost method	Entry Age
Asset valuation method	5-year smoothed market, subject to 80%/120% corridor
Amortization method	All unfunded liability charges are amortized over a rolling 20-year period as a level dollar amount
Discount rate	7.50%
Amortization growth rate:	0.00%
Price inflation	3.25%
Salary increases:	3.25% plus merit component based on years of service
Mortality:	Sex distinct RP-2000 Combined Healthy Blue Collar Mortality (setback one year for females) projected to 2025 using 50% of Scale BB

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SCHEDULE OF INVESTMENT RETURNS

	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	1.3412%	3.6876%	15.4227%

Information not available prior to FY2014

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