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

For Fiscal Years Ended June 30, 2017 and June 30, 2016

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
AMALGAMATED TRANSIT UNION PENSION PLAN

JUNE 30, 2017 AND JUNE 30, 2016

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

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 (Plan), a component unit of the Santa Clara Valley Transportation Authority (VTA), as of and for the years ended June 30, 2017 and 2016, 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 net position of the Plan, as of June 30, 2017 and June 30, 2016, and the respective changes in net 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, 2017 and 2016, 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 liabilities and related ratios, schedule of employer contributions and 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 27, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2017 AND JUNE 30, 2016

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 years ended June 30, 2017 and 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 2017 was $531,466,869 (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 2016 was $481,318,427 compared to $489,192,230 in fiscal year 2015.

Total pension contribution in fiscal year 2017 was $28,454,283 compared to $25,751,474 in fiscal year 2016 and $25,590,315 in fiscal year 2015. Members began making contributions to the plan in fiscal year 2017.

The Plan's funding objective is to meet long-term benefit obligations through contributions and investment income. As of June 30, 2017, the Plan's measurement date, the funded ratio for the Plan was approximately 76%. In general, there were approximately $0.76 of assets to cover each dollar of pension liability. As of June 30, 2016, the Plan's measurement date, the funded ratio for the Plan was approximately 73%. This means that generally, there were approximately $0.73 of assets to cover each dollar of pension 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. Statement of Plan Net Position.
2. Statement of Changes in Plan Net Position.
3. Notes to the Basic Financial Statements.

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2017 AND JUNE 30, 2016

The Statement of Plan Net Position and the Statement 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 8-16 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, pension contributions 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 2017. 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 76% funded ratio as of the last actuarial valuation.

(Table 1)

Condensed Statement of Plan Net Position

	June 30, 2017	June 30, 2016	June 30, 2015
Assets			
Cash & cash equivalents	$ 573,347	$ 90,540	$ 752,508
Investments at fair value	530,195,772	480,780,630	487,536,880
Other assets	897,567	1,075,999	1,401,270
Total Assets	531,666,686	481,947,169	489,690,658
Liabilities			
Current liabilities	199,817	628,742	498,428
Net Position	$ 531,466,869	$ 481,318,427	$ 489,192,230

For the year ended June 30, 2017, the Plan's total net position restricted for pension benefits increased by $50,148,442 or 10.42% as a result primarily of increase in fair value of investments during the year. The decline in outstanding accounts payable decreased the Plan's liabilities by $428,925.

(Table 2)

Summary of Additions to Plan Net Position

	June 30, 2017	June 30, 2016	June 30, 2015
Contributions	$ 28,454,283	$ 25,751,474	$ 25,590,315
Net investment income	60,471,793	2,243,639	16,095,540
Total Additions	$ 88,926,076	$ 27,995,113	$ 41,685,855

Of the total $28.5 million contribution in fiscal year 2017, VTA contributed $27.4 million, members contributed $1.07 million, and ATU contributed $23,409 for its staff. Mark to market gains in global equity and credit portfolios, positive manager selection and exposure to alternative assets, including hedge funds and private real estate, were the primary contributors to the growth in net investment income from $2.2 million in fiscal year 2016 to $60.5 million in fiscal year 2017.

(Table 3)

Summary of Deductions to Plan Net Position

	June 30, 2017	June 30, 2016	June 30, 2015
Distributions to participants	$ 38,453,828	$ 35,587,609	$ 33,417,941
Administrative expenses	323,806	281,307	301,331
Total Deductions	$ 38,777,634	$ 35,868,916	$ 33,719,272

The distributions to participants have steadily increased due to the growing number of retirees and beneficiaries receiving benefits. Fiscal year 2017 administrative expenses rose as a consequence of the increase in 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 FIDUCIARY NET POSITION
AS OF JUNE 30, 2017 AND JUNE 30, 2016

	2017	2016
ASSETS		
Cash and cash equivalents	$ 573,347	$ 90,540
Domestic equity securities	127,505,139	118,373,826
Corporate obligations	64,275,236	64,111,994
U.S. Government agency	42,942,582	41,032,175
US Treasury obligations	23,742,776	13,519,291
Money market	6,429,765	3,551,419
Mutual funds	265,300,274	240,191,925
Receivables	897,567	1,075,999
TOTAL ASSETS	531,666,686	481,947,169
LIABILITIES		
Accounts payable	199,817	628,742
NET POSITION		
Restricted for pension benefits	$ 531,466,869	$ 481,318,427

See accompanying notes to the basic financial statements

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
AMALGAMATED TRANSIT UNION PENSION PLAN

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR FISCAL YEARS ENDED JUNE 30, 2017 AND JUNE 30, 2016

	2017	2016
ADDITIONS:		
Contributions:		
Employer	$ 27,383,634	$ 25,751,474
Employee	1,070,649	-
Total Contributions	28,454,283	25,751,474
Net investment income:		
Net appreciation (depreciation) on investments	34,870,692	(17,424,415)
Investment earnings	27,615,993	22,009,075
Investment expense	(2,014,892)	(2,341,021)
Investment income	60,471,793	2,243,639
TOTAL ADDITIONS	88,926,076	27,995,113
DEDUCTIONS		
Distributions to participants	38,453,828	35,587,609
Administrative expenses	323,806	281,307
TOTAL DEDUCTIONS	38,777,634	35,868,916
INCREASE/ (DECREASE) IN PLAN NET POSITION	50,148,442	(7,873,803)
NET POSITION		
Beginning of year	481,318,427	489,192,230
End of year	$ 531,466,869	$ 481,318,427

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:

	2017	2016	2015
Retirees and beneficiaries currently receiving benefits	1,395	1,337	1,282
Terminated vested members not yet receiving benefits	148	147	130
Active Members	1,563	1,568	1,541
TOTAL	3,106	3,052	2,953

B. Pension Benefits

Classic Employees

Employees with 10 or more years of eligibility service are entitled to full annual pension benefits beginning at normal retirement age of 65. Employees with less than 10 years but more than 5 years of eligibility service are entitled to an annual benefit at age 65 provided the Board of Pensions approves such benefit. Employees with 15 or more years of eligibility 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 eligibility service, and deferred vested retirement upon employee termination after 10 or more years of eligibility service, with benefits payable 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 Local 265.

Benefit terms do not provide for annual cost-of-living adjustment subsequent to retirement date.

New Employees

Plan benefit provisions and all other requirements are established by California Public Employees'Pension Reform Act of 2013 (PEPRA) and Plan amendments as approved by the VTA Board at its October 6, 2016 meeting. Retirement benefits for PEPRA employees will follow PEPRA legislation.

C. Contributions to the plan

VTA contributes to the Plan at actuarially determined amounts sufficient to maintain funding of vested benefits. VTA's contributions are established and may be amended by VTA's board of directors. 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. Employer's contributions to the Plan for the fiscal year ended June 30, 2017, were made in the amount of $27,383,634 in accordance with actuarially determined requirements computed as of January 1, 2016. For the fiscal year ended June 30, 2016, the contributions amounting to $25,751,474 were made also in accordance with the actuarially determined requirements computed as of January 1, 2015.

Classic employees contributed 0.95% effective 10/10/2016. New employees hired on or after January 1, 2016 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. New employees contributed 5.75% effective 10/10/2016. This rate was reduced to 5.5% effective 10/24/2016.

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 $265,300,275 and $240,191,925 at June 30, 2017 and 2016, 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, 2017 and 2016 were $323,806 and $281,307 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 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, 2017 and 2016, the Plan had $573,347 and $90,540, respectively, in VTA’s cash and investment pool.

For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 12.80 percent. 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. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the timing of receipts and disbursements.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty e.g., broker-dealer) to a transaction, the Plan will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Plan's investment policy provides for the use of a custodian/trustee to invest the Plan's assets as directed by investment managers. The Plan's investment securities were held by Union Bank Trust Department, a custodial bank, at June 30, 2017 and 2016, 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 $127,505,139 and $118,373,826 invested in equity based securities as of June 30, 2017 and June 30, 2016, respectively, and $265,300,274 and $240,191,925 invested in mutual funds as of June 30, 2017 and June 30, 2016, respectively.

The following table shows the time distribution for the maturity of certain Plan assets as of June 30, 2017:

Type of Investment	Fair Value	Less Than 1 Year	1-5 Years	Greater than 6 Years
Corporate Obligations	$ 64,275,236	$ 1,735,371	$ 15,439,875	$ 47,099,990
U.S. Government agency obligations	42,942,582	8,091	190,125	42,744,366
U.S. Treasury obligations	23,742,776	1,703,670	22,039,106	-
Money market*	6,429,765	6,429,765	-	-
Total	$ 137,390,359	$ 9,876,897	$ 37,669,106	$ 89,844,356

The following table shows the time distribution for the maturity of certain Plan 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 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, 2017 and 2016, as rated by Standard and Poor's:

		Percent of Portfolio	
Type of Investment	Rating	2017	2016
Domestic equity securities	Not Applicable	24.0%	24.6%
Corporate obligations	AAA	0.4%	0.0%
	AA-	0.4%	0.3%
	AA	0.3%	0.3%
	A+	0.1%	0.2%
	A	0.3%	0.4%
	A-	0.4%	0.3%
	BBB+	2.9%	3.5%
	BBB	2.5%	3.5%
	BBB-	2.5%	2.0%
	BB+	1.0%	0.9%
	BB	0.3%	0.4%
	BB-	0.4%	0.2%
	B	0.0%	0.2%
	B+	0.2%	1.3%
	CCC	0.4%	0.0%
U.S. Agency Securities	AA+	8.1%	8.5%
U.S. Government Securities - Treasury	AA+	4.5%	2.8%
Pooled cash and investment with VTA	Not Rated	0.1%	0.0%
Money market	Not Rated	1.2%	0.7%
Mutual funds	Not Rated	50.0%	49.9%
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, 2017, the Plan had $29,035,039 or 5.48% of total Plan investments, invested in securities issued by Federal National Mortgage Association (Fannie Mae). As of June 30, 2016, the Plan had $26,480,536 or 5.5% 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.

Fair Value Measurement

The Plan recognizes the fair value measurement of its investments based on the hierarchy established by GAAP. The fair value hierarchy has three levels and is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Below is the fair value hierarchy table.

	Fair Value Hierarchy			
Investment Type	**Level 1**	**Level 2**	**Level 3**	**Market Value**
Corporate Bonds	$ 1,135,326	$ 61,777,214	$ 1,362,696	$ 64,275,236
US Government Agency Bonds	-	42,942,582	-	42,942,582
US Treasury	23,742,776	-	-	23,742,776
Equity- Based and Mutual Fund Investments	331,522,708	-	61,282,705	392,805,413
Levelled Investment Total	$ 356,400,810	$ 104,719,796	$62,645,401	523,766,007
Money Market Funds				6,429,765
Cash Deposits				573,347
TOTAL				530,769,119

NOTE 4 – NET PENSION LIABILITY

The components of the net pension liability were as follows:

Components of Net Pension Liability	2017	2016
Total pension liability	$ 701,581,204	$ 658,313,928
Plan fiduciary net position	531,466,869	481,318,427
Net pension liability	$ 170,114,335	$ 176,995,501
Plan fiduciary net position as a percentage of the total pension liability	76%	73%

The total pension liability was determined by an actuarial valuation as of January 1, 2017 rolled forward to a measurement date as of June 30, 2017, using standard update procedure and the following actuarial assumptions, applied to all periods included in the measurement:

	2017	2016
Inflation	2.75 percent	3.00 percent
Salary increases	3.00 percent	3.00 percent
Investment rate of return	7.00 percent	7.25 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, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2007 through December 31, 2011.

The long-term expected return was based on 30-year asset class geometric return and correlation assumptions. These assumptions were based on forward looking building block analyses and historical data for each of the asset classes.

The following is the assumed asset allocation and expected rate of return for each major asset class as of June 30, 2017 and June 30, 2016.

	2017		2016	
Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**[1,2]	**Target Allocation**	**Long-Term Expected Real Rate of Return**[1,2]
Domestic Equity-Large Cap	15%	4.75%	15%	5.00%
Domestic Equity-Large Cap Index	10%	4.75%	10%	5.00%
Domestic Equity-Small Cap	10%	5.00%	10%	5.30%
International Equity	13%	5.00%	13%	5.30%
Emerging Markets Equity	5%	6.75%	5%	5.35%
Domestic Fixed Income	27%	1.25%	27%	0.75%
Absolute Return	9%	3.75%	9%	3.00%
Real-Estate	10%	3.75%	10%	3.75%
Cash	1%	0.25%	1%	0.00%

[1] The expected rate of inflation for this period is 2.75% in FY 2017 & 3% in FY 2016

[2] Source: NEPC, LLC as of June 30, 2017; all assumptions based on 30 year forecast

The discount rate used to measure the Total Pension Liability was 6.94%. The projection of cash flows used to determine the discount rate assumed that VTA will continue to contribute to the Plan based on an actuarially determined contribution, reflecting a payment equal to the employer's share of the annual Normal Cost, the expected Administrative Expenses, and an amount necessary to amortize the remaining Unfunded Actuarial Liability as a level dollar amount over an open (rolling) 20-year period.

Based on these assumptions, the Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current Plan members until at least 2075 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 7.00% to the extent the Fiduciary Net Position is available to make the payments and the municipal bond rate of 3.58% to the extent they are not available. The single equivalent rate used to determine the Total Pension Liability as of June 30, 2017 is 6.94%.

The following tables show the sensitivity of the net Pension Liability to changes in the discount rate. they present the net pension liability as of June 30, 2017, and June 30, 2016 calculated using the applicable discount rates applicable to that period, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	2017			2016		
	1% Decrease 5.94%	**Current Discount Rate (6.94%)**	**1% Increase (7.94%)**	**1% Decrease (6.13%)**	**Current Discount Rate (7.13)**	**1% Increase (8.13%)**
VTA's net pension liability	$246,110,411	$170,114,335	$105,324,487	$248,282,011	$176,995,501	$116,161,352

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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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, 2014 TO JUNE 30, 2017

Amalgamated Transit Union Pension Plan
(Unaudited)
(In thousands)

	2017	2016	2015	2014
Total Pension Liability				
Service cost	$ 16,024	$ 14,788	$ 13,468	$ 12,094
Interest (includes interest on service cost)	46,152	45,110	43,069	41,417
Difference between expected and actual experience	6,440	7,748	4,517	-
Changes in assumptions	13,105	14,577	-	-
Benefit payments, including refunds of member contributions	(38,454)	(35,588)	(33,418)	(30,967)
Net change in total pension liability	43,267	46,635	27,636	22,544
Total Pension Liability, beginning	658,313	611,678	584,042	561,498
Total Pension Liability, ending	701,580	658,313	611,678	584,042
Plan Fiduciary Net Position				
Contributions - employer	27,385	25,751	25,590	25,787
Contributions - member	1,070	-	-	-
Net investment income	60,472	2,245	16,094	64,139
Benefit payments, including refunds of member contributions	(38,454)	(35,588)	(33,418)	(30,967)
Administrative expense	(324)	(281)	(301)	(313)
Net change in Plan Fiduciary Net Position	50,149	(7,873)	7,965	58,646
Plan Fiduciary Net Position, beginning	481,318	489,191	481,226	422,580
Plan Fiduciary Net Position, ending	531,467	481,318	489,191	481,226
Net Pension Liability, ending	$ 170,113	$176,995	$ 122,487	$102,816
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	75.75%	73.11%	79.98%	82.40%
Covered Payroll	$ 131,544	$126,796	$ 115,914	$107,880
Net Pension Liability as a percentage of covered-employee payroll	129.32%	139.59%	105.67%	95.31%

***Notes to schedule:**

Investment rate of return: Reduced from 7.5% in 2015 to 7.25% in 2016 to 7.00% in 2017, net of investment expense
Inflation : Reduced from 3.25% in 2015 to 3.00% in 2016 to 2.75% in 2017
Benefit changes: There were no changes in the benefit during the year.
Information not available prior to FY2014.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
AMALGAMATED TRANSIT UNION PENSION PLAN

SCHEDULE OF EMPLOYER CONTRIBUTION
(In Thousands)

	2017*	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially-determined Contribution	$ 27,385	$ 25,720	$ 25,549	$ 25,787	$ 24,413	$ 19,148	$17,807	$17,905	$14,843	$16,137
Contributions in Relation to the Actuarially-determined Contribution	27,385	25,751	25,590	25,787	24,413	19,148	17,807	17,905	14,843	16,137
Contributions Deficiency/(Excess)	$ -	$ (31)	$ (41)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$131,544	$ 126,796	$115,914	$107,880	$104,136	$104,726	$98,741	$98,036	$99,775	$99,408
Contributions as a Percentage of Covered Payroll	20.82%	20.31%	22.08%	23.90%	23.44%	18.28%	18.03%	18.26%	14.88%	16.23%

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 Assumptions Used to Determine Contribution Rate:

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:	7.25%
Amortization growth rate:	0.00%
Price inflation:	3.00%
Salary increases:	3.00% plus merit component based on years of service
Mortality:	Sex distinct RP-2000 Combined Blue Collar Mortality, (setback one year for females) projected to 2025 using 50% of Scale BB

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
AMALGAMATED TRANSIT UNION PENSION PLAN

SCHEDULE OF INVESTMENT RETURNS

	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	12.8044%	1.3412%	3.6876%	15.4227%

Information not available prior to FY2014

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