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

INDEPENDENT AUDITOR'S REPORT,
MANAGEMENT'S DISCUSSION AND ANALYSIS,
BASIC FINANCIAL STATEMENTS
AND
REQUIRED SUPPLEMENTARY INFORMATION

FOR FISCAL YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE INFORMATION FOR
FISCAL YEAR ENDED JUNE 30, 2016

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

June 30, 2017 with comparative information for fiscal year ended June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying basic financial statements of the Santa Clara Valley Transportation Authority Retirees' Other Post Employment Benefits Trust (Trust), a component unit of the Santa Clara Valley Transportation Authority (VTA), as of and for the year ended June 30, 2017, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Plan, as of June 30, 2017 and the changes in net position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in Note 1, the financial statements present only the Trust and do not purport to, and do not, present fairly the financial position of VTA as of June 30, 2017, and changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. As described in Note 2, in 2017 the Trust adopted new accounting guidance, GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. 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 OPEB liability and related ratios, schedule of employer contributions and the schedule of investment returns be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
October 27, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE INFORMATION FOR FISCAL YEAR ENDED JUNE 30, 2016

This section provides an overview and analysis of the financial activities of Santa Clara Valley Transportation Authority Retirees' Other Post-Employment Benefits Trust (Trust) for the fiscal year ended June 30, 2017. The Trust was established in May 2008 by the VTA's Board of Directors, and assets held for Other Post Employment Benefits (OPEB) were transferred to the Trust. 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 Trust at the close of fiscal year 2017 is $299,893,945 (net position restricted for retiree OPEB). The entire net position is available to meet the Trust's ongoing obligations to Trust participants and beneficiaries. Net position at the close of 2016 was $275,600,232.

The Trust's funding objective is to meet long-term benefit obligations through contributions and investment income. Total additions to the Trust were $37,373,333 and $9,872,333 for fiscal years ending June 30, 2017, and 2016 respectively. As of June 30, 2017, the Trust's OPEB liability was 118.2% funded compared to 108.7% as of June 30, 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE INFORMATION FOR FISCAL YEAR ENDED JUNE 30, 2016**

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 concerning the Trust's Net OPEB liability.

FINANCIAL ANALYSIS

As previously noted, net position may serve over time as a useful indication of the Trust's financial position. The assets of the Trust exceeded its liabilities at the end of fiscal years 2017, 2016 and 2015 as follows:

(Table 1)

Statement of Trust Net Position

	June 30, 2017	June 30, 2016	June 30, 2015
Assets			
Pooled cash and investment	$ 816,628	$ 2,102,899	$ 979,659
Investments at fair market value	297,771,699	270,940,852	274,008,081
Other assets	1,343,837	3,080,151	934,520
Total Assets	299,932,164	276,123,902	275,922,260
Liabilities			
Current liabilities	38,219	523,670	494,930
Net Position	$ 299,893,945	$ 275,600,232	$ 275,427,330

For the year ended June 30, 2017, the Trust net position restricted for OPEB increased by $24,293,713 or 8.81%. Investments at fair market value increased by $26,830,847 due primarily to mark-to-market gains.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE INFORMATION FOR FISCAL YEAR ENDED JUNE 30, 2016**

(Table 2)

Additions to Trust Net Position

	June 30, 2017	June 30, 2016	June 30, 2015
Contributions	$ 4,047,200	$ 16,902	$ 12,093,054
Net investment income (loss)	33,326,133	9,855,431	13,554,662
Total Additions	$ 37,373,333	$ 9,872,333	$ 25,647,716

The amount of $4,047,200 presented as contributions is implicit subsidies paid by VTA on behalf of its participants. No cash contributions were made. VTA made a one-time additional contribution in the amount of $20,650,000 in fiscal year 2013. In FY 2016, VTA applied $4,784,571 of Net OPEB Asset to fully cover the actuarial required contribution for the year. The amount of $16,902 was received from ICMA-RC for Retiree Health Savings plan termination. Investment income increased by $23,470,702 in FY 2017. Positive manager selection and exposure to alternative assets, including hedge funds and private real estate contributed significantly to the increase in net investment income.

(Table 3)

Deductions From Trust Net Position

	June 30, 2017	June 30, 2016	June 30, 2015
Distributions to participants	$ 13,054,709	$ 9,662,681	$ 10,433,489
Administrative expenses	24,911	36,750	96,637
Total Deductions	$ 13,079,620	$ 9,699,431	$ 10,530,126

The distributions to participants which represent premium payments for retiree medical benefits and include the $4.05 million implicit subsidy in FY 2017 increased by $3,392,028 or 35.1% in fiscal year 2017. Reduced actuarial expenses caused the administrative costs to decline.

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.

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

STATEMENTS OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2017 WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2016

	2017	2016
ASSETS		
Cash and cash equivalents	$ 816,628	$ 2,102,899
Corporate obligations	31,828,347	35,603,030
U.S. Government agency	20,371,439	21,719,369
U.S. Treasury obligations	9,485,589	5,468,691
Money market	1,168,571	746,496
Mutual funds	234,917,753	207,403,266
Receivables	1,343,837	3,080,151
TOTAL ASSETS	299,932,164	276,123,902
LIABILITIES		
Accounts payable	38,219	523,670
NET POSITION		
Restricted for other post employment	$ 299,893,945	$ 275,600,232

See accompanying notes to the basic financial statements

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

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE INFORMATION FOR FISCAL YEAR ENDED JUNE 30, 2016

	2017	2016
ADDITIONS		
VTA contributions	$ 4,047,200	$ 16,902
Net investment income:		
Net appreciation /(depreciation) on investments	26,973,937	(24,468,196)
Investment earnings	6,801,586	34,745,865
Investment expense	(449,390)	(422,238)
Total net investment income	33,326,133	9,855,431
TOTAL ADDITIONS	37,373,333	9,872,333
DEDUCTIONS		
Distributions to participants	13,054,709	9,662,681
Administrative expenses	24,911	36,750
TOTAL DEDUCTIONS	13,079,620	9,699,431
INCREASE IN TRUST NET POSITION	24,293,713	172,902
NET POSITION		
Beginning of year	275,600,232	275,427,330
End of year	$ 299,893,945	$ 275,600,232

See accompanying notes to the basic financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE INFORMATION FOR FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 – DESCRIPTION OF THE TRUST

The following description of the Retirees' Other Post Employment Benefits Trust (Trust) provides only general information. Readers should refer to the Trust agreement for a more complete description of the Trust's provisions. The Trust, which was established in May 2008 by the VTA's Board of Directors, is reflected as an Other Employment Benefit Trust on VTA's financial statements. The Trust is a legally separate entity governed by VTA's Board of Directors. The financial statements of the Trust are intended to present only the Trust's net position and changes in trust net position. They do not purport to, and do not, present fairly the financial position of VTA as of June 30, 2017 and 2016, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A. General

The Trust is a contributory single-employer defined benefit Trust administered by VTA. The membership of the Trust as of June 30, 2017, 2016 and 2015 consists of the following:

	2017	2016	2015
ATU Retireees	1,075	1,024	984
Non-ATU Retirees	507	487	462
Active (Vested)	1,191	1,188	1,144
TOTAL	2,773	2,699	2,590

B. Trust Benefits

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

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

For surviving spouses of ATU retirees: VTA pays the PEMHCA minimum employer premium contribution of $128 per month in 2017 and $133 per month in 2018.

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

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

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

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

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

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

C. VTA Contributions

VTA contributes to the Trust at the actuarially determined amount or rates applied to eligible payroll sufficient to maintain funding of vested benefits. VTA's contributions are established and may be amended by VTA's Board of Directors. VTA applied $4,784,571 of the Net OPEB Asset to meet its FY 2016 contribution requirements. In fiscal year 2017, implicit subsidy in the amount of $4,047,200 was presented as contribution and included in the distributions to participants. No cash contributions were made.

D. Trust Termination

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

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

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

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 commitments. Benefits and refunds of contributions are recognized when due and payable under the provisions of the Trust agreement.

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 $234,917,753 and $207,403,266 at June 30, 2017 and 2016, respectively, was valued by the respective mutual fund management firms. Purchases and sales of securities are reflected on the trade date and investment income is recognized as earned.

C. Net Appreciation (Depreciation) on Investments

Net appreciation (depreciation) on investments represents 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 Trust are paid by the Trust. Administrative expenses for the year ended June 30, 2017 and 2016 were $24,911 and $36,750, 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. 74 – In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2016 or the Fiscal Year 2017. The Trust has implemented the provision of this statement as of July 1, 2016.

NOTE 3 – INVESTMENTS

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

The Trust maintains all of its operating cash funds in VTA's cash and investment pool. The pool functions as a demand deposit account for the Trust, 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 Trust'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 Trust has $816,628 and $2,102,899, respectively, in VTA's cash and investment pool.

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 Trust will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Trust's investment policy provides for the use of a custodian/trustee to invest the Trust's assets as directed by investment managers. The Trust'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 the sensitivity of its fair value to changes in market rates. One of the Trust's primary goals is to provide sufficient liquidity to meet future retirees' other post employment benefit obligations, however, the Trust does not have any policies specifically addressing interest rate risk. The Trust had $234,917,753 and $207,403,266 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 the Trust's assets, other than equity-based securities and mutual funds which have no specific maturity dates, as of June 30, 2017:

Type of Investment	Fair Value	Less Than 1 Year	1-5 Years	Greater than 6 Years
Corporate Obligations	$ 31,828,347	$ 1,359,406	$ 6,487,463	$ 23,981,478
U.S. Government Agency Obligations	20,371,439	237	147,713	20,223,489
U.S. Treasury Obligations	9,485,589	6,222,820	3,262,769	-
Money Market*	1,168,571	1,168,571	-	-
Total	$ 62,853,946	$ 8,751,034	$ 9,897,945	$ 44,204,967

NOTES TO THE FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE INFORMATION FOR FISCAL YEAR ENDED JUNE 30, 2016

The following table shows the time distribution for the maturity of the Trust's assets, other than equity-based securities and mutual funds which have no specific maturity dates, as of June 30, 2016:

Type of Investment	Fair Value	Less Than 1 Year	1-5 Years	Greater than 6 Years
Corporate Obligations	$ 35,603,030	$ 435,769	$ 6,857,007	$ 28,310,254
U.S. Government Agency Obligations	21,719,369	1,086	78,901	21,639,382
U.S. Treasury Obligations	5,468,691	2,369,800	3,098,891	-
Money Market*	746,496	746,496	-	-
Total	$ 63,537,586	$ 3,553,151	$ 10,034,799	$ 49,949,636

* 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 credit worthiness 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. The majority of U.S. Government agency obligations in the amount of $20,371,439 and 21,719,369 at June 30, 2017 and 2016, respectively, are backed by mortgage pass-through securities which are sensitive to interest rate changes. Therefore, if interest rate declines, the mortgages are subject to prepayment by borrowers.

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 Trust'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, 20177 and 2016, respectively, as rated by Standard and Poor's:

		Percent of Portfolio	
Type of Investment	Rating	2017	2016
Corporate Obligations	AAA	0.34%	0.40%
	AA+	0.00%	0.80%
	AA	0.18%	0.20%
	AA-	0.39%	0.20%
	A+	0.11%	0.20%
	A	0.22%	0.20%
	A-	0.36%	0.30%
	BBB+	2.36%	3.00%
	BBB	2.51%	3.80%
	BBB-	2.32%	1.90%
	BB+	0.74%	0.80%
	BB	0.29%	0.30%
	BB-	0.32%	0.30%
	B+	0.22%	1.40%
	CCC	0.33%	0.00%
U.S. Agency Securities	AA+	6.84%	7.90%
U.S. Treasury	Not Applicable	3.19%	2.00%
Money Market	Not Rated	0.39%	0.30%
Mutual Funds	Not Rated	78.89%	76.00%
TOTAL		100.00%	100.00%

Concentration of Credit Risk

Concentration of credit risk is the risk that the failure of anyone issuer would place an undue financial burden on the Trust. The Trust'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 Trust investments. As of June 30, 2017 and 2016, there was no investment with one issuer that is greater than 5% of total Trust investment. Investments issued by or explicitly guaranteed by the U.S. Government, 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; Level 3 inputs are significant unobservable inputs. The following is the fair value hierarchy table:

	Fair Value Hierarchy			
Investment Type	Level 1	Level 2	Level 3	Market Value
Corporate obligations	$ -	$ 31,420,159	$ 408,188	$ 31,828,347
U.S. Government Agency obligations	-	20,371,439	-	20,371,439
U.S. Treasury obligations	9,485,589	-	-	9,485,589
Mutual funds	202,427,469		32,490,284	234,917,753
Levelled Investments Total	$ 211,913,058	$ 51,791,598	$ 32,898,472	$ 296,603,128
Money market				1,168,571
Pooled cash and investment				816,628
TOTAL				$ 298,588,327

NOTE 4 – NET OPEB ASSET

The components of the net OPEB liability at June 30, 2017, were as follow:

Total OPEB Liability	$ 241,866,300
Plan fiduciary net position	299,893,945
Net OPEB Asset	$ 58,027,645
Plan fiduciary net position as a percentage of the total OPEB liability	123.99%

The Total OPEB Liability/(Asset) was determined by an actuarial valuation as of July 1, 2016, with the liability rolled forward using standard update procedures and the following actuarial assumptions for disclosure purposes to June 30, 2017.

Health care trend rate	0.14% - 9.09%
Inflation rate	2.50%
Investment rate of return	7.00%

The following table presents the long-term expected real rate of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2017.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return[1, 2]
Domestic Equity-Large Cap Index	53%	4.75%
Emerging Markets Equity	6%	6.75%
Domestic Fixed Income	21%	1.25%
Absolute Return	8%	3.75%
Real-Estate	11%	3.75%
Cash	1%	0.25%

[1] The expected rate of inflation for this period is 2.75%

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

Discount Rate

The discount rate used to measure the Total OPEB Liability was 7. %. The projection of cash flows used to determine the discount rate assumed that employer contributions will be equal to the Actuarially Determined Contributions for the applicable fiscal years. Based on those assumptions, the plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the Total OPEB Liability. The discount rate does not incorporate nor require a 20-year tax-exempt general obligation municipal bond rate (with an average rating of AA/Aa or higher)

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

The following presents the Net OPEB Asset as calculated using the current discount rate of 7. %, as well as what the Net OPEB Asset would be if it was calculated using a discount rate that is one percentage-point lower (6.%) or one percentage-point higher (8. %) than the current rate:

	1% Decrease 6%	Current Discount Rate 7%	1% Increase 8%
Net OPEB Asset	$ 31,429,800	$ 58,027,645	$ 80,535,100

Health Care Trend Rates

The CalPERS benefit trend rates begin at various levels ranging from 0.14% for the Medicare PPO to 9.09% for the non-Medicare UHC HMO. These first year percentages are based on the actual 2017 renewal and the type of medical plans (HMO vs. PPO, Medicare vs. non-Medicare), and then are graded down to an ultimate rate of 4.% (reflecting the expected long-term trend for the medical Consumer Price Index).

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

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

	1% Decrease 6%	Current Discount Rate 7%	1% Increase 8%
Net OPEB Asset	$ 84,080,900	$ 58,027,645	$ 26,542,500

Participation Rate

92% of eligible participants are assumed to elect coverage at retirement.

Dependent Coverage

For current retirees, actual spouse data provided on the census was used. 25.5% of future retirees were assumed to retire with a covered spouse, and husbands were assumed to be three years older than their wives.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS FOR FISCAL YEAR ENDED JUNE 30, 2017

	Fical Year Ending June 30, 2017
Total OPEB liability	
Service cost	$ 5,887,900
Interest cost	15,872,109
Benefits payments[1]	(13,054,709)
Net change in total OPEB liability	8,705,300
Total OPEB liability - beginning	233,161,000
Total OPEB liability - ending (a)	241,866,300
Plan fiduciary net position	
Contributions - Employer[1]	4,047,200
Benefit payments from Plan Trusts[1]	(13,054,709)
Administrative expense from Plan Trusts	(24,912)
Investment income	33,326,133
Net change in plan fiduciary net position	24,293,712
Plan fiduciary net position - beginning	275,600,233
Plan fiduciary net position - ending (b)	299,893,945
Net OPEB Asset - beginning	(42,439,233)
Net OPEB Asset - ending (a) - (b)	$ (58,027,645)
Plan fiduciary net position as a percentage of the total OPEB liability	123.99%
Covered-payroll	$ 176,709,270
Net OPEB liability as a percentage of covered-payroll	-32.84%

[1] *Includes implicit subsidy of $4,047,200*

Information not available prior to FY2017.

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS

	2017*	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially Determined Contribution (ADC)	$ 4,574 [1]	$ 4,785	$ 12,093	$ 14,100	$ 17,315	$ 17,321	$ 16,208	$ 14,849	$ 15,350	$ 14,762
Contributions in Relation to the ADC	4,047 [1]	4,785	12,093	14,100	37,965	17,321	15,371	14,213	15,900	15,685
Contributions Deficiency/(Excess)	$ 527	$ -	$ -	$ -	$ (20,650)	$ -	$ 837	$ 636	$ (550)	$ (923)
Covered Payroll	$176,709	$168,869	$167,124	$162,902	$152,218	$142,651	$137,050	$140,601	$148,014 **	$155,426
Contributions as a Percentage of Covered Payroll	2.29%	2.83%	7.24%	8.66%	24.94%	12.14%	11.22%	10.11%	10.74%	10.09%

[1] *Includes implicit subsidy benefit payment of $4.047 million*

** there was no actuarial source; number was derived by taking the average of 2008 and 2010 covered payroll

*** Notes to Schedule:**

Valuation Date: July 1, 2016

Actuarially-determined contribution is calculated as of July 1, twelve months prior to the fiscal year in which contribution is reported.

Methods and assumptions used to determine contributions rates:

Actuarial cost method: Entry Age, level percentage of pay

Amortization method: Level dollar over a closed period with 12 years remaining as of July 1, 2016

Asset valuation method: Market value, no smoothing

Inflation: 2.50%

Discount Rate: 7. %

Other Assumptions: Same as for determining total OPEB liability.
See July 1, 2016 actuarial report dated December 20, 2016 for details.

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

SCHEDULE OF INVESTMENT RETURNS

	2017
Annual money-weighted rate of return, net of investment expense	12.5066%

Information not available prior to FY2017.

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