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

ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED JUNE 30, 2018 AND JUNE 30, 2017

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

JUNE 30, 2018 AND JUNE 30, 2017

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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
Retirees' Other Post Employment Benefits Trust
San Jose, California

We have audited the accompanying financial statements of the Santa Clara Valley Transportation Authority Retirees' Other Post Employment Benefits Trust (Plan), a component unit of the Santa Clara Valley Transportation Authority (VTA), as of and for the years ended June 30, 2018 and 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.

260 Sheridan Ave., Suite 440, Palo Alto, CA 94306 P 650.462.0400 F 650.462.0500 W vtdcpa.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective fiduciary net position of the Plan, as of June 30, 2018 and June 30, 2017, and respective changes in fiduciary 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, 2018 and 2017, and changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
October 29, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2018 AND JUNE 30, 2017

This section provides an overview and analysis of the financial activities of Santa Clara Valley Transportation Authority Retirees' Other Post Employment Benefits Trust (Plan) for the fiscal years ended June 30, 2018 and June 30, 2017. The Plan was established in May 2008 by the VTA's Board of Directors, and assets held for Other Post-Employment Benefits (OPEB) were transferred to the Plan. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our financial statements.

FINANCIAL HIGHLIGHTS

The net position of the Plan at the close of fiscal year 2018 is $315,370,257 (net position restricted for retiree OPEB). The entire net position is available to meet the Plan's ongoing obligations to Plan participants and beneficiaries. Net position at the close of 2017 was $299,893,945 compared to $275,600,232 in 2016.

The Plan's funding objective is to meet long-term benefit obligations through contributions and investment income. Total additions to the Plan were $28,123,985 and $37,373,333 for the fiscal years ending June 30, 2018, and 2017 respectively. As of June 30, 2018, the Plan's OPEB liability was 126.66% funded compared to 123.99% as of June 30, 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. (See notes to Financial Statements on pages 8-18 of this report).

OTHER INFORMATION

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

FINANCIAL ANALYSIS

As previously noted, net position may serve over time as a useful indicator of the Plan's financial position. The assets of the Plan exceeded its liabilities at the end of fiscal years 2018, 2017and 2016 as follows:

(Table 1)

Statement of Trust Net Position

	June 30, 2018	June 30, 2017	June 30, 2016
Assets			
Pooled cash and investment	$ 1,643,789	$ 816,628	$ 2,102,899
Investments at fair market value	313,379,761	297,771,699	270,940,852
Other assets	485,422	1,343,837	3,080,151
Total Assets	315,508,972	299,932,164	276,123,902
Liabilities			
Current liabilities	138,715	38,219	523,670
Net Position	$ 315,370,257	$ 299,893,945	$ 275,600,232

For the year ended June 30, 2018, the Plan's fiduciary net position restricted for OPEB increased by $15,476,312 or 5.16%. Investments at fair value increased by $15,608,062 due primarily to gains in public equity markets.

(Table 2)

Additions to Trust Net Position

	June 30, 2018	June 30, 2017	June 30, 2016
Contributions	$ -	$ 4,047,200	$ 16,902
Net investment income (loss)	28,123,985	33,326,133	9,855,431
Total Additions	$ 28,123,985	$ 37,373,333	$ 9,872,333

For FY 2018, a $3,000,000 implicit subsidy was explicitly paid out of the Plan with no offsetting contribution. The amount of $4,047,200 presented as contributions in FY 2017 is implicit subsidies paid by VTA on behalf of its participants in FY 2017. No cash contributions were made. In FY 2016, VTA applied $4,784,571 of Net OPEB Asset to fully cover the actuarial required contribution for the year while the amount of $16,902 was received from ICMA-RC for Retiree Health Savings plan termination.

Asset to fully cover the actuarial required contribution for the year while the amount of $16,902 was received from ICMA-RC for Retiree Health Savings plan termination.

Investment income decreased by $5,202,148 in FY 2018. Unrealized loss resulting from modestly higher interest rates was the primary contributor to the reduction in net investment income from $33.3 million in fiscal year 2017 to $28.1 million in fiscal year 2018.

(Table 3)

Deductions From Trust Net Position

	June 30, 2018	June 30, 2017	June 30, 2016
Distributions to participants	$ 12,539,334	$ 13,054,709	$ 9,662,681
Administrative expenses	108,339	24,911	36,750
Total Deductions	$ 12,647,673	$ 13,079,620	$ 9,699,431

The distributions to participants which represent premium payments for retiree medical benefits and include the $3.0 million implicit subsidy in FY 2018 decreased by $515,375 or (3.9%). Administrative expenses rose primarily due to the change in treatment of investment consulting fees from investment expense to administrative expense.

Requests for Information

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

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

STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2018 AND JUNE 30, 2017

	2018	2017
ASSETS:		
Cash and investments:		
Cash and cash equivalents	$ 1,643,789	$ 816,628
Money market	663,923	1,656,302
Corporate Bonds	27,459,938	29,816,646
U.S. Treasury obligations	13,239,213	9,485,589
U.S. agencies securities	22,215,535	19,968,895
Municipal Bonds	1,258,532	1,926,514
Equities	188,782,487	179,135,417
Real asset	34,689,484	32,490,284
Alternative investments	25,070,649	23,292,052
Receivables	485,422	1,343,837
Total assets	315,508,972	299,932,164
LIABILITIES:		
Accounts payable	138,715	38,219
NET POSITION:		
Restricted for other post employment benefits	$ 315,370,257	$ 299,893,945

See accompanying notes to the basic financial statements.

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

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED JUNE 30, 2018 AND JUNE 30, 2017

	2018	2017
ADDITIONS		
VTA contributions	$ -	$ 4,047,200
Net investment income:		
Net change in the fair value of investments	(47,177,254)	26,973,937
Investment earnings	75,732,329	6,801,586
Investment expense	(431,090)	(449,390)
Total net investment income	28,123,985	33,326,133
TOTAL ADDITIONS	28,123,985	37,373,333
DEDUCTIONS		
Distributions to participants	12,539,334	13,054,709
Administrative expenses	108,339	24,911
TOTAL DEDUCTIONS	12,647,673	13,079,620
INCREASE IN TRUST NET POSITION	15,476,312	24,293,713
NET POSITION		
Beginning of year	299,893,945	275,600,232
End of year	$ 315,370,257	$ 299,893,945

See accompanying notes to the basic financial statements.

NOTE 1 – DESCRIPTION OF THE PLAN

General

The Plan is a contributory single-employer defined benefit plan administered by VTA. The Plan, which was established in May 2008 by the VTA's Board of Directors, is reflected as an Other Post Employment Benefit Trust fund on VTA's financial statements. The Plan is a legally separate entity governed by VTA's Board of Directors. The following description of the Retirees' Other Post Employment Benefits Plan (Plan) provides only general information. Readers should refer to the trust agreement for a more complete description of the trust's provisions. The financial statements of the Plan are intended to present only the Plan's fiduciary net position and changes in fiduciary net position. They do not purport to, and do not, present fairly the financial position of VTA as of June 30, 2018 or June 30, 2017, and the changes in VTA's financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Membership

The membership of the Plan as of June 30, 2018 and 2017 consists of the following:

	2018	2017	2016
ATU Retireees	1,104	1,075	1,024
Non-ATU Retirees	538	507	487
Active (Vested)	1,208	1,191	1,188
TOTAL	2,850	2,773	2,699

Description of the Benefits

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

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

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

Plan Termination

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

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

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Investments

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

Investments Policies

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

Administrative Expenses

Certain internal costs (such as audit fees, investment consultant and actuarial fees) of administering the Plan are paid by the Plan. Administrative expenses for the year ended June 30, 2018 and 2017 were $108,339 and $24,911, respectively.

Use of Estimates

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

NOTE 3 – INVESTMENTS

The Plan maintains all of its operating cash funds in VTA's cash and investment pool. The pool functions as a demand deposit account for the Plan, as amounts can be withdrawn at any time upon demand. VTA's management and its Board of Directors are responsible for oversight of the cash and investment pool. Information regarding the characteristics of the entire investment pool can be found in the VTA's financial statements. That report may be obtained by writing to Santa Clara Valley Transportation Authority – Finance and Budget Division, 3331 North First Street, San Jose, California, 95134. The fair value of the Plan's position in the cash pool is the same as the value of the cash pool shares. As of June 30, 2018 and 2017 the Plan has $1,643,789 and $816,628, respectively, in VTA's cash and investment pool.

Money weighted Rate of Return

For the years ended June 30, 2018 and June 30, 2017, the annual money-weighted rate of return on the Plan's investments, net of Plan investment expense, were 9.8 and 12.5 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, 2018 and June 30, 2017 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.

Concentration of Credit Risk

Concentration of credit risk is the risk that the failure of anyone issuer would place an undue financial burden on the Plan. The Plan's investment policy mitigates the concentration of credit risk by identifying percentage ranges for different types of investments and specific targets within the percentage ranges. Disclosure of concentration of credit risk is defined as any investment with one issuer that is greater than 5% of the total Plan investments. As of June 30, 2018 and 2017, the Plan had investments with UBS Core Real Estate Fund that exceeded 5% of the total Plan's investment portfolio.

Interest Rate Risk

Interest rate risk is the risk that changes in market rates will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market rates. One of the Plan's primary goals is to provide sufficient liquidity to meet future retirees' other post employment benefit obligations. However, the Plan does not have any policies specifically addressing interest rate risk. The following table shows the time distribution for the maturity of the Plan's assets, other than equity-based securities, alternative investment and real asset funds which have no specific maturity dates, as of June 30, 2018 and June 30, 2017:

At June 30, 2018

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

At June 30, 2017

Type of Investment	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	10-15 Years
Corporate Bonds	$ 29,816,646	$ 658,125	$ 6,487,468	$ 10,799,591	$ 11,871,462
Municipal Bonds	1,926,514	1,028,924	-	-	897,590
U.S. Agencies Securities	19,968,895	236	147,712	3,481,083	16,339,864
U.S. Treasury Obligations	9,485,589	6,222,820	3,262,769	-	-
Money Market	1,656,302	1,656,302	-	-	-
Subtotal	62,853,946	$ 9,566,407	$ 9,897,949	$ 14,280,674	$ 29,108,916
Real Assets Funds	32,490,284				
Equities	179,135,417				
Alternative Investments	23,292,052				
Pooled Cash in VTA's Pool	816,628				
Total cash and investments	$ 298,588,327				

Credit Risk

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

The following is a summary of the credit quality distribution for investments with credit exposure at June 30, 2018 and 2017, respectively, as rated by Standard and Poor's:

Type of Investment	At June 30, 2018 Fair Value	At June 30, 2017 Fair Value
Corporate Bonds:		
AAA	$ 1,405,763	$ 916,815
AA	861,936	1,099,115
A	2,075,785	1,734,098
B	-	658,125
BB	4,165,366	5,003,628
BBB	18,951,088	20,404,865
Municipal Bonds:		
AA	582,863	604,078
A	281,487	293,512
BBB	394,182	1,028,924
U.S. Agencies Securities:		
AA	22,215,535	19,968,895
U.S. Treasury Obligations:		
AA	13,239,213	9,485,589
subtotal	64,173,218	61,197,644
Unrated:		
Real Assets Funds	34,689,484	32,490,284
Equities	188,782,487	179,135,417
Alternative Investments	25,070,649	23,292,052
Money Market	663,923	1,656,302
Pooled Cash in VTA's Pool	1,643,789	816,628
Total cash and investments	$ 315,023,550	$ 298,588,327

Fair Value Measurement

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

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

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

At June 30, 2018

Type of Investment	Fair Value	Level 1	Level 2
Corporate Bonds	$ 27,459,938	$ -	$ 27,459,938
Municipal Bonds	1,258,532	-	1,258,532
U.S. Agencies Securities	22,215,535	-	22,215,535
U.S. Treasury Obligations	13,239,213	13,239,213	-
Equities	188,782,487	-	188,782,487
Subtotal	252,955,705	$ 13,239,213	$ 239,716,492
Net asset Value			
Real Assets Funds	34,689,484		
Alternative Investments	25,070,649		
Not subject to the fair value hierarchy			
Money Market	663,923		
Pooled Cash in VTA's Pool	1,643,789		
Total cash and investments	$ 315,023,550		

At June 30, 2017

Type of Investment	Fair Value	Level 1	Level 2
Corporate Bonds	$ 29,816,646	$ -	$ 29,816,646
Municipal Bonds	1,926,514	-	1,926,514
U.S. Agencies Securities	19,968,895	-	19,968,895
U.S. Treasury Obligations	9,485,589	9,485,589	-
Equities	179,135,417	-	179,135,417
Subtotal	240,333,061	$ 9,485,589	$ 230,847,472
Net asset Value			
Real Assets Funds	32,490,284		
Alternative Investments	23,292,052		
Not subject to the fair value hierarchy			
Money Market	1,656,302		
Pooled Cash in VTA's Pool	816,628		
Total cash and investments	$ 298,588,327		

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

Foreign Currency Risk

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

Australian Dollar	$ 1,176,768
British Pound Sterling	6,667,538
Brazilian Real	858,321
Canadian Dollar	950,532
Chilean Peso	164,793
Chinese Yuan	1,409
Colombian Peso	61,572
Czech Koruna	161,100
Danish Krone	424,033
Egyptian Pound	19,757
Euro	18,731,321
Hong Kong Dollar	5,945,948
Hungarian Forint	42,815
Indian Rupee	2,944,866
Indonesian Rupiah	278,522
Japanese Yen	5,120,420
Malaysian Ringgit	335,539
Mexican Peso	1,045,447
Pakistani Rupee	10,526
Philippine Piso	137,783
Poland Złoty	165,765
Qatari Rial	119,776
Singapore Dollar	677,057
Russian Ruble	402,594
South African Rand	970,439
South Korean Won	2,575,214
Swiss Franc	6,267,861
Taiwan Dollar	1,968,445
Thai Baht	300,915
Turkish lira	113,549
United Arab Emirates Dirham	82,668
Total investments in foreign currencies	$ 58,723,293

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

The components of the net OPEB asset at June 30, 2018, and 2017 were as follow:

	2018	2017
Total OPEB Liability	$ 248,991,900	$ 241,866,400
Plan fiduciary net position	315,370,257	299,893,945
Net OPEB Asset	$ 66,378,357	$ 58,027,545
Plan fiduciary net position as a percentage of the total OPEB liability	126.66%	123.99%

Actuarial Assumptions

The Total OPEB liability was determined by an actuarial valuation as of July 1, 2017 and July 1, 2016, with the liability rolled forward using standard update procedures and the following actuarial assumptions to June 30, 2018 and June 30, 2017, respectively.

	2018	2017
Health care trend rate	17.95 decreasing to 4% depending on the coverage elected	9.09 decreasing to 4% depending on the coverage elected
Inflation rate	2.50%	2.50%
Investment rate of return	7.00%	7.00%
Actuarial cost method	Enty Age	Entry Age
Discount rate	7.00%	7.00%
Mortality	RP2000 for ATU members and CalPERS study for administrative	RP2000 for ATU members and CalPERS study for administrative
Participation rate	92% will elect to use coverage at retirement	92% will elect to use coverage at retirement
Dependent coverage	25.5% will require dependent coverage	25.5% will require dependent coverage

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

Contributions to the Plan

VTA contributes to the Plan at the actuarially determined amount or rates applied to eligible payroll sufficient to maintain funding of vested benefits. VTA's contributions are established by an actuary. In fiscal year 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 for fiscal year 2018 and the $3,000,000 implicit subsidy was explicitly paid out of the Plan with no offsetting contribution.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 7.00% for 2018 and 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be equal to the Actuarially Determined Contributions for the applicable fiscal years. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the 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, 2018 and 2017:

	2018		2017	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Geometric) [1]	Target Allocation	Long-Term Expected Real Rate of Return (Geometric) [1]
Domestic Equity	30.00%	4.55%	53.00%	4.75%
International Equity	18.00%	4.77%	0.00%	0.00%
Emerging Markets Equity	6.00%	6.16%	6.00%	6.75%
Domestic Fixed Income	21.00%	0.97%	21.00%	1.25%
Absolute Return	8.00%	3.48%	8.00%	3.75%
Real-Estate	11.00%	3.61%	11.00%	3.75%
Real Assets	5.00%	3.61%	0.00%	0.00%
Cash	1.00%	0.00%	1.00%	0.25%
	100.00%		100.00%	

[1]Source: NEPC, LLC as of June 30, 2018 (All assumptions based on 30 year forecast)

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

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

	2018			2017		
	1% Decrease 6%	**Current Discount Rate 7%**	**1% Increase 8%**	**1% Decrease 6%**	**Current Discount Rate 7%**	**1% Increase 8%**
Net OPEB Asset	$ 38,364,100	$ 66,378,357	$ 90,004,300	$ 31,429,800	$ 58,027,645	$ 80,535,100

Health Care Trend Rates

The CalPERS benefit trend rates begin at various levels ranging from 0.95% (for the PERS Care non-Medicare PPO) to 17.95% (for the non-Medicare UHC HMO). These first-year percentages are based on the actual 2018 renewal and the type of medical plans (HMO vs. PPO, Medicare vs. non-Medicare), and then are graded down to an ultimate rate of 4.0% (reflecting the expected long-term trend for the medical Consumer Price Index).

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

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

	2018			2017		
	1% Decrease 3%	**Current Trend Rate 4%**	**1% Increase 5%**	**1% Decrease 3%**	**Current Trend Rate 4%**	**1% Increase 5%**
Net OPEB Asset	$ 93,571,900	$ 66,378,357	$ 33,910,100	$ 84,080,900	$ 58,027,645	$ 26,542,500

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REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

	Fiscal Year Ending June 30, 2018	Ficsal Year Ending June 30, 2017
Total OPEB liability		
Service cost	$ 5,697,100	$ 5,887,900
Interest cost	16,695,200	15,872,109
Benefits payments[1]	(12,539,334)	(13,054,709)
Effect of Change in Actuarial Assumptions/Methods	(1,056,800)	-
Other Liability Experience Loss/(Gain)	(1,670,566)	-
Net change in total OPEB liability	7,125,600	8,705,300
Total OPEB liability - beginning	241,866,300	233,161,000
Total OPEB liability - ending (a)	248,991,900	241,866,300
Plan fiduciary net position		
Contributions - Employer[1]	-	4,047,200
Benefit payments from Plan Trusts[1]	(12,539,334)	(13,054,709)
Administrative expense from Plan Trusts	(108,339)	(24,912)
Expected Investment Return	20,549,908	18,975,882
Investment Experience (Loss)/Gain	7,574,077	14,350,251
Net change in plan fiduciary net position	15,476,312	24,293,712
Plan fiduciary net position - beginning	299,893,945	275,600,233
Plan fiduciary net position - ending (b)	315,370,257	299,893,945
Net OPEB Asset - beginning	(58,027,645)	(42,439,233)
Net OPEB Asset - ending (a) - (b)	$ (66,378,357)	$ (58,027,645)
Plan fiduciary net position as a percentage of the total OPEB liability	126.66%	123.99%
Covered-payroll	$ 185,860,809	$ 176,709,270
Net OPEB liability as a percentage of covered-payroll	-35.71%	-32.84%

[1] *Benefit Payments include implicit subsidy of $3,000,000 for FY 2018 and $4,047,200 for FY 2017.*
For FY 2018, the $3,000,000 implicit subsidy was explicitly paid out of the Plan Trust with no offsetting contribution.

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

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS

	2018 [2]	2017 [1]	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially Determined Contribution	$ (2,113)	$ 4,574	$ 4,785	$ 12,093	$ 14,100	$ 17,315	$ 17,321	$ 16,208	$ 14,849	$ 15,350
ADC	- [2]	4,047 [1]	4,785	12,093	14,100	37,965	17,321	15,371	14,213	15,900
Contributions Deficiency/(Excess)	$ (2,113)	$ 527	$ -	$ -	$ -	$ (20,650)	$ -	$ 837	$ 636	$ (550)
Covered Payroll	$ 185,861	$ 176,709	$ 168,869	$ 167,124	$ 162,902	$ 152,218	$ 142,651	$ 137,050	$ 140,601	$ 148,014 *
Contributions as a Percentage of Covered Payroll	0.00%	2.29%	2.83%	7.24%	8.66%	24.94%	12.14%	11.22%	10.11%	10.74%

[1] *The $4.047 million contribution for FY 2017 consists entirely of an implicit subsidy benefit payment.*

[2] *For FY 2018, a $3,000,000 implicit subsidy was explicitly paid out of the Plan Trust with no offsetting contribution.*

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

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

SCHEDULE OF INVESTMENT RETURNS

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

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

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