

**SANTA CLARA VALLEY TRANSPORTATION AUTHORITY  
AMALGAMATED TRANSIT UNION PENSION PLAN  
(A COMPONENT UNIT OF THE SANTA CLARA VALLEY  
TRANSPORTATION AUTHORITY)**

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

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**FOR FISCAL YEARS ENDED JUNE 30, 2015 AND JUNE 30, 2014**

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**SANTA CLARA VALLEY TRANSPORTATION AUTHORITY  
AMALGAMATED TRANSIT UNION PENSION PLAN**

**JUNE 30, 2015 AND JUNE 30, 2014**

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Santa Clara Valley Transportation Authority Amalgamated Transit Union Pension Plan (the Plan), a component unit of the Santa Clara Valley Transportation Authority (VTA), as of and for the years ended June 30, 2015 and 2014, 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.

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Plan, as of June 30, 2015 and June 30, 2014, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matters***

As described in Note 1, the financial statements present only the Plan and do not purport to, and do not, present fairly the financial position of VTA as of June 30, 2015 and 2014, 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 pension liability and related ratios and schedule of employer contributions 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.

Palo Alto, California  
October 25, 2015

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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEARS ENDED JUNE 30, 2015 AND JUNE 30, 2014**

This section provides an overview and analysis of the financial activities of Santa Clara Valley Transportation Authority Amalgamated Transit Union Pension Plan (Plan) for the fiscal year ended June 30, 2014 and June 30, 2015. 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 2015 was \$489,192,230 (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 2014 was \$481,225,647.

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

***OVERVIEW OF THE FINANCIAL STATEMENTS***

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

1. 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 indicates 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. Both statements are in compliance with Governmental Accounting Standard Board. These pronouncements require certain disclosures and require the state and local governments to report using the full accrual method of accounting. The Plan complies with all material requirements of these pronouncements.

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 trade date. 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.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEARS ENDED JUNE 30, 2015 AND JUNE 30, 2014**

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 8-14 of this report).

***OTHER INFORMATION***

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

***FINANCIAL ANALYSIS***

As previously noted, net position may serve over time as a useful indication of the Plan's financial position. The assets of the Plan exceeded its current liabilities at the close of fiscal year 2015. 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 80% funded ratio as of the last actuarial valuation.

**(Table 1)**

Statement of Plan Net Position

	June 30,		
	2015	2014	2013
<b>Assets</b>			
Investments at fair value	\$ 488,289,388	\$ 480,314,708	\$ 421,853,898
Other assets	1,401,270	1,345,886	1,138,168
Total Assets	489,690,658	481,660,594	422,992,066
<b>Liabilities</b>			
Current liabilities	498,428	434,947	411,585
<b>Net Position</b>	\$ 489,192,230	\$ 481,225,647	\$ 422,580,481

For the year ended June 30, 2015, the Plan's total net position held in trust for pension benefits grew by \$7,966,583 or 1.66% as a result of more additions than deductions during the year. The increase in outstanding accounts payable raised the Plan's liabilities by \$63,481. In fiscal year 2014, the Plan's net position increased by 13.9% due primarily to the rise in the fair market value of investments.



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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEARS ENDED JUNE 30, 2015 AND JUNE 30, 2014**

**(Table 2)**

Additions to Plan Net Position

	June 30,		
	2015	2014	2013
Contributions	\$ 25,590,315	\$ 25,787,439	\$ 24,412,836
Net investment income	16,095,540	64,138,754	49,460,948
Total Additions	\$ 41,685,855	\$ 89,926,193	\$ 73,873,784

VTA contributions went up from \$24.4 million in FY 2013 to \$25.8 million in 2014 but went down to \$25.6 million in FY2015. Of the total contributions in fiscal year 2015, \$41,150 was put in by ATU for its staff.

**(Table 3)**

Deductions to Plan Net Position

	June 30,		
	2015	2014	2013
Distributions to participants	\$ 33,417,941	\$ 30,967,019	\$ 27,788,860
Administrative expenses	301,331	314,008	228,578
Total Deductions	\$ 33,719,272	\$ 31,281,027	\$ 28,017,438

The distributions to participants have steadily risen due to the growing number of retirees and beneficiaries receiving benefits. Fiscal year 2015 administrative expenses decreased as a consequence of the decrease in professional services relating to actuarial studies and health evaluation fees.

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**STATEMENTS OF PLAN NET POSITION  
AS OF JUNE 30, 2015 AND JUNE 30, 2014**

<b>ASSETS</b>	2015	2014
Investments		
Domestic equity securities	\$ 115,852,608	\$ 113,599,255
Corporate obligations	94,839,562	77,392,258
U.S. Government agency	52,261,812	56,294,243
US Treasury obligations	7,659,437	21,998,600
Money market	6,150,642	5,559,335
Pooled cash and investment with VTA Enterprise	752,508	214,756
Mutual funds	210,772,819	205,256,261
Total investments	488,289,388	480,314,708
Receivables	1,401,270	1,345,886
<b>TOTAL ASSETS</b>	489,690,658	481,660,594
 <b>LIABILITIES</b>		
Accounts payable	498,428	434,947
 <b>NET POSITION</b>		
Restricted for pension benefits	\$ 489,192,230	\$ 481,225,647

See accompanying notes to the basic financial statements

**SANTA CLARA VALLEY TRANSPORTATION AUTHORITY  
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**STATEMENTS OF CHANGES IN PLAN NET POSITION  
FOR FISCAL YEARS ENDED JUNE 30, 2015 AND JUNE 30, 2014**

	2015	2014
<b>ADDITIONS:</b>		
Contributions	\$ 25,590,315	\$ 25,787,439
Net investment income:		
Net appreciation (depreciation) on investments	(9,622,211)	37,961,344
Investment earnings	28,054,256	28,383,611
Investment expense	(2,336,505)	(2,206,201)
Total net investment income	16,095,540	64,138,754
<b>TOTAL ADDITIONS</b>	41,685,855	89,926,193
<b>DEDUCTIONS</b>		
Distributions to participants	33,417,941	30,967,019
Administrative expenses	301,331	314,008
<b>TOTAL DEDUCTIONS</b>	33,719,272	31,281,027
<b>INCREASE IN PLAN NET POSITION</b>	7,966,583	58,645,166
<b>NET POSITION</b>		
Beginning of year	481,225,647	422,580,481
End of year	\$ 489,192,230	\$ 481,225,647

See accompanying notes to the basic financial statements

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEARS ENDED JUNE 30, 2015 AND JUNE 30, 2014**

**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 noncontributory 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 plan is considered to a part of the VTA’s financial reporting entity and is included in the VTA’s basic financial statements as a pension trust fund. The financial statements of the Plan are intended to present only the net position and changes in plan net position of the Plan. They do not purport to, and do not, present fairly the financial position of VTA as of June 30, 2015 and 2014, 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.

The membership of the Plan as of June 30 comprises the following:

	2015	2014	2013
Retirees and beneficiaries currently receiving benefits	1,282	1,216	1,152
Terminated vested members not yet receiving benefits	130	138	153
Active Members	1,541	1,474	1,401
TOTAL	2,953	2,828	2,706

**B. Pension Benefits**

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**C. Contributions to the plan**

VTA contributes to the Plan at actuarially determined amounts sufficient to maintain funding of vested benefits. The actuarially determined amount is the estimated amount necessary to finance the costs of benefits earned by the plan members during the year, with an additional amount to finance any unfunded accrued liability. Total contributions to the Plan for the fiscal year ended June 30, 2015, were made in the amount of \$25,590,315 in accordance with actuarially determined requirements computed as of January 1, 2014. For the fiscal year ended June 30, 2014, the contributions amounting to \$25,787,439 were made also in accordance with the actuarially determined requirements computed as of January 1, 2013. There are no required employee contributions.

**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 \$210,772,819 and \$205,256,261 at June 30, 2015 and 2014, 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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**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, 2015 and 2014 were \$301,331 and \$314,008, 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.

***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 Plan's position in the cash pool is the same as the value of the cash pool shares. As of June 30, 2015 and 2014, the Plan had \$752,508 and \$214,756, respectively, in VTA's cash and investment pool.

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

***Custodial Credit Risk***

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty e.g., broker-dealer) to a transaction, the Plan will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Plan's investment policy provides for the use of a custodian/trustee to invest the Plan's assets as directed by investment managers. The Plan's investment securities were held by Union Bank Trust Department, a custodial bank, at June 30, 2015 and 2014, 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.

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***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 \$115,852,608 and \$113,599,255 invested in equity based securities as of June 30, 2015 and June 30, 2014, respectively, and \$210,772,819 and \$205,256,261 invested in mutual funds as of June 30, 2015 and June 30, 2014, respectively.

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

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

The following table shows the time distribution for the maturity of the Plan's assets as of June 30, 2014:

Type of Investment	Fair Value	Less Than 1 Year	1-5 Years	Greater than 6 Years
Corporate Obligations	\$ 77,392,258	\$ -	\$ 28,628,391	\$ 48,763,867
U.S. Government agency obligations	56,294,243	-	1,917,411	54,376,832
U.S. Treasury obligations	21,998,600	9,356,674	12,641,926	-
Money market*	5,559,335	5,559,335	-	-
Total	<u>\$ 161,244,436</u>	<u>\$ 14,916,009</u>	<u>\$ 43,187,728</u>	<u>\$ 103,140,699</u>

\*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.

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The following is a summary of the credit quality distribution for investments with credit exposure as a percentage of total investments at June 30, 2015 and 2014, as rated by Standard and Poor's:

Type of Investment	Rating	Percent of Portfolio	
		2015	2014
Domestic equity securities	Not Applicable	23.7%	23.7%
Corporate obligations	AAA	1.8%	0.3%
	AA+	0.4%	0.0%
	AA-	0.2%	0.0%
	AA	0.2%	0.0%
	A+	1.2%	1.2%
	A	0.6%	6.4%
	A-	2.4%	0.0%
	BBB+	3.6%	0.0%
	BBB	3.7%	7.9%
	BBB-	2.2%	0.0%
	BB+	1.4%	0.0%
	BB	1.2%	0.4%
	B+	0.5%	0.0%
U.S. Agency Securities*	AA+	10.7%	11.7%
U.S. Government Securities	Not Applicable	1.6%	4.6%
Pooled cash and investment with VTA Enterprise	Not Rated	0.2%	0.0%
Money market	Not Rated	1.3%	1.2%
Mutual funds	Not Rated	43.1%	42.6%
TOTAL		100.0%	100.0%

\* The rating changed to AA+ in 2015

***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, 2015, the Plan had \$33,659,998 or 6.9% of total Plan investments, invested in securities issued by Federal National Mortgage Association (Fannie Mae). As of June 30, 2014, the Plan had \$40,028,810 or 8.3% of total Plan investments, invested in securities issued by Fannie Mae. Investments issued 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.



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***Investment in Mutual Funds***

The Plan held investments that are not registered in the name of VTA but are held in a mutual fund as follows:

Type of Investment	June 30, 2015 Amount	June 30, 2014 Amount
State Street Global Advisors S&P 500 Conservative Index	\$ 63,310,394	\$ 65,123,819
MFS Investment Management	70,243,199	69,036,119
UBS	53,537,937	48,022,865
Robeco E. M.	23,681,289	23,073,458
	<u>\$ 210,772,819</u>	<u>\$ 205,256,261</u>

***NOTE 4 – NET PENSION LIABILITY***

The components of the net pension liability of VTA at June 30, 2015, were as follows:

	2015	2014
Total pension liability	\$ 611,678,072	\$ 584,042,011
Plan fiduciary net position	489,190,774	481,225,647
Net pension liability	<u>\$ 122,487,298</u>	<u>\$ 102,816,364</u>
Plan fiduciary net position as a percentage of the total pension liability	80%	82%

The total pension liability as of June 30, 2015 was determined by an actuarial valuation as of January 1, 2015 (updated to June 30, 2015) and a measurement date as of June 30, 2015 using following actuarial assumptions, applied to all periods included in the measurement . The total pension liability as of June 30, 2014 was determined by an actuarial valuation as of January 1, 2014 (updated to June 30, 2014) and a measurement date as of June 30, 2014.

Inflation	3.25 percent
Salary increases	3.25 percent
Investment rate of return	7.50 percent

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

The actuarial assumptions used in the January 1, 2015 and January 1, 2014 valuations were based on the results of an actuarial experience study for the period January 1, 2007–December 31, 2011.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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The long-term expected rate of return on pension plan investments was determined by first using a building-block methodology to develop long term performance projections for each major asset class. These projections are then combined to produce the long-term expected rate of return by weighting the projected rate of returns by the target asset allocation percentages. The methodology yields a nominal 10 year rate of return. The long term assumption for inflation is then subtracted to yield a real rate of return. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 and June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return June 30, 2015</u>	<u>Long-Term Expected Real Rate of Return June 30, 2014</u>
Domestic equity	5.35%	5.35%
International equity	5.25%	5.25%
Emerging markets equity	5.65%	5.65%
Domestic fixed income	0.75%	0.75%
Real estate	3.90%	3.90%
Cash	0.00%	-0.25%

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that VTA will continue contribute to the Plan based on an actuarially determined contribution, reflecting a payment equal to 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 those assumptions, the Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current Plan members until at least 2076. The present value of benefit payments not covered by the Plan's Fiduciary Net Position (i.e. payments occurring after 2075) was determined to be de minimis. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

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

<u>Sensitivity of the Net Pension Liability to Changes in the Discount Rate</u>	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
VTA's net pension liability	\$187,493,170	\$122,487,298	\$66,882,570

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

**SANTA CLARA VALLEY TRANSPORTATION AUTHORITY  
AMALGAMATED TRANSIT UNION PENSION PLAN**

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

	<u>2015</u>	<u>2014</u>
<b>Total pension liability</b>		
Service cost	\$ 13,468,180	\$ 12,093,329
Interest	43,068,559	41,417,404
Differences between expected and actual experience	4,517,263.00	-
Benefit payments, including refunds of member contributions	<u>(33,417,941)</u>	<u>(30,967,019)</u>
<b>Net change in total pension liability</b>	27,636,061	22,543,714
<b>Total pension liability - beginning</b>	<u>584,042,011</u>	<u>561,498,297</u>
<b>Total pension liability - ending (a)</b>	<u>\$ 611,678,072</u>	<u>\$ 584,042,011</u>
 <b>Plan fiduciary net position</b>		
Contributions - employer	\$ 25,590,315	\$ 25,787,439
Net investment income	16,094,084	64,138,754
Benefit payments, including refunds of member contributions	(33,417,941)	(30,967,019)
Administrative expense	<u>(301,331)</u>	<u>(314,008)</u>
<b>Net change in plan fiduciary net position</b>	7,965,127	58,645,166
 Plan fiduciary net position - beginning	481,225,647	422,580,481
Plan fiduciary net position - ending (b)	<u>\$ 489,190,774</u>	<u>\$ 481,225,647</u>
 <b>VTA's net pension liability - ending (a) - (b)</b>	<u>\$ 122,487,298</u>	<u>\$ 102,816,364</u>
 <b>Plan fiduciary net position as a percentage of the total pension liability</b>	79.98%	82.40%
 <b>Covered-employee payroll</b>	\$ 115,913,935	\$ 107,879,830
 <b>Net pension liability as a percentage of covered-employee payroll</b>	105.67%	95.31%

**Notes to schedule:**

Change in assumptions: There were no changes in assumptions.

Benefit changes: There were no changes in the benefit formula.

Information not available prior to FY 2014.

**SANTA CLARA VALLEY TRANSPORTATION AUTHORITY  
AMALGAMATED TRANSIT UNION PENSION PLAN**

**SCHEDULE OF EMPLOYER CONTRIBUTION  
FOR JANUARY 1, 2015 VALUATION  
AS OF JUNE 30, 2015**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually-required Contribution	\$ 25,590	\$ 25,787	\$ 24,413	\$ 19,148	\$ 17,807	\$ 17,905	\$ 14,843	\$ 16,137	\$ 14,859	\$ 15,277
Contributions in Relation to the Contractually-required contribution	25,590	25,787	24,413	19,148	17,807	17,905	14,843	16,137	14,859	15,277
Contributions Deficiency/(Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee Payroll	\$ 115,914	\$ 107,880	\$ 104,136	\$ 104,726	\$ 98,741	\$ 98,036	\$ 99,775	\$ 99,408	\$ 94,847	\$ 89,983
Contributions as a Percentage of Covered-employee Payroll	22.08%	23.90%	23.44%	18.28%	18.03%	18.26%	14.88%	16.23%	15.67%	16.98%

**Notes to Schedule**

Valuation Date	1/1/2014
Timing	Actuarially-determined contribution rates are calculated based on the actuarial valuation six months prior to the beginning of the fiscal year
Actuarial cost method	Entry Age - Normal
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
Inflation:	3.25%
Amortization growth rate:	0.00%
Salary increases:	3.25% plus merit component
COLA increases:	0.00%
Investment rate of return:	7.50%, net of investment expense
Post-retirement Mortality:	Sex distinct RP-2000 Combined Healthy Blue Collar Mortality, projected to 2025 using 50% of Scale BB, with ages set back one year for female members.

**SANTA CLARA VALLEY TRANSPORTATION AUTHORITY  
AMALGAMATED TRANSIT UNION PENSION PLAN**

**SCHEDULE OF INVESTMENT RETURNS  
FOR FISCAL YEARS ENDED JUNE 30, 2015 AND JUNE 30, 2014**

	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	3.6876%	15.4227%

Information not available prior to FY2014.

*End of Document*