SANTA CLARA VALLEY TRANSPORTATION AUTHORITY AMALGAMATED TRANSIT UNION PENSION PLAN

ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED JUNE 30, 2019 AND JUNE 30, 2018

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
AMALGAMATED TRANSIT UNION PENSION PLAN

JUNE 30, 2019 AND JUNE 30, 2018

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CPAs & BUSINESS ADVISORS

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 financial statements of the Santa Clara Valley Transportation Authority Amalgamated Transit Union Pension Plan (Plan), a component unit of the Santa Clara Valley Transportation Authority (VTA), as of and for the year ended June 30, 2019, 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 fiduciary net position of the Plan, as of June 30, 2019, and the respective 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 Plan and do not purport to, and do not, present fairly the financial position of VTA as of June 30, 2019 and 2018, 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 liabilities and related ratios, schedule of employer contributions and schedule of investment returns be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Prior Year Financial Statements

The financial statements of the Plan as of and for the year ended June 30, 2018 were audited by Vavrinek, Trine, Day & Co., LLP, who joined Eide Baily LLP on July 22, 2019, and whose report dated October 29, 2018, expressed an unmodified opinion on those statements.

Eide Bailly LLP

Palo Alto, California
October 28, 2019

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
AMALGAMATED TRANSIT UNION PENSION PLAN

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2019 AND JUNE 30, 2018

This section provides an overview and analysis of the financial activities of Santa Clara Valley Transportation Authority Amalgamated Transit Union Pension Plan (Plan) for the fiscal years ended June 30, 2019 and 2018. 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 2019 was $575,664,748 (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 2018 was $561,351,639 compared to $531,466,869 in fiscal year 2017.

Total pension contribution in fiscal year 2019 was $35,625,786 compared to $31,249,239 in fiscal year 2018 and $28,454,283 in fiscal year 2017. Members began making contributions to the plan in fiscal year 2017.

The Plan's funding objective is to meet long-term benefit obligations through contributions and investment income. As of June 30, 2019, the Plan's measurement date, the funded ratio for the Plan was approximately 75%. In general, there were approximately $0.75 of assets to cover each dollar of pension liability. As of June 30, 2018, the Plan's measurement date, the funded ratio for the Plan was approximately 74%. This means that generally, there were approximately $0.74 of assets to cover each dollar of pension liability.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

1. Statements 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 reflects 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 fair value. In addition, both realized and unrealized gains and losses are shown on investments.

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

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. (see notes to Financial Statements on pages 8-19 of this report).

OTHER INFORMATION

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

FINANCIAL ANALYSIS

As previously noted, net position may serve over time as a useful indicator of the Plan's financial position. The assets of the Plan exceeded its current liabilities at the close of fiscal year 2019. As of FY 2019, the Plan remains in a financial position to meet its obligations to the plan participants and beneficiaries with a 75% funded ratio as of the last actuarial valuation.

(Table 1)

Condensed Statement of Plan Net Position

	June 30, 2019	June 30, 2018	June 30, 2017
Assets			
Cash and cash equivalents	$ 1,178,981	$ 779,689	$ 573,347
Investments at fair value	574,119,808	560,128,015	530,195,772
Other assets	919,418	841,508	897,567
Total Assets	576,218,207	561,749,212	531,666,686
Liabilities			
Current liabilities	553,459	397,573	199,817
Net Position	$ 575,664,748	$ 561,351,639	$ 531,466,869

For the year ended June 30, 2019, the Plan's total net position restricted for pension benefits grew by $14,313,110 or 2.55% primarily as a result of investment earnings. The increase in outstanding accounts payable raised the Plan's liabilities by $155,886.

(Table 2)

Summary of Additions to Plan Net Position

	June 30, 2019	June 30, 2018	June 30, 2017
Contributions	$ 35,625,786	$ 31,249,239	$ 28,454,283
Net investment earnings	23,408,381	40,604,883	60,471,793
Total Additions	$ 59,034,167	$ 71,854,122	$ 88,926,076

Of the total $35.6 million contribution in fiscal year 2019, VTA contributed $32.3 million, members contributed $3.3 million, and ATU contributed $30.2 thousand for its staff. Net investment income decreased from $40.6 million in fiscal year 2018 to $23.4 million in fiscal year 2019 primarily due to lesser recognition of trading gain. The higher trading gain in FY 2018 was caused by sales of securities to fund allocation to the Principal Group Diversified Real Assets.

(Table 3)

Summary of Deductions to Plan Net Position

	June 30, 2019	June 30, 2018	June 30, 2017
Distributions to participants	$ 44,311,681	$ 41,565,932	$ 38,453,828
Administrative expenses	409,376	403,420	323,806
Total Deductions	$ 44,721,057	$ 41,969,352	$ 38,777,634

The distributions to participants have steadily risen due to the growing number of retirees and beneficiaries receiving benefits. Administrative expenses rose between 2018 and 2017 due to the change in treatment of investment consulting fees from investment expense to administrative expense. In fiscal year 2019, administrative expenses increased minimally from the FY 2018 level.

Requests for Information

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

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
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STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2019 AND JUNE 30, 2018

ASSETS:	2019	2018
Cash and investments:		
Cash and cash equivalents	$ 1,178,981	$ 779,689
Money market funds	4,314,692	4,345,048
Corporate bonds	65,163,719	52,579,639
U.S. treasury	8,390,792	23,464,156
U.S. government agency bonds	45,774,434	42,931,844
Municipal bonds	2,618,772	3,121,129
Equity based	337,452,810	328,814,352
Real asset funds	59,281,989	54,730,551
Alternative investments	51,122,600	50,141,296
Receivables	919,418	841,508
Total assets	576,218,207	561,749,212
LIABILITIES:		
Accounts payable	553,459	397,573
NET POSITION:		
Restricted for pension benefits	$ 575,664,748	$ 561,351,639

See accompanying notes to the basic financial statements.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
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STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED JUNE 30, 2019 AND JUNE 30, 2018

	2019	2018
ADDITIONS:		
Contributions:		
Employer	$ 32,282,788	$ 28,523,868
Employee	3,342,998	2,725,371
Total Contributions	35,625,786	31,249,239
Net investment income:		
Net change in the fair value of investments	8,283,430	(5,065,411)
Investment earnings	17,301,386	47,988,872
Investment expense	(2,176,435)	(2,318,578)
Total net investment income	23,408,381	40,604,883
Total additions	59,034,167	71,854,122
DEDUCTIONS:		
Distributions to participants	44,311,681	41,565,932
Administrative expenses	409,376	403,420
Total deductions	44,721,057	41,969,352
Increase in net position	14,313,110	29,884,770
NET POSITION:		
Beginning of year	561,351,638	531,466,869
End of year	$ 575,664,748	$ 561,351,639

See accompanying notes to the basic financial statements.

NOTE 1 – DESCRIPTION OF THE PLAN

The following description of the Santa Clara Valley Transportation Authority Amalgamated Transit Union Pension Plan (Plan), a component unit of the Santa Clara Valley Transportation Authority (VTA), provides only general information.

General

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

	2019	2018
Retirees and beneficiaries currently receiving benefits	1,493	1,443
Terminated vested members not yet receiving benefits	131	137
Active Members	1,519	1,607
Total	3,143	3,187

Participants should refer to the Plan agreement for a more complete description of the Plan'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, 2019 or June 30, 2018, 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.

Description of the Benefits

Classic Employees

Employees with 10 or more years of eligibility service are entitled to full annual pension benefits beginning at normal retirement age of 65. Employees with less than 10 years but more than 5 years of eligibility service are entitled to an annual benefit at age 65 provided the Board of Pensions approves such benefit. Employees with 15 or more years of eligibility service are entitled to full annual pension benefits beginning at age 55. The Plan permits early retirement if an employee becomes disabled after 10 or more years of eligibility service and deferred vested retirement upon employee termination after 10 or more years of eligibility service, with benefits payable at age 65. Employees may elect to receive their benefits in the form of a joint or survivor annuity. These benefit provisions and all other requirements are established by California statute and the labor agreement with the ATU Local 265.

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

New Employees

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

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

Basis of Accounting

The 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.

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.

Investment Policies

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's investment have complied with the provisions of statutes pertaining to the types of investments held, institutions in which deposits were made, and security requirements.

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.

Administrative Expenses

Certain internal costs of administering the Plan are paid by the Plan. This includes actuarial, legal, training, earnings verification and medical evaluation costs. Administrative expenses for the years ended June 30, 2019 and 2018 were $409,376 and $403,420 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, 2019 and 2018, the Plan had $1,178,981 and $779,689, respectively, in VTA's cash and cash equivalents.

Money Weighted Rate of Return

For the years ended June 30, 2019 and June 30, 2018, the annual money-weighted rate of return on the Plan's investments, net of Plan investment expense, were 4.75 and 4.77 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 US Bank, N.A., a custodial bank, at June 30, 2019 and Union Bank Trust Department, a custodial bank, at June 30, 2018. Assets are separate from the counterparty, in the name of Santa Clara Valley Transportation Authority (VTA). VTA's securities are not part of US Bank or Union Bank's assets and not attachable by any of their creditors.

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, 2019 and 2018, 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 pension benefit payment obligations. However, the Plan does not have any policy 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, 2019 and June 30, 2018.

At June 30, 2019

Type of Investment	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	11-15 Years
Corporate Bonds	$ 65,163,719	$ 2,083,152	$ 16,048,471	$ 20,479,349	$ 26,552,747
Municipal Bonds	2,618,772	-	-	-	2,618,772
U.S. Government Agency Bonds	45,774,434	11,860	286,822	683,824	44,791,928
U.S. Treasury	8,390,792	-		8,390,792	-
Money Market Funds	4,314,692	4,314,692	-	-	-
Subtotal	126,262,409	$ 6,409,704	$ 16,335,293	$ 29,553,965	$ 73,963,447
Real Asset Funds	59,281,989				
Equity Based	337,452,810				
Alternative Investments	51,122,600				
Pooled Cash in VTA's Pool	1,178,981				
Total Cash and Investments	$ 575,298,789				

At June 30, 2018

Type of Investment	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	11-15 Years
Corporate Bonds	$ 52,579,639	$ 2,298,050	$ 11,117,896	$ 22,746,965	$ 16,416,728
Municipal Bonds	3,121,129	-	705,037	-	2,416,092
U.S. Government Agency Bonds	42,931,844	6,083	375,898	855,346	41,694,517
U.S. Treasury	23,464,156	-	17,122,103	6,342,053	-
Money Market Funds	4,345,048	4,345,048	-	-	-
Subtotal	126,441,816	$ 6,649,181	$ 29,320,934	$ 29,944,364	$ 60,527,337
Real Asset Funds	54,730,551				
Equity Based	328,814,352				
Alternative Investments	50,141,296				
Pooled Cash in VTA's Pool	779,689				
Total Cash and Investments	$ 560,907,704				

Credit Risk

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

The following is a summary of the credit quality distribution for investments with credit exposure as of June 30, 2019 and 2018, as rated by Standard and Poor's:

Type of Investment	At June 30, 2019 Fair Value	At June 30, 2018 Fair Value
Corporate Bonds		
AAA	1,336,600	1,314,850
AA	8,160,872	1,159,697
A	9,137,494	5,243,459
B	-	-
BB	10,193,606	8,963,072
BBB	36,335,147	35,898,561
Municipal Bonds		
AA	1,226,918	1,142,846
A	602,044	563,976
BBB	789,810	1,414,308
U.S. Government Agencies		
AAA	75,395	-
AA	45,699,039	42,931,844
U.S. Treasury		
AA	8,390,792	23,464,156
Subtotal	121,947,717	122,096,769
Unrated Cash and Investments		
Real Asset Funds	59,281,989	54,730,550
Equity Based	337,452,810	328,814,352
Alternative Investments	51,122,600	50,141,296
Money Market	4,314,692	4,345,048
Pooled Cash in VTA's Pool	1,178,981	779,689
Total Cash and Investments	$ 575,298,789	$ 560,907,704

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, 2019

Type of Investment	Fair Value	Level 1	Level 2
Corporate Bonds	$ 65,163,719	$ -	$ 65,163,719
Municipal Bonds	2,618,772	-	2,618,772
U.S. Agency Securities	45,774,434	-	45,774,434
U.S. Treasury	8,390,792	8,390,792	-
Equity Based	337,452,810	-	337,452,810
Subtotal	459,400,527	$ 8,390,792	$ 451,009,735
Net Asset Value			
Real Assets Funds	59,281,989		
Alternative Investments	51,122,600		
Not Subject to the Fair Value Hierarchy			
Money Market	4,314,692		
Pooled Cash in VTA's Pool	1,178,981		
Total Cash and Investments	$ 575,298,789		

At June 30, 2018

Type of Investment	Fair Value	Level 1	Level 2
Corporate Bonds	$ 52,579,639	$ -	$ 52,579,639
Municipal Bonds	3,121,129	-	3,121,129
U.S. Agency Securities	42,931,844	-	42,931,844
U.S. Treasury	23,464,156	23,464,156	-
Equity Based	328,814,352	-	328,814,352
Subtotal	450,911,120	$ 23,464,156	$ 427,446,964
Net Asset Value			
Real Assets Funds	54,730,551		
Alternative Investments	50,141,296		
Not Subject to the Fair Value Hierarchy			
Money Market	4,345,048		
Pooled Cash in VTA's Pool	779,689		
Total Cash and Investments	$ 560,907,704		

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, 2019 and 2018 are as follows:

	2019	2018
Australian Dollar	$ 1,399,137	$ 1,557,280
British Pound Sterling	9,269,842	8,823,511
Brazilian Real	2,047,380	1,475,664
Canadian Dollar	1,038,593	1,257,890
Chilean Peso	253,695	283,320
Chinese Yuan	2,709,211	2,423
Colombian Peso	116,555	105,857
Czech Koruna	261,968	213,192
Danish Krone	665,450	561,146
Egyptian Pound	36,136	33,968
Euro	27,019,099	24,812,664
Hong Kong Dollar	4,895,365	9,234,804
Hungarian Forint	78,010	73,610
Indian Rupee	2,382,719	4,384,650
Indonesian Rupiah	3,372,817	478,847
Japanese Yen	6,501,089	6,776,127
Malaysian Ringgit	570,423	576,874
Mexican Peso	1,624,315	1,556,894
Pakistani Rupee	6,563	18,098
Philippine Peso	300,920	236,882
Poland Zloty	300,269	284,991
Qatari Rial	262,082	205,924
Saudi Riyal	368,705	-
Singapore Dollar	1,123,477	895,986
Russian Ruble	1,013,815	692,158
South African Rand	272,515	1,668,421
South Korean Won	3,955,828	4,238,401
Swiss Franc	11,232,973	8,294,598
Taiwan Dollar	2,864,572	3,271,531
Thai Baht	793,933	517,347
Turkish Lira	142,489	195,219
United Arab Emirates Dirham	187,580	142,127
Total	$ 87,067,528	$ 82,870,404

NOTE 4 – NET PENSION LIABILITY

The components of the net pension liability were as follows:

	2019	2018
Total pension liability	$ 766,548,120	$ 759,020,526
Plan fiduciary net position	575,664,748	561,351,639
Net pension liability	$ 190,883,372	$ 197,668,887
Plan fiduciary net position as a percentage of the total pension liability	75%	74%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2019 and January 1, 2018 rolled forward to a measurement date as of June 30, 2019 and June 30, 2018, respectively, using standard update procedure and the following actuarial assumptions, applied to all periods included in the measurement:

	2019	2018
Valuation date	January 1, 2019	January 1, 2018
Investment rate of return	7%	7%
Actuarial cost method	Entry Age	Entry Age
Discount rate	6.96%	6.96%
Inflation	2.75%	2.75%
Salary increases	3.00%	3.00%
Mortality tables	RP-2014 with adjustments	RP-2014 with adjustments

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. Employer's contributions to the Plan for the fiscal year ended June 30, 2019, were made in the amount of $32,282,788 in accordance with actuarially determined requirements computed as of January 1, 2018. For the fiscal year ended June 30, 2018, the contributions amounting to $28,523,868 were made also in accordance with the actuarially determined requirements computed as of January 1, 2017.

Classic employees contributed 0.95% effective 10/10/2016 and 1.90% effective 10/9/2017. New employees hired on or after January 1, 2016 contribute at least 50%, rounded to the nearest quarter of one percent, of the normal cost rate for the Plan for all active Plan Members, as determined by the Plan's actuary. New employees contributed 6.0% effective 6/18/2018.

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

The following is the assumed asset allocation and expected rate of return for each major asset class as of June 30, 2019 and June 30, 2018.

	2019		2018	
Asset Class	**Target Allocation**	**Expected Real Rate of Return [1]**	**Target Allocation**	**Expected Real Rate of Return [1]**
Domestic Equity-Large Cap Active	15%	4.62%	15%	4.55%
Domestic Equity-Large Cap Index	10%	4.62%	10%	4.55%
Domestic Equity-Small Cap	10%	4.87%	10%	4.77%
International Equity	13%	4.86%	13%	4.77%
Emerging Markets Equity	5%	6.32%	5%	6.16%
Domestic Fixed Income	22%	1.58%	22%	0.97%
Absolute Return	9%	3.90%	9%	3.48%
Real-Estate	10%	3.41%	10%	3.61%
Real Asset	5%	4.06%	5%	3.85%
Cash	1%	0.24%	1%	0.00%
	100%		100%	

[1]Inflation Assumption = 2.75%

The discount rate used to measure the Total Pension Liability was 6.96%. The projection of cash flows used to determine the discount rate assumed that VTA will continue to contribute to the Plan based on an actuarially determined contribution, reflecting a payment equal to the employer's share of the annual normal cost, the expected administrative expenses, and an amount necessary to amortize the remaining unfunded pension liability as a level dollar amount over an open (rolling) 20-year period.

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

Based on the assumptions used, 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 2082 when only a portion of the projected benefit payments are expected to be made from the projected fiduciary net position. Projected benefit payments are discounted at the long-term expected return on assets of 7.00% to the extent the fiduciary net position is available to make the payments and the municipal bond rate of 3.50%, based on the Bond Buyer 20-Bond GO Index, to the extent they are not available. The single equivalent rate used to determine the total pension liability as of June 30, 2019 is 6.96%, the same as the single equivalent rate used to determine the total pension liability as of June 30, 2018.

The following tables show the sensitivity of the net pension liability to changes in the discount rate. They present the net pension liability as of June 30, 2019, and June 30, 2018 calculated using the applicable discount rates applicable to that period, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	2019			2018		
	1% Decrease (5.96%)	**Current Discount Rate (6.96%)**	**1% Increase (7.96%)**	**1% Decrease (5.96%)**	**Current Discount Rate (6.96%)**	**1% Increase (7.96%)**
VTA's Net Pension Liability	$276,169,348	$190,883,372	$118,723,584	$283,285,589	$197,668,887	$125,254,400

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
AMALGAMATED TRANSIT UNION PENSION PLAN

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
(In Thousands)

	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	$ 17,818	$ 16,953	$ 16,024	$ 14,788	$ 13,468	$ 12,094
Interest (includes interest on service cost)	51,921	47,850	46,152	45,110	43,069	41,417
Difference between expected and actual experience	(17,900)	12,285	6,440	7,748	4,517	-
Changes in assumptions	-	21,918	13,105	14,577	-	-
Benefit payments, including refunds of member contributions	(44,311)	(41,566)	(38,454)	(35,588)	(33,418)	(30,967)
Net change in total pension liability	7,528	57,440	43,267	46,635	27,636	22,544
Total Pension Liability, beginning	759,020	701,580	658,313	611,678	584,042	561,498
Total Pension Liability, ending	766,548	759,020	701,580	658,313	611,678	584,042
Plan Fiduciary Net Position						
Contributions - employer	32,282	28,524	27,385	25,751	25,590	25,787
Contributions - member	3,343	2,725	1,070	-	-	-
Net investment income	23,408	40,605	60,472	2,245	16,094	64,139
Benefit payments, including refunds of member contributions	(44,311)	(41,566)	(38,454)	(35,588)	(33,418)	(30,967)
Administrative expense	(409)	(403)	(324)	(281)	(301)	(313)
Net change in Plan Fiduciary Net Position	14,313	29,885	50,149	(7,873)	7,965	58,646
Plan Fiduciary Net Position, beginning	561,352	531,467	481,318	489,191	481,226	422,580
Plan Fiduciary Net Position, ending	575,665	561,352	531,467	481,318	489,191	481,226
Net Pension Liability, ending	$ 190,883	$ 197,668	$ 170,113	$ 176,995	$ 122,487	$ 102,816
Measurement Date	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	75.10%	73.96%	75.75%	73.11%	79.98%	82.40%
Covered Payroll	$ 133,749	$ 139,288	$ 131,544	$ 126,796	$ 115,914	$ 107,880
Net Pension Liability as a percentage of covered-employee payroll	142.72%	141.91%	129.32%	139.59%	105.67%	95.31%

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
AMALGAMATED TRANSIT UNION PENSION PLAN

SCHEDULE OF EMPLOYER CONTRIBUTIONS
(In Thousands)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially-determined Contribution	$ 32,282	$ 28,524	$ 27,385	$ 25,720	$ 25,549	$ 25,787	$ 24,413	$ 19,148	$ 17,807	$ 17,905
Contributions in Relation to the Actuarially-determined Contribution	32,282	28,524	27,385	25,751	25,590	25,787	24,413	19,148	17,807	17,905
Contributions Deficiency/(Excess)	$ -	$ -	$ -	$ (31)	$ (41)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 133,749	$ 139,288	$ 131,544	$ 126,796	$ 115,914	$ 107,880	$ 104,136	$ 104,726	$ 98,741	$ 98,036
Contributions as a Percentage of Covered Payroll	24.14%	20.48%	20.82%	20.31%	22.08%	23.90%	23.44%	18.28%	18.03%	18.26%

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
AMALGAMATED TRANSIT UNION PENSION PLAN

SCHEDULE OF INVESTMENT RETURNS

	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	4.7499%	4.7697%	12.8044%	1.3412%	3.6876%	15.4227%

Information not available prior to FY 2014

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