

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

**ANNUAL FINANCIAL REPORT**

**FOR THE YEARS ENDED JUNE 30, 2020 AND JUNE 30, 2019**

This page is left blank intentionally

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

**JUNE 30, 2020 AND JUNE 30, 2019**

**Table of Contents**

	<b><u>Page</u></b>
<b>Independent Auditor's Report</b> .....	1
<b>Management's Discussion and Analysis</b> .....	3
<b>Basic Financial Statements:</b>	
Statements of Fiduciary Net Position .....	6
Statements of Changes in Fiduciary Net Position .....	7
Notes to the Basic Financial Statements .....	8
<b>Required Supplementary Information (Unaudited):</b>	
Schedule of Changes in Net OPEB Liability and Related Ratios .....	19
Schedule of Employer Contributions .....	20
Schedule of Investment Returns .....	21

This page is left blank intentionally



## 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, 2020 and 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, 2020 and June 30, 2019, 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, 2020 and 2019, 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 asset 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.

*Eide Bailly LLP*

San Mateo, California  
October 28, 2020

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED JUNE 30, 2020 AND JUNE 30, 2019**

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, 2020 and June 30, 2019. 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 for the fiscal year ended June 30, 2020 is \$331.0 million (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 2019 was \$330.6 million compared to \$315.4 million in 2018.

The Plan's funding objective is to meet long-term benefit obligations through contributions and investment income. Total additions to the Plan were \$14.2 million and \$28.5 million for the fiscal years ending June 30, 2020, and 2019 respectively. As of June 30, 2020, the Plan's OPEB liability was 124.76% funded compared to 128.06% as of June 30, 2019.

***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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED JUNE 30, 2020 AND JUNE 30, 2019**

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 to 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 2020, 2019 and 2018 as follows:

**(Table 1)**

Statement of Trust Net Position  
(In thousands)

	June 30, 2020	June 30, 2019	June 30, 2018
<b>Assets</b>			
Pooled cash	\$ 3,134	\$ 3,057	\$ 1,644
Investments at fair market value	327,488	327,295	313,380
Other assets	557	525	485
Total Assets	331,179	330,877	315,509
<b>Liabilities</b>			
Current liabilities	214	253	139
Net Position	\$ 330,965	\$ 330,624	\$ 315,370

For the year ended June 30, 2020, the Plan's fiduciary net position restricted for OPEB increased by \$341 thousand or 0.10% primarily due to investment earnings recognized during the year.

**(Table 2)**

Additions to Trust Net Position  
(In thousands)

	June 30, 2020	June 30, 2019	June 30, 2018
Contributions	\$ 5,799	\$ 9,086	\$ -
Net investment income (loss)	8,404	19,402	28,124
Total Additions	\$ 14,203	\$ 28,488	\$ 28,124



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED JUNE 30, 2020 AND JUNE 30, 2019**

The \$5.8 million contribution in fiscal year 2020 was entirely cash contribution. In fiscal year 2019, the \$9.1 million contribution included \$3.4 million of implicit subsidy and \$5.7 million of cash contribution. For FY 2018, a \$3.0 million implicit subsidy was explicitly paid out of the Plan.

Net investment income decreased by \$11.0 million in FY 2020 primarily due to the decline in fair market value of investments.

**(Table 3)**

Deductions From Trust Net Position  
(In thousands)

	June 30, 2020	June 30, 2019	June 30, 2018
Distributions to participants	\$ 13,771	\$ 13,142	\$ 12,539
Administrative expenses	91	92	108
Total Deductions	<u>\$ 13,862</u>	<u>\$ 13,234</u>	<u>\$ 12,647</u>

The distributions to participants which represent premium payments for retiree medical benefits and include the \$3.3 million implicit subsidy in FY 2020 increased by \$629 thousand or 4.8%.

**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  
RETIREES' OTHER POST EMPLOYMENT BENEFITS TRUST**

**STATEMENTS OF FIDUCIARY NET POSITION  
JUNE 30, 2020 AND JUNE 30, 2019  
(In thousands)**

	<b>2020</b>	<b>2019</b>
<b>ASSETS:</b>		
Cash and investments:		
Cash and cash equivalents	\$ 3,134	\$ 3,057
Corporate bonds	43,932	35,739
Municipal bonds	1,794	1,296
U.S. government agency bonds	22,031	24,343
U.S. treasury	8,179	4,313
Money market funds	3,223	2,184
Equity based	175,662	199,436
Real asset funds	32,704	34,423
Alternative investments	39,963	25,561
Receivables	547	515
Due from other agencies	10	10
<b>Total assets</b>	<b>331,179</b>	<b>330,877</b>
<b>LIABILITIES:</b>		
Accounts payable	214	253
<b>NET POSITION:</b>		
Restricted for other post employment benefits	\$ 330,965	\$ 330,624

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, 2020 AND JUNE 30, 2019  
(In thousands)**

	<b>2020</b>	<b>2019</b>
<b>ADDITIONS</b>		
VTA contributions	\$ 5,799	\$ 9,086
Net investment income:		
Net change in the fair value of investments	437	18,015
Investment earnings	9,563	1,841
Investment expense	(1,596)	(454)
Total net investment income	8,404	19,402
<b>TOTAL ADDITIONS</b>	<b>14,203</b>	<b>28,488</b>
<b>DEDUCTIONS</b>		
Distributions to participants	13,771	13,142
Administrative expenses	91	92
<b>TOTAL DEDUCTIONS</b>	<b>13,862</b>	<b>13,234</b>
<b>INCREASE IN TRUST NET POSITION</b>	341	15,254
<b>NET POSITION</b>		
Beginning of year	330,624	315,370
End of year	\$ 330,965	\$ 330,624

See accompanying notes to the basic financial statements

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2020 AND JUNE 30, 2019**

**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, 2020 or June 30, 2019, 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, 2020 and 2019 consists of the following:

	2020	2019
ATU Retirees	1,152	1,126
Non-ATU Retirees	594	568
Active (Vested) ATU	645	708
Active (Vested) Non-ATU	452	457
TOTAL	2,843	2,859

**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 PEPR 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.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2020 AND JUNE 30, 2019**

For surviving spouses of ATU retirees: VTA pays the Public Employees' Medical & Hospital Care Act (PEMHCA) minimum employer premium contribution of \$136 per month in 2020.

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.

Benefit allowance provisions are established through agreements and memorandums of understanding (MOU) between VTA and unions representing its employees.

***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.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2020 AND JUNE 30, 2019**

***NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES***

***Basis of Accounting***

The accompanying financial statements are presented on the accrual basis of accounting and the economic resources measurement focus 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.

***Investment 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, 2020 and 2019 were \$91 thousand and \$92 thousand, 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.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2020 AND JUNE 30, 2019**

***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, 2020 and 2019, the Plan has \$3.1 million in VTA's cash and cash equivalents.

***Money weighted Rate of Return***

For the years ended June 30, 2020 and June 30, 2019, the annual money-weighted rate of return on the Plan's investments, net of Plan investment expense, were 1.03 and 6.44 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, 2020 and June 30, 2019. 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'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, 2020, the Plan had investments with Domestic Large Cap Equities, Non-US Developed Large Cap Equities, Emerging Markets Equity, UBS Core Real Estate Fund that exceeded 5% of the total Plan's investment portfolio. In contrast, only UBS Core Real Estate Fund exceeded 5% of the total Plan's investment portfolio in fiscal year 2019.

***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.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2020 AND JUNE 30, 2019**

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, 2020 and June 30, 2019 (in thousands):

At June 30, 2020					
Type of Investment	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	10-15 Years
Corporate Bonds	\$ 43,932	\$ 760	\$ 10,076	\$ 12,144	\$ 20,952
Municipal Bonds	1,794	-	-	-	1,794
U.S. Government Agency Bonds	22,031	-	2,017	178	19,836
U.S. Treasury Obligations	8,179	-	8,179	-	-
Money Market Funds	3,223	3,223	-	-	-
Subtotal	79,159	\$ 3,983	\$ 20,272	\$ 12,322	\$ 42,582
Real Assets Funds	32,704				
Equity-Based	175,662				
Alternative Investments	39,963				
Pooled Cash in VTA's Pool	3,134				
Total cash and investments	\$ 330,622				

At June 30, 2019					
Type of Investment	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	10-15 Years
Corporate Bonds	\$ 35,739	\$ 734	\$ 10,362	\$ 10,970	\$ 13,673
Municipal Bonds	1,296	-	-	-	1,296
U.S. Government Agency Bonds	24,343	-	1,992	313	22,038
U.S. Treasury Obligations	4,313	-	-	4,313	-
Money Market Funds	2,184	2,184	-	-	-
Subtotal	67,875	\$ 2,918	\$ 12,354	\$ 15,596	\$ 37,007
Real Assets Funds	34,423				
Equity-Based	199,436				
Alternative Investments	25,561				
Pooled Cash in VTA's Pool	3,057				
Total cash and investments	\$ 330,352				

***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.



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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2020 AND JUNE 30, 2019**

The following is a summary of the credit quality distribution for investments with credit exposure at June 30, 2020 and 2019, respectively, as rated by Standard and Poor's. Amounts are in thousands.

<u>Type of Investment</u>	<u>At June 30, 2020 Fair Value</u>	<u>At June 30, 2019 Fair Value</u>
Corporate Bonds:		
AAA	\$ -	\$ 1,116
AA	4,518	3,530
A	7,333	4,410
B	100	-
BB	7,956	5,347
BBB	24,025	21,336
Municipal Bonds:		
AA	1,033	626
A	330	301
BBB	431	369
U.S. Government Agency Bonds		
AAA	-	1,865
AA	22,031	22,478
U.S. Treasury Obligations:		
AAA	-	3,463
AA	8,179	850
subtotal	75,936	65,691
Unrated:		
Real Assets Funds	32,704	34,423
Equity-Based	175,662	199,436
Alternative Investments	39,963	25,561
Money Market Funds	3,223	2,184
Pooled Cash in VTA's Pool	3,134	3,057
Total cash and investments	\$ 330,622	\$ 330,352

***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.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2020 AND JUNE 30, 2019**

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 (in thousands):

Type of Investment	At June 30, 2020		
	Fair Value	Level 1	Level 2
Corporate Bonds	\$ 43,932	\$ -	\$ 43,932
Municipal Bonds	1,794	-	1,794
U.S. Government Agency Bonds	22,031	-	22,031
U.S. Treasury Obligations	8,179	8,179	-
Equity-Based	175,662	-	175,662
Subtotal	251,598	\$ 8,179	\$ 243,419
<b>Net asset Value</b>			
Real Assets Funds	32,704		
Alternative Investments	39,963		
<b>Not subject to the fair value hierarchy</b>			
Money Market Funds	3,223		
Pooled Cash in VTA's Pool	3,134		
Total cash and investments	\$ 330,622		
Type of Investment	At June 30, 2019		
	Fair Value	Level 1	Level 2
Corporate Bonds	\$ 35,739	\$ -	\$ 35,739
Municipal Bonds	1,296	-	1,296
U.S. Government Agency Bonds	24,343	-	24,343
U.S. Treasury Obligations	4,313	4,313	-
Equity-Based	199,436	-	199,436
Subtotal	265,127	\$ 4,313	\$ 260,814
<b>Net asset Value</b>			
Real Assets Funds	34,423		
Alternative Investments	25,561		
<b>Not subject to the fair value hierarchy</b>			
Money Market Funds	2,184		
Pooled Cash in VTA's Pool	3,057		
Total cash and investments	\$ 330,352		

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2020 AND JUNE 30, 2019**

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, 2020 and June 30, 2019 are as follows (in thousands):

	2020	2019
Australian Dollar	\$ 288	\$ 1,060
British Pound Sterling	3,237	7,024
Brazilian Real	965	1,337
Canadian Dollar	1,479	787
Chilean Peso	107	166
Chinese Yuan	390	1,769
Colombian Peso	33	76
Czech Koruna	72	194
Danish Krone	484	504
Egyptian Pound	19	24
Euro	11,163	20,466
Hong Kong Dollar	6,235	3,595
Hungarian Forint	39	51
Indian Rupee	2,338	1,556
Indonesian Rupiah	248	2,496
Japanese Yen	2,632	4,927
Malaysian Ringgit	338	372
Mexican Peso	550	1,160
Pakistani Rupee	4	4
Philippine Peso	134	196
Poland Zloty	121	196
Qatari Rial	141	171
Saudi Riyal	447	241
Singapore Dollar	373	851
Russian Ruble	5	662
South African Rand	658	204
South Korean Won	2,655	2,650
Swiss Franc	5,037	8,512
Taiwan Dollar	2,496	1,870
Thai Baht	348	518
Turkish Lira	67	93
United Arab Emirates Dirham	83	122
Total	\$ 43,186	\$ 63,854

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2020 AND JUNE 30, 2019**

***NOTE 4 –TOTAL OPEB LIABILITY, FIDUCIARY NET POSITION AND NET OPEB ASSET***

The components of the net OPEB asset at June 30, 2020, and 2019 were as follow (in thousands):

	2020	2019
Total OPEB Liability	\$ 265,288	\$ 258,184
Plan fiduciary net position	330,966	330,625
Net OPEB Asset	\$ 65,678	\$ 72,441
Plan fiduciary net position as a percentage of the total OPEB liability	124.76%	128.06%

***Actuarial Assumptions***

The Total OPEB liability was determined by an actuarial valuation as of July 1, 2019 and July 1, 2018, with the liability rolled forward using standard update procedures and the following actuarial assumptions to June 30, 2020 and June 30, 2019, respectively.

	2020	2019
Health care trend rate	11.70% decreasing to 4% depending on the coverage elected	18.75% 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 Normal Cost Method	Enty Age Normal Cost Method
Discount rate	7.00%	7.00%
Mortality	Rates for ATU participants are adopted from the study of experience over the five years ending in December 31, 2016. In particular, rates of mortality for ATU members and their spouses are based on a Scale MP-2017 generational projection of the respective RP-2014 Blue Collar tables, adjusted back to 2006. Rates for Administrative participants are from the CalPERS study of non-industrial Miscellaneous employer experience over the eighteen years ending June 30, 2015.	Rates for ATU participants are adopted from the study of experience over the five years ending in December 31, 2016. In particular, rates of mortality for ATU members and their spouses are based on a Scale MP-2017 generational projection of the respective RP-2014 Blue Collar tables, adjusted back to 2006. Rates for Administrative participants are from the CalPERS study of non-industrial Miscellaneous employer experience over the fourteen years ending June 30, 2011.
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 18 years ending June 2015.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2020 AND JUNE 30, 2019**

***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. The \$5.8 million contribution in fiscal year 2020 was entirely cash contribution. In fiscal year 2019, the \$9.1 million contribution included \$3.4 million of implicit subsidy and \$5.7 million of cash contribution.

***Discount Rate***

The discount rate used to measure the Total OPEB Liability was 7.00%. 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 expected real rate of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2020 and 2019:

Asset Class	2020		2019	
	Target Allocation	Expected Real Rate of Return	Target Allocation	Expected Real Rate of Return
Domestic Equity-Large Cap Active	-	-	30.00%	4.62%
Domestic Large Cap Equities	22.00%	6.70%	-	-
Domestic Small/Mid Cap Equities	8.00%	7.00%	-	-
International Equity	-	-	18.00%	4.86%
Non-US Developed Large Cap Equities	10.00%	6.80%	-	-
Non-US Developed Small/Mid Cap Equities	3.00%	7.30%	-	-
Emerging Markets Equity	5.00%	9.10%	6.00%	6.32%
Domestic Fixed Income	19.00%	2.60%	21.00%	1.58%
Absolute Return FoF	9.00%	5.50%	8.00%	3.90%
Real-Estate	-	-	11.00%	3.41%
Private Core Real Estate	5.00%	5.60%	-	-
Private Real-Estate Lending	5.00%	5.10%	-	-
Diversified Real Assets	5.00%	7.40%	5.00%	4.06%
Private Credit	8.00%	7.20%	-	-
Cash	1.00%	1.80%	1.00%	0.24%
	100.00%		100.00%	

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2020 AND JUNE 30, 2019**

***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. Amounts are in thousands.

	2020			2019		
	Current			Current		
	1% Decrease 6%	Discount Rate 7%	1% Increase 8%	1% Decrease 6%	Discount Rate 7%	1% Increase 8%
Net OPEB Asset	\$ 34,100	\$ 65,679	\$ 92,075	\$ 41,768	\$ 72,441	\$ 98,068

***Health Care Trend Rates***

The CalPERS benefit trend rates begin at various levels ranging from 0.98% (for the Medicare PERS Care PPO) to 11.70% (for the non-Medicare UHC HMO). These first-year percentages are based on the actual 2020 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. Amounts are in thousands.

	2020			2019		
	Current			Current		
	1% Decrease 3%	Discount Rate 4%	1% Increase 5%	1% Decrease 3%	Discount Rate 4%	1% Increase 5%
Net OPEB Asset	\$ 96,058	\$ 65,679	\$ 28,748	\$ 101,837	\$ 72,441	\$ 36,732

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

This page is left blank intentionally



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

**SCHEDULE OF CHANGES IN THE NET OPEB ASSET AND RELATED RATIOS  
(In thousands)**

	Fical Year Ending June 30, 2020	Fical Year Ending June 30, 2019	Fical Year Ending June 30, 2018	Fical Year Ending June 30, 2017
<b>Total OPEB liability</b>				
Service cost	\$ 6,141	\$ 6,190	\$ 5,697	\$ 5,888
Interest cost	17,810	17,190	16,695	15,872
Benefits payments	(13,771)	(13,142)	(12,539)	(13,055)
Effect of Change in Actuarial Assumptions/Methods	(12)	6,523	(1,057)	-
Difference between Expected and Actual Experience	(3,064)	(7,876)	(1,670)	-
Effect of Plan Amendments	-	306	-	-
<b>Net change in total OPEB liability</b>	<u>7,104</u>	<u>9,191</u>	<u>7,126</u>	<u>8,705</u>
<b>Total OPEB liability - beginning</b>	<u>258,184</u>	<u>248,993</u>	<u>241,867</u>	<u>233,162</u>
<b>Total OPEB liability - ending (a)</b>	<u>265,288</u>	<u>258,184</u>	<u>248,993</u>	<u>241,867</u>
<b>Plan fiduciary net position</b>				
Contributions to Plan Trusts	5,799	9,086	-	4,047
Benefit payments from Plan Trusts	(13,771)	(13,142)	(12,539)	(13,054)
Administrative expense from Plan Trusts	(91)	(93)	(109)	(25)
Expected Investment Return	22,861	21,931	20,550	18,976
Investment Experience (Loss)/Gain	(14,457)	(2,528)	7,575	14,350
<b>Net change in plan fiduciary net position</b>	<u>341</u>	<u>15,254</u>	<u>15,477</u>	<u>24,294</u>
Plan fiduciary net position - beginning	<u>330,625</u>	<u>315,371</u>	<u>299,894</u>	<u>275,600</u>
Plan fiduciary net position - ending (b)	<u>330,966</u>	<u>330,625</u>	<u>315,371</u>	<u>299,894</u>
<b>Net OPEB Asset - beginning</b>	<u>(72,441)</u>	<u>(66,378)</u>	<u>(58,027)</u>	<u>(42,439)</u>
<b>Net OPEB Asset - ending (a) - (b)</b>	<u>\$ (65,678)</u>	<u>\$ (72,441)</u>	<u>\$ (66,378)</u>	<u>\$ (58,027)</u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	124.76%	128.06%	126.66%	123.99%
<b>Covered-payroll</b>	\$ 186,300	\$ 181,761	\$ 185,861	\$ 176,709
<b>Net OPEB liability as a percentage of covered-payroll</b>	-35.25%	-39.86%	-35.71%	-32.84%
<b>Measurement Date</b>	6/30/2020	6/30/2019	6/30/2018	6/30/2017

Information not available prior to 2017.

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

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
(In thousands)**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially Determined Contribution (ADC)	\$ (5,035)	\$ 3,410	\$ (2,113)	\$ 4,574	\$ 4,785	\$ 12,093	\$ 14,100	\$ 17,315	\$ 17,321	\$ 16,208
Contributions in Relation to the ADC	5,799	9,086	-	4,047	4,785	12,093	14,100	37,965	17,321	15,371
Contributions Deficiency/(Excess)	<u>\$ (10,834)</u>	<u>\$ (5,676)</u>	<u>\$ (2,113)</u>	<u>\$ 527</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (20,650)</u>	<u>\$ -</u>	<u>\$ 837</u>
Covered Payroll	\$186,300	\$181,761	\$185,861	\$176,709	\$168,869	\$167,124	\$162,902	\$152,218	\$142,651	\$137,050
Contributions as a Percentage of Covered Payroll	3.11%	5.00%	0.00%	2.29%	2.83%	7.24%	8.66%	24.94%	12.14%	11.22%

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

**SCHEDULE OF INVESTMENT RETURNS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	1.0314%	6.4386%	9.8323%	12.5066%

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

*End of Document*