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

ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED JUNE 30, 2023 AND JUNE 30, 2022

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

JUNE 30, 2023 AND JUNE 30, 2022

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Santa Clara Valley Transportation Authority (VTA) Retirees' Other Post-Employment Benefits Trust (Plan), as of and for the years ended June 30, 2023 and June 30, 2022, and the related notes to the financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Plan, as of June 30, 2023 and June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of VTA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

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, 2023 and 2022, and changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Plan's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

a. Exercise professional judgment and maintain professional skepticism throughout the audit.
b. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
c. Obtain an understanding of internal control relevant to the audit 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 VTA's internal control. Accordingly, no such opinion is expressed.
d. Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
e. Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about VTA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

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, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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

Menlo Park, California
October 31, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2023 AND JUNE 30, 2022

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, 2023 and June 30, 2022. 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, 2023 is $368.4 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 2022 was $353.6 million compared to $397.4 million in 2021.

The Plan's funding objective is to meet long-term benefit obligations through contributions and investment income. Total additions to the Plan were $29.4 million and $(24.8) million for the fiscal years ending June 30, 2023, and 2022 respectively. The negative addition in the prior year was due to a marked to market loss. The funded ratio of the Trust remained at 130% as of FY 2023.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. (See notes to Financial Statements on pages 8 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 2023, 2022 and 2021 as follows:

(Table 1)

Statement of Trust Net Position
(In thousands)

	June 30, 2023	June 30, 2022	June 30, 2021
Assets			
Pooled cash	$ 1,884	$ 2,682	$ 1,194
Investments at fair market value	366,334	353,845	395,971
Other assets	581	567	501
Total Assets	368,799	357,094	397,666
Liabilities			
Current liabilities	445	3,541	285
Net Position	$ 368,354	$ 353,553	$ 397,381

For the year ended June 30, 2023, the Plan's fiduciary net position restricted for OPEB increased by $14.8 million or 4.2% primarily due to investment earnings from mark to market gains. The decrease in net position in FY 2022 from FY 2021 was caused by unrealized losses from market downturns.

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(Table 2)

Additions to Net Position
(In thousands)

	June 30, 2023	June 30, 2022	June 30, 2021
Contributions	$ 6,398	$ 6,311	$ 5,717
Net investment income (loss)	23,000	(31,098)	74,987
Total Additions	$ 29,398	$ (24,787)	$ 80,704

Contributions made to the Trust were entirely in the form of cash. Net investment income increased by $54.1 million in FY 2023 primarily due to unrealized gains from improved market performance, as opposed to the previous year's mark to market loss.

(Table 3)

Deductions From Net Position
(In thousands)

	June 30, 2023	June 30, 2022	June 30, 2021
Distributions to participants	$ 14,577	$ 18,860	$ 14,194
Administrative expenses	20	181	94
Total Deductions	$ 14,597	$ 19,041	$ 14,288

The distributions to participants, which include premium payments for retiree medical benefits and the $2.3 million implicit subsidy in FY 2023, decreased by $4.3 million or 22.71%. The drop in FY 2023 was a result of an adjustment in FY 2022 that recognized the administrative retiree share of CalPERS medical premium. This was deducted directly from the retirees' pension by CalPERS.The administrative expenses were similarly corrected in FY 2023 for an IPM Medical Group invoice.

Requests for Information

Please address all questions or requests for additional information to the Finance and Budget Division, Attention: Assistant General Manager/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, 2023 AND JUNE 30, 2022
(in thousands)

	2023	2022
ASSETS		
Cash and investments		
Cash and cash equivalents	$ 1,884	$ 2,682
Corporate bonds	29,421	35,461
Municipal bonds	920	1,120
U.S. government agency bonds	24,843	29,732
U.S. treasury	5,465	10,499
Money market funds	616	757
Equity based	206,135	181,741
Real asset funds	23,167	28,874
Alternative investments	75,767	65,661
Receivables	571	557
Due from other agencies	10	10
Total assets	368,799	357,094
LIABILITIES		
Accounts payable	445	3,541
NET POSITION		
Restricted for other post employment benefits	$ 368,354	$ 353,553

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, 2023 AND JUNE 30, 2022
(in thousands)

	2023	2022
ADDITIONS/(SUBTRACTIONS)		
VTA contributions	$ 6,398	$ 6,311
Net investment income		
Net change in the fair value of investments	15,056	(40,835)
Investment earnings	10,102	12,018
Investment expense	(2,158)	(2,281)
Total net investment income (loss)	23,000	(31,098)
TOTAL ADDITIONS/(SUBTRACTIONS)	29,398	(24,787)
DEDUCTIONS		
Distributions to participants	14,577	18,860
Administrative expenses	20	181
TOTAL DEDUCTIONS	14,597	19,041
(DECREASE)/INCREASE IN TRUST NET POSITION	14,801	(43,828)
NET POSITION		
Beginning of year	353,553	397,381
End of year	$ 368,354	$ 353,553

See accompanying notes to the basic financial statements

NOTE 1 – DESCRIPTION OF THE PLAN

General

The Plan is a contributory single-employer defined benefit plan administered by VTA. The Plan, which was established in May 2008 by the VTA's Board of Directors, is reflected as an Other Post Employment Benefit Trust fund on VTA's financial statements. The Plan is a legally separate entity governed by VTA's Board of Directors. The following description of the Retirees' Other Post Employment Benefits Plan (Plan) provides only general information. Readers should refer to the trust agreement for a more complete description of the trust's provisions. The financial statements of the Plan are intended to present only the Plan's fiduciary net position and changes in fiduciary net position. They do not purport to, and do not, present fairly the financial position of VTA as of June 30, 2023 or June 30, 2022, 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, 2023 and 2022 consists of the following:

	2023	2022
ATU Retirees	1,305	1,185
Non-ATU Retirees	702	630
Active (Vested) ATU	1,551	748
Active (Vested) Non-ATU	675	455
TOTAL	4,233	3,018

Description of the Benefits

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

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

California: VTA contributes up to $100 per month above the Kaiser Out of State Single Party rate for CalPERS medical plans, regardless of Medicare status. ATU retirees pay the excess above the VTA contribution of up to $100 per month above the Kaiser Out of State Single Party rate. ATU retirees who are eligible for Medicare are reimbursed for the Medicare Part B premium, excluding penalties/late enrollment fees.

For surviving spouses of ATU retirees: VTA pays the Public Employees' Medical & Hospital Care Act (PEMHCA) minimum employer premium contribution of $151 per month in 2023.

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

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

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

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

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

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

Plan Termination

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

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

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Investments

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

Investments Policies

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

Administrative Expenses

Certain internal costs (such as audit fees, investment consultant and actuarial fees) of administering the Plan are paid by the Plan.

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, 2023 and 2022 the Plan has $1.9 and $2.7 million in VTA's cash and cash equivalents, respectively.

Money weighted Rate of Return

For the years ended June 30, 2023 and June 30, 2022, the annual money-weighted rate of return on the Plan's investments, net of Plan investment expense, were 6.57 percent and (7.87) percent, respectively. 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, 2023 and June 30, 2022. 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, 2023, the Plan held investments in the UBS Core Real Estate Fund, Dodge & Cox, Principal Group and BlackRock that exceeded 5% of the total Plan's investment portfolio. Similar condition existed as of June 30, 2022.

Interest Rate Risk

Interest rate risk is the risk that changes in market rates will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market rates. One of the Plan's primary goals is to provide sufficient liquidity to meet future retirees' other post employment benefit obligations. However, the Plan does not have any policies specifically addressing interest rate risk.

The following table shows the time distribution for the maturity of the Plan's assets, other than equity-based securities, alternative investment and real asset funds which have no specific maturity dates, as of June 30, 2023 and June 30, 2022 (in thousands):

At June 30, 2023

Type of Investment	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	Over 10 Years
Corporate Bonds	$ 29,421	$ 1,081	$ 7,048	$ 8,648	$ 12,644
Municipal Bonds	920	—	—	323	596
U.S. Government Agency Bonds	24,843	—	24	441	24,377
U.S. Treasury Obligations	5,465	1,215	1,938	617	1,695
Money Market Funds	616	616	—	—	—
Subtotal	61,265	$ 2,912	$ 9,010	$ 10,029	$ 39,312
Real Assets Funds	23,167				
Equity-Based	206,135				
Alternative Investments	75,767				
Pooled Cash in VTA's Pool	1,884				
Total cash and investments	$ 368,218				

At June 30, 2022

Type of Investment	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	Over 10 Years
Corporate Bonds	$ 35,461	$ 1,121	$ 9,233	$ 9,712	$ 15,395
Municipal Bonds	1,120	—	—	—	1,120
U.S. Government Agency Bonds	29,731	1,706	53	427	27,545
U.S. Treasury Obligations	10,498	—	4,253	5,665	580
Money Market Funds	$ 756	756	—	—	—
Subtotal	77,566	$ 3,583	$ 13,539	$ 15,804	$ 44,640
Real Assets Funds	28,874				
Equity-Based	181,744				
Alternative Investments	65,661				
Pooled Cash in VTA's Pool	2,682				
Total cash and investments	$ 356,527				

Credit Risk

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

The following is a summary of the credit quality distribution for investments with credit exposure at June 30, 2023 and 2022, respectively, as rated by Standard and Poor's (in thousands).

Type of Investment	At June 30, 2023 Fair Value	At June 30, 2022 Fair Value
Corporate Bonds:		
AA	$ 2,526	$ 3,211
A	1,724	2,094
B	973	—
BB	3,642	7,528
BBB	20,556	22,628
Municipal Bonds:		
AA	596	693
A	324	—
BBB	—	427
U.S. Government Agency Bonds		
AA	24,843	29,731
U.S. Treasury Obligations:		
AA	5,465	10,498
Subtotal	60,649	76,810
Unrated:		
Real Assets Funds	23,167	28,874
Equity-Based	206,135	181,744
Alternative Investments	75,767	65,661
Money Market Funds	616	756
Pooled Cash in VTA's Pool	1,884	2,682
Total cash and investments	$ 368,218	$ 356,527

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: (in thousands).

At June 30, 2023

Type of Investment	Fair Value	Level 1	Level 2
Corporate Bonds	$ 29,421	$ —	$ 29,421
Municipal Bonds	920	—	920
U.S. Government Agency Bonds	24,843	—	24,843
U.S. Treasury Obligations	5,465	5,465	—
Equity-Based	206,135	—	206,135
Subtotal	266,784	$ 5,465	$ 261,319
Net asset Value			
Real Assets Funds	23,167		
Alternative Investments	75,767		
Not subject to the fair value hierarchy			
Money Market Funds	616		
Pooled Cash in VTA's Pool	1,884		
Total cash and investments	$ 368,218		

At June 30, 2022

Type of Investment	Fair Value	Level 1	Level 2
Corporate Bonds	$ 35,461	$ —	$ 35,461
Municipal Bonds	1,121	—	1121
U.S. Government Agency Bonds	29,732	—	29732
U.S. Treasury Obligations	10,499	10499	—
Equity-Based	181,741	—	181741
Subtotal	258,554	$ 10,499	$ 248,055
Net asset Value			
Real Assets Funds	28,874		
Alternative Investments	65,661		
Not subject to the fair value hierarchy			
Money Market Funds	756		
Pooled Cash in VTA's Pool	2,682		
Total cash and investments	$ 356,527		

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, 2023 and June 30, 2022 are as follows (in thousands):

	2023	2022
Australian Dollar	$ 3,432	$ 3,083
British Pound Sterling	6,883	6,236
Brazilian Real	832	747
Chilean Peso	88	77
Chinese Yuan	617	747
Colombian Peso	16	26
Czech Koruna	22	22
Danish Krone	1,418	1,078
Egyptian Pound	15	12
Euro	15,792	12,121
Hong Kong Dollar	4,153	4,836
Hungarian Forint	31	22
Indian Rupee	2,346	2,021
Indonesian Rupiah	302	285
Israeli New Shekel	181	190
Japanese Yen	10,465	8,737
Kuwaiti Dinar	127	128
Malaysian Ringgit	218	243
Mexican Peso	401	307
New Zealand Dollar	95	77
Norwegian Krone	291	330
Pakistani Rupee	—	—
Philippine Peso	103	108
Polish Zloty	130	98
Qatari Rial	130	151
Russian Ruble	—	—
Saudi Riyal	618	603
Singapore Dollar	565	493
South African Rand	461	524
South Korean Won	1,869	1,708
Swedish Krona	1,514	1,336
Swiss Franc	4,666	4,080
Taiwan Dollar	2,444	2,267
Thai Baht	309	317
Turkish Lira	100	56
United Arab Emirates Dirham	183	174
Total	$ 60,817	$ 53,240

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

The components of the net OPEB asset at June 30, 2023, and 2022 were as follows (in thousands):

	2023	2022
Total OPEB Liability	$ 282,936	$ 271,546
Plan fiduciary net position	368,355	353,553
Net OPEB Asset	$ 85,419	$ 82,007
Plan fiduciary net position as a percentage of the total OPEB liability	130.19 %	130.20 %

Actuarial Assumptions

The Total OPEB liability was determined by an actuarial valuation as of January 1, 2022, with the liability rolled forward using standard update procedures and the following actuarial assumptions to June 30, 2023 and June 30, 2022, respectively.

	2023	2022
Health care trend rate	• Non-Medicare - 6.50% for 2023 • Medicare (Non-Kaiser) - 5.65% for 2023 • Medicare (Kaiser) - 4.60% for 2023, decreasing to an ultimate rate of 3.75% in 2076	• Non-Medicare - 6.50% for 2023 • Medicare (Non-Kaiser) - 5.65% for 2022 • Medicare (Kaiser) - 4.60% for 2022, decreasing to an ultimate rate of 3.75% in 2076
Inflation rate	2.50%	2.50%
Investment rate of	6.25%	6.25%
Actuarial cost method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Discount rate	6.25%	6.25%
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-2021 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 twenty years ending June 30, 2019.	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-2021 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.
Participation rate	92% will elect to use coverage at retirement	92% will elect to use coverage at retirement
Dependent coverage	25% will require dependent coverage	25% will require dependent coverage

The rates used in the experience study were based on a five-year study ending December 31, 2016 for ATU members and CalPERS experience study over 20 years ending June 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 $6.4 million and $6.3 million contributions in fiscal years 2023 and 2022, respectively, were entirely cash contributions.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 6.25%. 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, 2023 and 2022:

	2023		2022	
Asset Class	Target Allocation	Expected Real Rate of Return	Target Allocation	Expected Real Rate of Return
Domestic Equity	28.00%	4.29%	28.00%	4.6%
International Equity	12.00%	4.49%	12.00%	5.7%
Emerging Markets Equity	5.00%	5.25%	5.00%	7.0%
Domestic Fixed Income	17.00%	0.78%	17.00%	1.5%
Absolute Return FoF	8.00%	2.79%	8.00%	3.8%
Private Core Real Estate	10.00%	3.91%	10.00%	2.7%
Diversified Real Assets	7.00%	4.03%	7.00%	3.4%
Private Debt	12.00%	4.38%	12.00%	6.2%
Cash	1.00%	(0.50)%	1.00%	0.4%
	100.00%		100.00%	

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 6.25%, as well as what the Net OPEB Asset would be if it was calculated using a discount rate that is one percentage-point lower (5.25%) or one percentage-point higher (7.25%) than the current rate. Amounts are in thousands.

	2023			2022		
	1% Decrease 5.25%	**Current Discount Rate 6.25%**	**1% Increase 7.25%**	**1% Decrease 5.25%**	**Current Discount Rate 6.25%**	**1% Increase 7.25%**
Net OPEB Asset	$ 50,932	$ 85,419	$ 114,268	$ 48,758	$ 82,007	$ 109,810

Health Care Trend Rates

Trend rates reflect 6.50% for Non-Medicare; 5.65% for Medicare (Non-Kaiser); and 4.60% for Medicare (Kaiser).

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.

	2023			2022		
	1% Decrease	**Current Trend Rate**	**1% Increase**	**1% Decrease**	**Current Trend Rate**	**1% Increase**
Net OPEB Asset	$ 120,784	$ 85,419	$ 42,167	$ 113,731	$ 82,007	$ 43,346

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
For the Fiscal Year Ending June 30,
(in thousands)

	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability							
Service cost	$ 8,895	$ 6,589	$ 6,300	$ 6,141	$ 6,190	$ 5,697	$ 5,888
Interest cost	17,072	18,321	18,298	17,810	17,190	16,695	15,872
Benefits payments	(14,577)	(18,860)	(14,194)	(13,771)	(13,142)	(12,539)	(13,055)
Effect of Change in Actuarial Assumptions/ Methods	—	6,217	7,004	(12)	6,523	(1,057)	—
Difference between Expected and Actual Experience	—	(14,982)	(8,435)	(3,064)	(7,876)	(1,670)	—
Effect of Plan Amendments	—	—	—	—	306	—	—
Net change in total OPEB liability	11,390	(2,715)	8,973	7,104	9,191	7,126	8,705
Total OPEB liability - beginning	271,546	274,261	265,288	258,184	248,993	241,867	233,162
Total OPEB liability - ending (a)	282,936	271,546	274,261	265,288	258,184	248,993	241,867
Plan fiduciary net position							
Contributions to Plan Trusts	6,398	6,311	5,717	5,799	9,086	—	4,047
Benefit payments from Plan Trusts	(14,577)	(18,860)	(14,194)	(13,771)	(13,142)	(12,539)	(13,054)
Administrative expense from Plan Trusts	(20)	(181)	(94)	(91)	(93)	(109)	(25)
Expected Investment Return	—	(31,098)	22,868	22,861	21,931	20,550	18,976
Investment Experience (Loss)/Gain	23,001	—	52,119	(14,457)	(2,528)	7,575	14,350
Net change in plan fiduciary net position	14,802	(43,828)	66,416	341	15,254	15,477	24,294
Plan fiduciary net position - beginning	353,554	397,382	330,966	330,625	315,371	299,894	275,600
Plan fiduciary net position - ending (b)	368,356	353,554	397,382	330,966	330,625	315,371	299,894
Net OPEB Asset - beginning	(82,007)	(123,121)	(65,678)	(72,441)	(66,378)	(58,027)	(42,439)
Net OPEB Asset - ending (a) - (b)	$ (85,420)	$ (82,007)	$ (123,121)	$ (65,678)	$ (72,441)	$ (66,378)	$ (58,027)
Plan fiduciary net position as a percentage of the total OPEB liability	130.19 %	130.20 %	144.89 %	124.76 %	128.06 %	126.66 %	123.99 %
Covered-payroll[1]	$ 237,306	$ 233,952	$ 187,551	$ 186,300	$ 181,761	$ 185,861	$ 176,709
Net OPEB liability as a percentage of covered-payroll	-36.00 %	-35.05 %	-65.65 %	-35.25 %	-39.86 %	-35.71 %	-32.84 %

Information not available prior to 2017.
[1]Covered-payroll for FY 2023 included payroll subjected to medicare tax withholding (generated from SAP). Prior years were based on actuarial reports.

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS
(amounts in thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarial Determined Contribution (ADC)	$ (1948)	$ (5,483)	$ (5,657)	$ (5,035)	$ 3,410	$ (2,113)	$ 4,574	$ 4,785	$ 12,093	$ 14,100	$ 17,315
Contributions in Relation to the ADC	6398	6,311	5,717	5,799	9,086	—	4,047	4,785	12,093	14,100	37,965
Contributions Deficiency/(Excess)	$ (8346)	$(11,794)	$ (11,374)	$ (10,834)	$ (5,676)	$ (2,113)	$ 527	$ —	$ —	$ —	$ (20,650)
Covered-payroll[1]	$237,306	$233,952	$ 187,551	$ 186,300	$ 181,761	$ 185,861	$ 176,709	$ 168,869	$ 167,124	$ 162,902	$152,218
Contributions as a Percentage of Covered Payroll	2.70 %	2.70 %	3.05%	3.11%	5.00%	0.00%	2.29%	2.83%	7.24%	8.66%	24.94%

[1]Covered-payroll for FY 2023 included payroll subjected to medicare tax withholding (generated from SAP). Prior years were based on actuarial reports.

SCHEDULE OF INVESTMENT RETURNS

	2023	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	6.5700 %	(7.8765)%	19.4998%	1.0314%	6.4386%	9.8323%	12.5066%

Information not available prior to the implementation of GASB Statement No. 74. (FY 2017)

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