

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

ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED JUNE 30, 2024 AND JUNE 30, 2023

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

JUNE 30, 2024 AND JUNE 30, 2023

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CPAs & BUSINESS ADVISORS

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 fiduciary activities of the Santa Clara Valley Transportation Authority (VTA) Retirees' Other Post-Employment Benefits Trust (Plan), as of and for the years ended June 30, 2024 and June 30, 2023, 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 fiduciary activities of the Plan, as of June 30, 2024 and June 30, 2023, 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, 2024 and 2023, 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:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- 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.
- 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.
- 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.
- 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.



Menlo Park, California
October 31, 2024

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2024 AND JUNE 30, 2023**

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, 2024 and June 30, 2023. 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, 2024 is \$401.1 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 2023 was \$368.4 million compared to \$353.6 million in 2022.

The Plan's funding objective is to meet long-term benefit obligations through contributions and investment income. Total additions to the Plan were \$47.9 million and \$29.4 million for the fiscal years ending June 30, 2024, and 2023 respectively. As of June 30, 2024, the Plan's OPEB liability was 123.1% funded compared to 130.2% as of June 30, 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.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2024 AND JUNE 30, 2023**

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 2024, 2023 and 2022 as follows:

(Table 1)

Statement of Trust Net Position
(In thousands)

	June 30, 2024	June 30, 2023	June 30, 2022
Assets			
Pooled cash	\$ 2,059	\$ 1,884	\$ 2,682
Investments at fair market value	399,554	366,334	353,845
Other assets	581	581	567
Total Assets	402,194	368,799	357,094
Liabilities			
Current liabilities	1,093	445	3,541
Net Position	\$ 401,101	\$ 368,354	\$ 353,553

For the year ended June 30, 2024, the Plan's fiduciary net position restricted for OPEB increased by \$32.7 million primarily due to investment earnings from mark to market gains. Similarly, the increase in net position in FY 2023 from FY 2022 was primarily due to investment earnings from mark to market gains.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2024 AND JUNE 30, 2023**

(Table 2)

Additions to Net Position (In thousands)			
	June 30, 2024	June 30, 2023	June 30, 2022
Contributions	\$ 4,963	\$ 6,398	\$ 6,311
Net investment income (loss)	42,896	23,000	(31,098)
Total Additions	\$ 47,859	\$ 29,398	\$ (24,787)

Contributions made to the Trust were entirely in the form of cash. Net investment income increased by \$19.9 million in FY 2024 primarily due to unrealized gains from improved market performance, similar to the increase in prior year.

(Table 3)

Deductions From Net Position (In thousands)			
	June 30, 2024	June 30, 2023	June 30, 2022
Distributions to participants	\$ 15,029	\$ 14,577	\$ 18,860
Administrative expenses	83	20	181
Total Deductions	\$ 15,112	\$ 14,597	\$ 19,041

The distributions to participants, which include premium payments for retiree medical benefits and the \$2.2 million implicit subsidy in FY 2024, increased by \$0.5 million or 3.10%. This could primarily be attributed to the overall rate increase affecting medical premium plans. 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.

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**STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2024 AND JUNE 30, 2023
(in thousands)**

	2024	2023
ASSETS		
Cash and investments		
Cash and cash equivalents	\$ 2,059	\$ 1,884
Corporate bonds	25,079	29,421
Municipal bonds	679	920
U.S. government agency bonds	25,476	24,843
U.S. treasury	7,141	5,465
Money market funds	1,831	616
Equity based	226,814	206,135
Real asset funds	20,664	23,167
Alternative investments	91,870	75,767
Receivables	571	571
Due from other agencies	10	10
Total assets	402,194	368,799
LIABILITIES		
Accounts payable	1,093	445
NET POSITION		
Restricted for other post employment benefits	\$ 401,101	\$ 368,354

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, 2024 AND JUNE 30, 2023
(in thousands)**

	2024	2023
ADDITIONS/(SUBTRACTIONS)		
VTA contributions	\$ 4,963	\$ 6,398
Net investment income		
Net change in the fair value of investments	33,404	15,056
Investment earnings	13,773	10,102
Investment expense	(4,281)	(2,158)
Total net investment income (loss)	42,896	23,000
TOTAL ADDITIONS/(SUBTRACTIONS)	47,859	29,398
DEDUCTIONS		
Distributions to participants	15,029	14,577
Administrative expenses	83	20
TOTAL DEDUCTIONS	15,112	14,597
(DECREASE)/INCREASE IN TRUST NET POSITION	32,747	14,801
NET POSITION		
Beginning of year	368,354	353,553
End of year	\$ 401,101	\$ 368,354

See accompanying notes to the basic financial statements

**SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2024 AND JUNE 30, 2023**

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, 2024 or June 30, 2023, 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, 2024 and 2023 consists of the following:

	2024	2023
ATU Retirees	1,332	1,305
Non-ATU Retirees	699	702
Active (Vested) ATU	1,593	1,551
Active (Vested) Non-ATU	708	675
TOTAL	4,332	4,233

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 (Plan), 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 Region 1 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 Region 1 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

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**NOTES TO THE FINANCIAL STATEMENTS
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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 \$157 per month in 2024.

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 Region 1 Employee Only rate. Non-ATU retirees pay any premium in excess of the CalPERS Kaiser Region 1 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.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2024 AND JUNE 30, 2023**

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.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2024 AND JUNE 30, 2023**

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, 2024 and 2023 the Plan has \$2.1 and \$1.9 million in VTA's cash and cash equivalents, respectively.

Money weighted Rate of Return

For the years ended June 30, 2024 and June 30, 2023, the annual money-weighted rate of return on the Plan's investments, net of Plan investment expense, were 11.78 percent and 6.57 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, 2024 and June 30, 2023. 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, 2024, the Plan held investments in the UBS Trumbull Real Estate Fund, Dodge & Cox, Principal Group and BlackRock that exceeded 5% of the total Plan's investment portfolio. Similar conditions existed as of June 30, 2023.

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.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2024 AND JUNE 30, 2023**

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, 2024 and June 30, 2023 (in thousands):

At June 30, 2024					
Type of Investment	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	Over 10 Years
Corporate Bonds	\$ 25,079	\$ 870	\$ 6,678	\$ 8,650	\$ 8,881
Municipal Bonds	678	—	—	387	291
U.S. Government Agency Bonds	25,476	—	21	347	25,108
U.S. Treasury Obligations	7,141	—	—	—	7,141
Money Market Funds	1,831	1,831	—	—	—
Subtotal	60,205	<u>\$ 2,701</u>	<u>\$ 6,699</u>	<u>\$ 9,384</u>	<u>\$ 41,421</u>
Real Assets Funds	20,665				
Equity-Based	226,814				
Alternative Investments	91,870				
Pooled Cash in VTA's Pool	2,059				
Total cash and investments	<u>\$ 401,613</u>				

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	<u>\$ 2,912</u>	<u>\$ 9,010</u>	<u>\$ 10,029</u>	<u>\$ 39,312</u>
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	<u>\$ 368,218</u>				

Credit Risk

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

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**NOTES TO THE FINANCIAL STATEMENTS
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The following is a summary of the credit quality distribution for investments with credit exposure at June 30, 2024 and 2023, respectively, as rated by Standard and Poor's (in thousands).

Type of Investment	At June 30, 2024 Fair Value	At June 30, 2023 Fair Value
Corporate Bonds:		
A	\$ 2,009	\$ 1,724
AA	2,178	2,526
B	467	973
BB	1,836	3,642
BBB	18,588	20,556
Municipal Bonds:		
AA	453	596
A	226	324
U.S. Government Agency Bonds		
AA	25,476	24,843
U.S. Treasury Obligations:		
AA	7,141	5,465
Subtotal	58,374	60,649
Unrated:		
Real Assets Funds	20,665	23,167
Equity-Based	226,814	206,135
Alternative Investments	91,870	75,767
Money Market Funds	1,831	616
Pooled Cash in VTA's Pool	2,059	1,884
Total cash and investments	\$ 401,613	\$ 368,218

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

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**NOTES TO THE FINANCIAL STATEMENTS
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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, 2024			
Type of Investment	Fair Value	Level 1	Level 2
Corporate Bonds	\$ 25,079	\$ —	\$ 25,079
Municipal Bonds	678	—	678
U.S. Government Agency Bonds	25,476	—	25,476
U.S. Treasury Obligations	7,141	7,141	—
Equity-Based	226,814	—	226,814
Subtotal	285,188	\$ 7,141	\$ 278,047
Net asset Value			
Real Assets Funds	20,665		
Alternative Investments	91,870		
Not subject to the fair value hierarchy			
Money Market Funds	1,831		
Pooled Cash in VTA's Pool	2,059		
Total cash and investments	\$ 401,613		

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		

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

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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, 2024 and June 30, 2023 are as follows (in thousands):

	2024	2023
Australian Dollar	\$ 3,810	\$ 3,432
British Pound Sterling	7,615	6,883
Brazilian Real	672	832
Chilean Peso	79	88
Chinese Yuan	534	617
Colombian Peso	15	16
Czech Koruna	20	22
Danish Krone	2,007	1,418
Egyptian Pound	15	15
Euro	16,927	15,792
Hong Kong Dollar	3,695	4,153
Hungarian Forint	36	31
Indian Rupee	3,300	2,346
Indonesian Rupiah	254	302
Israeli New Shekel	168	181
Japanese Yen	11,593	10,465
Kuwaiti Dinar	126	127
Malaysian Ringgit	249	218
Mexican Peso	331	401
New Zealand Dollar	97	95
Norwegian Krone	316	291
Philippine Peso	89	103
Polish Zloty	164	130
Qatari Rial	122	130
Saudi Riyal	625	618
Singapore Dollar	581	565
South African Rand	477	461
South Korean Won	1,955	1,869
Swedish Krona	1,635	1,514
Swiss Franc	4,869	4,666
Taiwan Dollar	3,193	2,444
Thai Baht	246	309
Turkish Lira	166	100
United Arab Emirates Dirham	175	183
Total	<u>\$ 66,156</u>	<u>\$ 60,817</u>

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

The components of the net OPEB asset at June 30, 2024, and 2023 were as follows (in thousands):

	2024	2023
Total OPEB Liability	\$ 325,753	\$ 282,936
Plan fiduciary net position	401,101	368,355
Net OPEB Asset	\$ 75,348	\$ 85,419
Plan fiduciary net position as a percentage of the total OPEB liability	123.13 %	130.19 %

Actuarial Assumptions

The Total OPEB liability was determined by an actuarial valuation as of January 1, 2024, with the liability rolled forward using standard update procedures and the following actuarial assumptions to June 30, 2024 and June 30, 2023, respectively.

	2024	2023
Health care trend rate	<ul style="list-style-type: none"> • Non-Medicare - 8.50% for 2025 • Medicare (Non-Kaiser) - 7.50% for 2025 • Medicare (Kaiser) - 6.25% for 2025, decreasing to an ultimate rate of 3.45% in 2076 	<ul style="list-style-type: none"> • 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 return	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, 2021. 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 twenty years ending June 30, 2019.
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

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The rates used in the experience study were based on a five-year study ending December 31, 2021 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 \$5.0 million and \$6.4 million contributions in fiscal years 2024 and 2023, 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, 2024 and 2023:

Asset Class	2024		2023	
	Target Allocation	Expected Real Rate of Return	Target Allocation	Expected Real Rate of Return
Domestic Equity	28.00%	4.29%	28.00%	4.29%
International Equity	12.00%	4.49%	12.00%	4.49%
Emerging Markets Equity	5.00%	5.25%	5.00%	5.25%
Domestic Fixed Income	17.00%	0.78%	17.00%	0.78%
Absolute Return FoF	8.00%	2.79%	8.00%	2.79%
Private Core Real Estate	10.00%	3.91%	10.00%	3.91%
Diversified Real Assets	7.00%	4.03%	7.00%	4.03%
Private Debt	12.00%	4.38%	12.00%	4.38%
Cash	1.00%	(0.50)%	1.00%	(0.50)%
	<u>100.00%</u>		<u>100.00%</u>	

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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.

	2024			2023		
	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	\$ 35,348	\$ 75,348	\$ 108,745	\$ 50,932	\$ 85,419

Health Care Trend Rates

Trend rates reflect 8.50% for Non-Medicare; 7.50% for Medicare (Non-Kaiser); and 6.25% 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.

	2024			2023		
	1% Decrease	Current Trend Rate	1% Increase	1% Decrease	Current Trend Rate	1% Increase
Net OPEB Asset	\$ 112,833	\$ 75,348	\$ 29,569	\$ 120,784	\$ 85,419	\$ 42,167

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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

	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability								
Service cost	\$ 9,140	\$ 8,895	\$ 6,589	\$ 6,300	\$ 6,141	\$ 6,190	\$ 5,697	\$ 5,888
Interest cost	17,785	17,072	18,320	18,298	17,810	17,190	16,695	15,872
Benefits payments	(15,029)	(14,577)	(18,860)	(14,194)	(13,771)	(13,142)	(12,539)	(13,055)
Effect of Change in Actuarial Assumptions/ Methods	27,306	—	6,217	7,004	(12)	6,523	(1,057)	—
Difference between Expected and Actual Experience	3,614	—	(14,980)	(8,435)	(3,064)	(7,876)	(1,670)	—
Effect of Plan Amendments	—	—	—	—	—	306	—	—
Net change in total OPEB liability	42,816	11,390	(2,714)	8,973	7,104	9,191	7,126	8,705
Total OPEB liability - beginning	282,937	271,547	274,261	265,288	258,184	248,993	241,867	233,162
Total OPEB liability - ending (a)	325,753	282,937	271,547	274,261	265,288	258,184	248,993	241,867
Plan fiduciary net position								
Contributions to Plan Trusts	4,963	6,398	6,311	5,717	5,799	9,086	—	4,047
Benefit payments from Plan Trusts	(15,029)	(14,577)	(18,860)	(14,194)	(13,771)	(13,142)	(12,539)	(13,054)
Administrative expense from Plan Trusts	(83)	(20)	(181)	(94)	(91)	(93)	(109)	(25)
Expected Investment Return	42,894	23,001	(31,098)	22,868	22,861	21,931	20,550	18,976
Investment Experience (Loss)/Gain	—	—	—	52,119	(14,457)	(2,528)	7,575	14,350
Net change in plan fiduciary net position	32,745	14,802	(43,828)	66,416	341	15,254	15,477	24,294
Plan fiduciary net position - beginning	368,356	353,554	397,382	330,966	330,625	315,371	299,894	275,600
Plan fiduciary net position - ending (b)	401,101	368,356	353,554	397,382	330,966	330,625	315,371	299,894
Net OPEB Asset - beginning	(85,419)	(82,007)	(123,121)	(65,678)	(72,441)	(66,378)	(58,027)	(42,439)
Net OPEB Asset - ending (a) - (b)	\$ (75,348)	\$ (85,419)	\$ (82,007)	\$ (123,121)	\$ (65,678)	\$ (72,441)	\$ (66,378)	\$ (58,027)
Plan fiduciary net position as a percentage of the total OPEB liability	123.13 %	130.19 %	130.20 %	144.89 %	124.76 %	128.06 %	126.66 %	123.99 %
Covered-payroll¹	\$260,964	\$237,306	\$233,952	\$ 187,551	\$ 186,300	\$ 181,761	\$ 185,861	\$176,709
Net OPEB liability as a percentage of covered-payroll	-28.87 %	-36.00 %	-35.05 %	-65.65 %	-35.25 %	-39.86 %	-35.71 %	-32.84 %

Information not available prior to 2017.

¹Covered-payroll for FY 2024, 2023, and 2022 included payroll subjected to medicare tax withholding (generated from SAP). Prior years were based on actuarial reports.

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**SCHEDULE OF EMPLOYER CONTRIBUTIONS
(amounts in thousands)**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarial Determined Contribution (ADC)	\$ (3,094)	\$ (1,948)	\$ (5,483)	\$ (5,657)	\$ (5,035)	\$ 3,410	\$ (2,113)	\$ 4,574	\$ 4,785	\$ 12,093
Contributions in Relation to the ADC	4,963	6,398	6,311	5,717	5,799	9,086	—	4,047	4,785	12,093
Contributions Deficiency/(Excess)	<u>\$ (8,057)</u>	<u>\$ (8,346)</u>	<u>\$ (11,794)</u>	<u>\$ (11,374)</u>	<u>\$ (10,834)</u>	<u>\$ (5,676)</u>	<u>\$ (2,113)</u>	<u>\$ 527</u>	<u>\$ —</u>	<u>\$ —</u>
Covered-payroll ¹	<u>\$260,964</u>	<u>\$237,306</u>	<u>\$233,952</u>	<u>\$ 187,551</u>	<u>\$ 186,300</u>	<u>\$ 181,761</u>	<u>\$ 185,861</u>	<u>\$ 176,709</u>	<u>\$ 168,869</u>	<u>\$ 167,124</u>
Contributions as a Percentage of Covered Payroll	1.90 %	2.70 %	2.70 %	3.05%	3.11%	5.00%	0.00%	2.29%	2.83%	7.24%

¹Covered-payroll for FY 2024, 2023, and 2022 included payroll subjected to medicare tax withholding (generated from SAP). Prior years were based on actuarial reports.

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SCHEDULE OF INVESTMENT RETURNS

	2024	2023	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	11.7800 %	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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