

**RETIREMENT PLANS FOR
SACRAMENTO REGIONAL TRANSIT
DISTRICT EMPLOYEES**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

**RETIREMENT PLANS FOR
SACRAMENTO REGIONAL TRANSIT
DISTRICT EMPLOYEES**

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**RETIREMENT PLANS FOR
SACRAMENTO REGIONAL TRANSIT
DISTRICT EMPLOYEES
MEMBERS OF THE RETIREMENT BOARD AND ADMINISTRATIVE STAFF**

Amalgamated Transit Union Local 256

Ralph Niz, Chairperson
Crystal Lee, Member
Gwen Land, Alternate

International Brotherhood of Electrical Workers Local 1245

Costance Bibbs, Chairperson
John McCleskey, Member
Niel Pickering, Alternate

Administrative Employees Association

Russel Devorak, Chairperson
Timothy McGoldrick, Member
Jayanthi Santhanakrishnan, Alternate

American Federation of State, County & Municipal Employees, Local 146, AFL-CIO

Peter Guimond, Chairperson
Lisa Thompson, Member
Danial Salva, Alternate

Management and Confidential Employees

Laura Ham, Chairperson
Craig Norman, Member
Christopher Flores, Alternate

Sacramento Regional Transit District

Patrick Kennedy, Common Chairperson
Henry Li, Member
Rick Jennings, Alternate

Assistant Secretary

Valerie Weekly, Pension and Retiree Services Administrator

Legal Counsel

Shayna M. van Hoften, Partner
Liz Masson, Senior Counsel
Hanson Bridgett

Finance Department

Brent Bernegger, VP Finance/CFO
Jamie Adelman, AVP Finance and Treasury
Lynda Volk, Accountant II

Pension and Retirement Services

Ro Matthews, Retirement Analyst

INDEPENDENT AUDITOR'S REPORT

Members of the Retirement Board of Directors
Sacramento Regional Transit District
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of the ATU Plan, IBEW Plan and Salaried Plan for Sacramento Regional Transit District Employees (the Plans), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Plans' basic 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Plans' 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 Plans' 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective fiduciary net position of the ATU Plan, IBEW Plan and the Salaried Plan for Sacramento Regional Transit District Employees as of June 30, 2020, and the respective changes in fiduciary net position for the year then ended in accordance 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 Schedules of Changes in the Net Pension Liability and Related Ratios, Schedules of District Contributions, and the Schedule of Investment Returns, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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.

Management has omitted the Management's Discussion and Analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the ATU Plan's, IBEW Plan's and the Salaried Plan's basic financial statements. The accompanying Members of the Retirement Board and Administrative Staff section and Schedules of Investment and Administrative Expenses, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying Schedules of Investment and Administrative Expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules of Investment and Administrative Expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Members of the Retirement Board and Administrative Staff section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2020 on our consideration of the Plans' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plans' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plans' internal control over financial reporting and compliance.


Crowe LLP

Sacramento, California
November 24, 2020

**RETIREMENT PLANS FOR
SACRAMENTO REGIONAL TRANSIT
DISTRICT EMPLOYEES**

**STATEMENT OF PLAN NET POSITION
JUNE 30, 2020**

| | <u>ATU</u> | <u>IBEW</u> | <u>Salaried</u> | <u>Total</u> |
|---|-----------------------|----------------------|-----------------------|-----------------------|
| Assets | | | | |
| Investments: | | | | |
| Equity securities | \$ 90,963,499 | \$ 40,270,748 | \$ 69,569,341 | \$ 200,803,588 |
| Fixed income securities | 44,291,921 | 19,091,086 | 29,090,368 | 92,473,375 |
| Total investments | <u>135,255,420</u> | <u>59,361,834</u> | <u>98,659,709</u> | <u>293,276,963</u> |
| Cash and short-term investments | 7,371,763 | 3,194,679 | 4,959,859 | 15,526,301 |
| Receivables | | | | |
| Securities sold | 6,104,714 | 2,632,707 | 4,016,792 | 12,754,213 |
| Interest and dividends | 205,797 | 89,210 | 138,053 | 433,060 |
| Other receivables and prepaids | 13,218 | 12,197 | 12,912 | 38,327 |
| Total receivables | <u>6,323,729</u> | <u>2,734,114</u> | <u>4,167,757</u> | <u>13,225,600</u> |
| Total assets | <u>148,950,912</u> | <u>65,290,627</u> | <u>107,787,325</u> | <u>322,028,864</u> |
| Liabilities | | | | |
| Securities purchased payable | 10,559,230 | 4,552,204 | 6,940,654 | 22,052,088 |
| Accounts payable | 967,630 | 359,298 | 294,500 | 1,621,428 |
| Total liabilities | <u>11,526,860</u> | <u>4,911,502</u> | <u>7,235,154</u> | <u>23,673,516</u> |
| Net position restricted for pension benefits | <u>\$ 137,424,052</u> | <u>\$ 60,379,125</u> | <u>\$ 100,552,171</u> | <u>\$ 298,355,348</u> |

(Schedule of Changes in the Net Position Liability and Related Ratios for the Plans are presented on pages 24 through 27.)

The accompanying notes to the financial statements are an integral part of these financial statements.

**RETIREMENT PLANS FOR
SACRAMENTO REGIONAL TRANSIT
DISTRICT EMPLOYEES**

**STATEMENT OF CHANGES IN PLAN NET POSITION
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

| | <u>ATU</u> | <u>IBEW</u> | <u>Salaried</u> | <u>Total</u> |
|--|-----------------------|----------------------|-----------------------|-----------------------|
| Additions | | | | |
| Contributions: | | | | |
| Employer | \$ 8,783,426 | \$ 3,230,879 | \$ 9,159,513 | \$ 21,173,818 |
| Member | 766,861 | 304,593 | 360,051 | 1,431,505 |
| Total contributions | <u>9,550,287</u> | <u>3,535,472</u> | <u>9,519,564</u> | <u>22,605,323</u> |
| Investment income/(expenses): | | | | |
| Net appreciation in fair value of investments | 772,543 | 334,330 | 292,359 | 1,399,232 |
| Interest, dividends, and other income | 2,376,298 | 1,032,631 | 1,690,593 | 5,099,522 |
| Investment expenses | (625,117) | (284,302) | (456,801) | (1,366,220) |
| Net investment income/(expense) | <u>2,523,724</u> | <u>1,082,659</u> | <u>1,526,151</u> | <u>5,132,534</u> |
| Total additions | <u>12,074,011</u> | <u>4,618,131</u> | <u>11,045,715</u> | <u>27,737,857</u> |
| Deductions | | | | |
| Benefits paid to participants | 12,455,822 | 4,169,979 | 9,453,326 | 26,079,127 |
| Administrative expenses | 243,847 | 218,135 | 226,310 | 688,292 |
| Total deductions | <u>12,699,669</u> | <u>4,388,114</u> | <u>9,679,636</u> | <u>26,767,419</u> |
| Net increase/(decrease) in plan net position | (625,658) | 230,017 | 1,366,079 | 970,438 |
| Net position restricted for pension benefits - Beginning of fiscal year | <u>138,049,710</u> | <u>60,149,108</u> | <u>99,186,092</u> | <u>297,384,910</u> |
| Net position restricted for pension benefits - End of fiscal year | <u>\$ 137,424,052</u> | <u>\$ 60,379,125</u> | <u>\$ 100,552,171</u> | <u>\$ 298,355,348</u> |

The accompanying notes to the financial statements are an integral part of these financial statements.

RETIREMENT PLANS FOR SACRAMENTO REGIONAL TRANSIT DISTRICT EMPLOYEES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

1. DESCRIPTION OF THE PLANS

The financial statements of the Retirement Plans for the Sacramento Regional Transit District Employees encompass the financial position and changes therein, for the ATU, IBEW, and Salaried Plans. The combined plans are reported as pension trust funds in the Sacramento Regional Transit District's (District) financial statements.

ATU and IBEW Plans

The Retirement Plans for Sacramento Regional Transit District Employees who are Members of Amalgamated Transit Union (ATU Plan) Local 256 and International Brotherhood of Electrical Workers (IBEW Plan) Local 1245 are single employer defined benefit pension plans covering contract employees of the District. Participants should refer to their respective plan agreements for more complete information. The ATU Plan and IBEW Plan were accounted for as one plan for accounting purposes prior to 2017 (collectively, the ATU/IBEW Plan). Effective July 1, 2016, separate trust agreements and financial record keeping was created for the ATU Plan and IBEW Plan based on actuarial calculations and trustee transactions. Each trust allows for accumulation of assets solely for the payment of benefits to plan members. The changes were approved and required by the Internal Revenue Service in order to establish the individual trusts.

Salaried Plan

The Retirement Plan for Sacramento Regional Transit District Salaried Employees (Salaried Plan) is a single employer defined benefit pension plan covering full- or part-time employees in the following employee groups: Operating Engineers Local 3 which remain under the Administrative Employees Association (AEA), Management and Confidential Employees Group (MCEG), and the American Federation of State, County & Municipal Employees, Local 146, AFL-CIO (AFSCME). AFSCME is further split into two groups AFSCME-Technical and AFSCME-Supervisors. Participants should refer to the Salaried Plan agreement for more complete information. The Salaried Plan is reported as a pension trust fund in the District's financial statements.

Plan Tier Definition – As a result of labor negotiations and the court ruling on the Public Employees' Pension Reform Act (PEPRA), Tier 2 was created in the ATU, IBEW and Salaried Plans, as well as a Tier 3 for the ATU only. The Tiers effective dates are directly affected by labor negotiations and whether the union/employee group was under a current Memorandum of Understanding (MOU). As of June 30, 2020 the following tiers apply to employees, based on their date of hire.

- ATU – Tier 1 consists of all employees hired on or before December 31, 2014, Tier 2 consists of all employees hired on or after January 1, 2016, Tier 3 consists of all employees hired during the time period January 1, 2015 to December 31, 2015.
- IBEW – Tier 1 consists of all employees hired on or before December 30, 2014, Tier 2 consists of all employees hired on or after December 31, 2014.
- Salaried – Tier 1 consists of all employees hired on or before December 30, 2014, Tier 2 consists of all employees hired on or after December 31, 2014.

Tier 1 and Tier 3 are closed to new entrants as all newly hired employees will be placed into the respective Tier 2 plans.

**RETIREMENT PLANS FOR SACRAMENTO REGIONAL TRANSIT
DISTRICT EMPLOYEES**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

1. DESCRIPTION OF THE PLANS (Continued)

General Provisions ATU, IBEW and Salaried Plans

Contributions to the ATU, IBEW and Salaried Plans are authorized or amended by the Retirement Board based on an actuarial basis. The authority under which benefit provisions are established and amended rests with the District's Board of Directors as a result of labor negotiations. Assembly Bill 1064, effective January 1, 2004, mandates that the Retirement Boards be comprised of equal representation of management and Bargaining Group employees. The Retirement Board shall consist of not more than 4 members and 2 alternates. Two (2) voting members and one (1) alternate shall be appointed by the District's Board of Directors and two (2) voting members and one (1) alternate shall be appointed by the ATU, IBEW, AEA, AFSCME, and MCEG member groups.

The ATU, IBEW and Salaried Plans provide defined pension, disability, and death benefits to employees who are members of the ATU, IBEW, AEA, MCEG, AFSCME-Technical, and AFSCME-Supervisors bargaining units.

Plan membership for Tier 1, Tier 2 and Tier 3, at June 30, 2020, consisted of:

| | ATU | IBEW | Salaried |
|--|-------|------|----------|
| Retirees and beneficiaries currently receiving benefits | 484 | 147 | 323 |
| Terminated members entitled to but not yet collecting benefits | 29 | 20 | 46 |
| Current active members | 538 | 211 | 243 |
| | 1,051 | 378 | 612 |

**RETIREMENT PLANS FOR SACRAMENTO REGIONAL TRANSIT
DISTRICT EMPLOYEES**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

1. DESCRIPTION OF THE PLANS (Continued)

RETIREMENT BENEFITS

Table 1 below presents a summary of the retirement benefits for Tier 1 employees for each of the employee groups represented by the ATU, IBEW and Salaried Plans. Table 1 also includes the summary for ATU Tier 3.

Table 1

| TIER 1 & TIER 3 | ATU Plan | IBEW Plan | Salaried Plan | | | |
|---|---|------------------|--|---------------------------------|------------|-------------|
| Employee Unions/Groups | ATU | IBEW | AFSCME - Technical | AFSCME - Supervisors | AEA | MCEG |
| Plan Terms | MOU | MOU | MOU | MOU | MOU | MOU |
| Vesting Period: Years of Service - % Vested | 10 - 100% | 5 - 100% | 5 - 20% 6 - 40% 7 - 60% 8 - 80% 9 - 100% | 9 - 100% | 5 - 100% | 5 - 100% |
| Vacation and sick leave sell back towards pension calculation | Allowable | Allowable | Allowable | Allowable | Allowable | Allowable |
| Disability Retirement Multiplier | Equal to applicable retirement age multiplier or 2% if age and service are not met. Vesting required | | | | | |

**RETIREMENT PLANS FOR SACRAMENTO REGIONAL TRANSIT
DISTRICT EMPLOYEES**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

1. DESCRIPTION OF THE PLANS (Continued)

Table 2 below presents a summary of the retirement benefits for Tier 2 employees for each of the employee groups represented by the ATU, IBEW and Salaried Plans.

Table 2

| TIER 2 | ATU Plan | IBEW Plan | Salaried Plan | | | |
|---|---|------------------|--------------------|----------------------|------------------|------------------|
| Employee Unions/Groups | ATU | IBEW | AFSCME - Technical | AFSCME - Supervisors | AEA | MCEG |
| Plan Terms | PEPRA | PEPRA | PEPRA | PEPRA | PEPRA | PEPRA |
| Vesting Period: Years of Service - % Vested | 5 - 100% | 5 - 100% | 5 - 100% | 5 - 100% | 5 - 100% | 5 - 100% |
| Vacation and sick sell back towards pension calculation | Not Allowable | Not Allowable | Not Allowable | Not Allowable | Not Allowable | Not Allowable |
| Disability Retirement Multiplier | Equal to applicable retirement age multiplier or 2% if age and service are not met. Vesting required | | | | | |

The retirement ages, years of service and pension calculation multipliers vary by employee union/group. The multipliers and years of service range from 2% at age 55 or 25 years of service to 2.5% at age 60 or 30 or more years of service for Tier 1 and Tier 3. All Tier 2 participants fall under PEPRA requirements.

The benefits for both Tier 1 and Tier 2 members begin at retirement and continue for the participant's life with no cost of living adjustment. The participant can elect to receive reduced benefits with continuing benefits to a beneficiary after death.

Disability Benefits – A participant is eligible for a disability benefit if the participant is unable to perform the duties of his or her job with the District, cannot be transferred to another job with the District, and has submitted satisfactory medical evidence of permanent disqualification from his or her job. Members are required to be vested in their respective union or employee group to qualify for disability retirement. The disability benefit is equal to the retirement allowance, as defined by the ATU, IBEW or Salaried Plan, multiplied by service accrued through the date of disability. The disability benefit cannot exceed the retirement benefit. The benefit begins at disability and continues until recovery or for the participant's life unless the participant elects to receive reduced benefits with continuing benefits to a beneficiary after death.

Pre-Retirement Death Benefit – A participant's surviving spouse is eligible for a pre-retirement death benefit if the participant is vested, based on the respective bargaining agreements. The pre-retirement death benefit is the actuarial equivalent of the normal retirement benefit, as if the participant retired on the date of death. The death benefit begins when the participant dies and continues for the life of the surviving spouse.

RETIREMENT PLANS FOR SACRAMENTO REGIONAL TRANSIT DISTRICT EMPLOYEES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE FISCAL YEAR ENDED JUNE 30, 2020

1. DESCRIPTION OF THE PLANS (Continued)

Administration – The ATU, IBEW, and Salaried Plans are administered by the ATU, IBEW, and Salaried Plan’s Retirement Boards. All expenses incurred in the administration of the ATU, IBEW, and Salaried Plans are paid by the respective plan.

Plan Termination – Should the ATU, IBEW or the Salaried Plan be terminated, the Plans’ net position will first be applied to provide for retirement benefits to retired members. Any remaining net position will be allocated to other members, oldest first both active and inactive, on the basis of the actuarial present value of their benefits.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and reporting guidelines set forth by the Government Accounting Standards Board (GASB). The ATU, IBEW and Salaried Plans are reported as pension trust funds which report resources that are required to be held in trust for the members and beneficiaries of the defined benefit pension plans. The ATU, IBEW and Salaried Plans are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting.

The District’s contributions to the ATU, IBEW and Salaried Plans are recognized in the period in which the contributions are due pursuant to formal commitments or contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the ATU, IBEW and Salaried Plans’ agreements.

Cash and Short-Term Investments – The ATU, IBEW and Salaried Plans consider all highly liquid investments with an original maturity of three months or less to be short-term investments.

Investments – Investments consist of securities or other assets held primarily for the purpose of income or profit and their present service capacity is based solely on its ability to generate cash or to be sold to generate cash. Realized gains or losses on the sale of investments are recorded on the trade date as the difference between proceeds received and the fair value at the beginning of the year, or cost if acquired during the year. Net appreciation (depreciation) in fair value of investments includes net unrealized market appreciation and depreciation of investments and net realized gains and losses on the sale of investments during the period. Interest income includes dividends and interest paid on the ATU, IBEW and Salaried Plans’ investments. The investment assets for the ATU, IBEW and the Salaried Plans are combined into one commingled investment portfolio. The balances of investments owned by the plans are calculated based on a percentage of ownership as determined by the Plans’ custodian, Northern Trust.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires the ATU, IBEW and Salaried Plans’ administrators to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

New Pronouncements – For the fiscal year ended June 30, 2020, the ATU, IBEW and Salaried Plans did not implement new GASB pronouncements as they did not apply to the ATU, IBEW and Salaried Plans' financial activity or were immaterial.

The District will evaluate the impact of new GASB pronouncements in the year they are implemented or effective.

**RETIREMENT PLANS FOR SACRAMENTO REGIONAL TRANSIT
DISTRICT EMPLOYEES**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

3. CONTRIBUTION REQUIREMENTS

EMPLOYER CONTRIBUTIONS

The ATU, IBEW and Salaried Plans' funding policies provides for actuarially determined periodic contributions. Contribution rates for retirement benefits are determined using the entry age normal cost method. During the fiscal year ended June 30, 2020, the District made contributions to the ATU, IBEW and Salaried Plans of \$21,173,818, for all employees.

TIER 1 EMPLOYEES

For the fiscal year ended June 30, 2020, the actuarially determined rate for the ATU Plan was 27.78% of covered payroll, the IBEW Plan was 24.73% of covered payroll, and the Salaried Plan was 35.41% of covered payroll. No contributions are required by the ATU, IBEW and Salaried Plans' members pursuant to each respective bargaining agreement for employees hired before January 1, 2015.

TIER 2 EMPLOYEES

As of January 1, 2015, all new employees were required to contribute to their pension based upon the terms of the bargaining groups MOU or based on PEPRAs.

ATU employees are required to contribute 50% of normal cost which is currently 7.25% of their annual salary. The employer portion of the actuarially determined rate for the ATU members was 20.53% of covered payroll for the fiscal year ending June 30, 2020. The total contribution by Tier 2 employees of the ATU Plan for the fiscal year ended June 30, 2020 was \$722,574.

IBEW employees are required to contribute 50% of normal cost which is currently 6.00% of their annual salary. The employer portion of the actuarially determined rate for the IBEW members was 18.73% of covered payroll for the fiscal year ending June 30, 2020. The total contribution by Tier 2 employees of the IBEW Plan for the fiscal year ended June 30, 2020 was \$304,593.

Members of AEA, MCEG, AFSCME-Supervisors, and AFSCME-Technical are required to contribute 50% of normal cost which is currently 5.75% of their annual salary. The employer portion of the actuarially determined rate for the AEA, MCEG, and AFSCME-Supervisors members was 29.66% of covered payroll for the fiscal year ending June 30, 2020. The total contribution by Tier 2 employees of the Salaried Plan for the fiscal year ended June 30, 2020 was \$360,051.

The employee contribution rates calculated in compliance with PEPRAs, for the fiscal year ended June 30, 2020, were actuarially determined as part of the valuations dated July 1, 2018.

TIER 3 EMPLOYEES

ATU employees hired during the time period January 1, 2015 and December 31, 2015, are required to contribute 3% of pay. The employer portion of the actuarially determined rate for the ATU members was 24.78% of covered payroll for the fiscal year ending June 30, 2020. The total contribution by Tier 3 employees of the ATU Plan for the fiscal year ended June 30, 2020 was \$44,287.

**RETIREMENT PLANS FOR SACRAMENTO REGIONAL TRANSIT
DISTRICT EMPLOYEES**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

4. CASH AND INVESTMENTS

CASH AND SHORT-TERM INVESTMENTS

At June 30, 2020, the reported amount of cash and short-term investments of the ATU, IBEW and Salaried Plans was \$15,526,301. The amount was collateralized with securities held by the counterparty's trust department or agent in the District's name on behalf of the Retirement Plans.

INVESTMENTS

An annual Board-adopted policy, the "Statement of Investment Objectives and Policy Guidelines for the Sacramento Regional Transit District Retirement Plans" (Policy), governs the ATU, IBEW and Salaried Plans' investments. The Policy focuses on the continued feasibility of achieving, and the appropriateness of, the Asset Allocation Policy, the Investment Objectives, the Investment Policies and Guidelines, and the Investment Restrictions. The Retirement Boards have the authority to amend the asset allocation targets as well as establish and amend investment policies. The following was the Plans' adopted asset allocation policy as of June 30, 2020:

| <u>Asset Class</u> | <u>Target Allocation</u> |
|--|------------------------------|
| Domestic Equity Large Cap | 32% |
| Domestic Equity Small Cap | 8% |
| International Equity Developed Large Cap | 14% |
| International Equity Developed Small Cap | 5% |
| International Equity Emerging Markets | 6% |
| Domestic Fixed Income | 25% |
| Real Estate | 10% |

For the years ended June 30, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 1.98%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**RETIREMENT PLANS FOR SACRAMENTO REGIONAL TRANSIT
DISTRICT EMPLOYEES**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

4. CASH AND INVESTMENTS (Continued)

The following table identifies the investment types that are authorized by the ATU, IBEW and Salaried Plans' Retirement Boards. The table also identifies certain provisions of the Investment Objectives and Policy that address interest rate risk, credit risk and concentration of credit risk.

| Authorized Investment Type | Maximum Maturity (1) | Minimum Rating (3) | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|--|----------------------|--------------------|---------------------------------|----------------------------------|
| Cash | None | N/A | None | None |
| U.S. Treasury Bills | None | N/A | None | None |
| Agency Discount Notes | None | N/A | None | None |
| Certificates of Deposit | None | N/A | None | None |
| Bankers Acceptances | None | N/A | None | None |
| Commercial Paper | None | A2/P2 | None | None |
| Asset-Backed Commercial Paper | None | A2/P2 | None | None |
| Money Market Funds and Bank Short-Term Investment Funds (STIF) | None | N/A | None | None |
| Repurchase Agreements | None | N/A | None | None |
| U.S. Government and Agency Securities | None | N/A | None | None |
| Credit Securities/Corporate Debt (4) | None | N/A | None | None |
| Securitized Investments (5) | None | N/A | None | None |
| Emerging Markets | None | N/A | None | None |
| International Fixed Income Securities | None | N/A | None | None |
| Other Fixed Income Securities (6) | None | N/A | None | None |
| Mutual Funds and Interest in Collective and Commingled Funds | N/A | N/A | 25% (2) | 5% |
| Real Estate Investment Trust | N/A | N/A | 25% (2) | 5% |
| Depository Receipt | N/A | N/A | 25% (2) | 5% |
| Stocks | N/A | N/A | 25% (2) | 5% |
| Other Equity Securities (7) | N/A | N/A | 25% (2) | 5% |
| Real Estate | None | N/A | None | None |

- (1) The fixed income portion of the ATU, IBEW and Salaried Plans shall be limited in duration to between 75% and 125% of the Bloomberg Aggregate Index benchmark.
- (2) No more than 25% of the fair value on the purchase cost basis of the total common stock portfolio (equity securities) shall be invested in a single industry at the time of purchase.
- (3) The investment managers shall maintain a minimum overall portfolio quality rating of "A" equivalent or better at all times (based on market-weighted portfolio average). Minimum quality (at purchase) must be at least 80% Baa or above.
- (4) Credit Securities and Corporate Debt include: debentures, medium-term notes, capital securities, trust preferred securities, Yankee bonds, Eurodollar securities, floating rate notes and perpetual floaters, structured notes, municipal bonds, preferred stock, private placements (bank loans and 144(a) securities), and Enhanced Equipment Trust Certificates (EETCs).
- (5) Securitized investments includes: agency and non-agency mortgage-backed securities, asset-backed securities (144(a) securities), and commercial mortgage-backed securities.
- (6) Other Fixed Income Securities includes: fixed income commingled and mutual funds, futures and options, swap agreements, and reverse repurchase agreements.
- (7) Other Equity Securities include: rights and warrants.

**RETIREMENT PLANS FOR SACRAMENTO REGIONAL TRANSIT
DISTRICT EMPLOYEES**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

4. CASH AND INVESTMENTS (Continued)

INVESTMENT RISK FACTORS

There are many factors that can affect the value of investments. Such factors as interest rate risk, credit risk, custodial credit risk, concentration of credit risk, and foreign currency risk may affect both equity and fixed income securities.

INTEREST RATE RISK

Interest rate risk is the risk that the value of fixed income securities will decline because of rising interest rates. The prices of fixed income securities with a longer time to maturity, measured by duration, tend to be more sensitive to changes in interest rates and, therefore, more volatile than those with shorter duration.

The following table provides information about the interest rate risks associated with the ATU, IBEW and Salaried Plans' investments at June 30, 2020.

| | Maturity in Years | | | | Amount |
|-------------------------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
| | Less than 1 | 1 - 5 | 6 - 10 | More than 10 | |
| Collateralized Mortgage Obligations | \$ - | \$ - | \$ - | \$ 4,316,376 | \$ 4,316,376 |
| Corporate Bonds | 1,150,675 | 10,940,795 | 6,334,523 | 12,421,814 | 30,847,807 |
| Municipal Bonds | - | - | - | 735,629 | 735,629 |
| U.S. Government Agency Obligations | 257,441 | 164,321 | 12,510 | 35,405,207 | 35,839,479 |
| U.S. Government Issued Obligations | - | 6,110,861 | 3,017,335 | 3,138,095 | 12,266,291 |
| Asset-Backed Securities | - | 562,765 | 1,440,777 | 6,464,251 | 8,467,793 |
| Total | \$ 1,408,116 | \$ 17,778,742 | \$ 10,805,145 | \$ 62,481,372 | \$ 92,473,375 |

In accordance with the ATU, IBEW and Salaried Plans' investment policy, investments may include collateralized mortgage obligations, mortgage pass-through securities, asset-backed securities, callable bonds and corporate debts that are considered to be highly sensitive to changes in interest rates.

RETIREMENT PLANS FOR SACRAMENTO REGIONAL TRANSIT DISTRICT EMPLOYEES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE FISCAL YEAR ENDED JUNE 30, 2020

4. CASH AND INVESTMENTS (Continued)

COLLATERALIZED MORTGAGE OBLIGATIONS

Collateralized mortgage obligations (CMOs) are bonds that represent claims to specific cash flow from large pools of home mortgages. The streams of principal and interest payments on the mortgages are distributed to the different classes of CMO interests.

CMOs are often highly sensitive to changes in interest rates and any resulting change in the rate at which homeowners sell their properties, refinance, or otherwise pre-pay their loans. Investors in these securities may not only be subjected to such prepayment risk, but also exposed to significant market and liquidity risks.

MORTGAGE PASS-THROUGH SECURITIES

These securities, disclosed as U.S. Government Agency Obligations in the interest rate risk table above, are issued by Government Sponsored Enterprises (GSEs) which are a group of financial services corporations created by the United States Congress. The GSEs include: the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), and the Federal Home Loan Banks. Another institution that issues these securities is the Government National Mortgage Association (Ginnie Mae). These securities are highly sensitive to interest rate fluctuations because they are subject to early payment. In a period of declining interest rate, the resulting reduction in expected total cash flows affects the value of these securities.

ASSET-BACKED SECURITIES

Asset-backed securities generate a return based upon either the payment of interest or principal on obligations in an underlying pool. The relationship between interest rates and prepayments make the value highly sensitive to changes in interest rates.

CALLABLE BONDS

Although bonds are issued with clearly defined maturities, an issuer may be able to redeem, or call, a bond earlier than its maturity date. The Plans must then replace the called bond with a bond that may have a lower yield than the original bond. The call feature causes the value to be highly sensitive to changes in interest rates. As of June 30, 2020, the ATU, IBEW and Salaried Plans held callable bonds with a value of \$24,570,092.

CREDIT RISK

Fixed income securities are subject to credit risk, which is the risk that a bond issuer or other counterparty to a debt instrument will not fulfill its obligation to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. The circumstances may arise due to a variety of factors such as financial weakness, bankruptcy, litigation and/or adverse political developments.

**RETIREMENT PLANS FOR SACRAMENTO REGIONAL TRANSIT
DISTRICT EMPLOYEES**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

4. CASH AND INVESTMENTS (Continued)

A bond's credit quality is an assessment of the issuer's ability to pay interest on the bond, and ultimately, to pay the principal. Credit quality is evaluated by one of the independent bond-rating agencies, for example Moody's Investors Services (Moody's). The lower the rating the greater the chance, in the rating agency's opinion, the bond issuer will default, or fail to meet their payment obligations. Generally, the lower a bond's credit rating, the higher its yield should be to compensate for the additional risk.

Certain fixed income securities, including obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are not considered to have credit risk.

For the fiscal year ending June 30, 2020, the ATU, IBEW and Salaried Plans were in adherence with the credit risk provisions of the Statement of Investment Objectives and Policy Guidelines which require a minimum overall portfolio quality rating and a minimum credit rating at the time of purchase.

The following table provides information on the credit ratings and fair value associated with the ATU, IBEW and Salaried Plans' investments as of June 30, 2020.

| Investment Rating | Amount | Percentage of Portfolio |
|-------------------|----------------|----------------------------|
| Not Applicable | \$ 200,803,588 | 68.49% |
| Not Rated | 41,082,100 | 14.01% |
| Aaa | 16,369,284 | 5.58% |
| Aa1 | 904,268 | 0.31% |
| Aa2 | 852,322 | 0.29% |
| Aa3 | 1,244,081 | 0.42% |
| A1 | 1,163,597 | 0.40% |
| A2 | 3,687,332 | 1.26% |
| A3 | 2,822,106 | 0.96% |
| Baa1 | 4,911,051 | 1.67% |
| Baa2 | 6,575,718 | 2.24% |
| Baa3 | 5,550,000 | 1.89% |
| Ba1 | 1,827,811 | 0.62% |
| Ba2 | 1,477,331 | 0.50% |
| Ba3 | 899,991 | 0.31% |
| B1 | 689,030 | 0.23% |
| B2 | 480,133 | 0.16% |
| B3 | 724,078 | 0.25% |
| Caa1 | 148,235 | 0.05% |
| Caa2 | 39,998 | 0.01% |
| WR | 1,024,909 | 0.35% |
| | \$ 293,276,963 | 100.00% |

**RETIREMENT PLANS FOR SACRAMENTO REGIONAL TRANSIT
DISTRICT EMPLOYEES**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

4. CASH AND INVESTMENTS (Continued)

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk associated with a lack of diversification of having too much invested in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory, geographic, or credit developments.

The investment policies of the ATU, IBEW and Salaried Plans state that an investment in each domestic or international equity fund managers' securities of a single issuer shall not exceed 5% (at cost) of the value of the portfolios and/or of the total outstanding shares. As of June 30, 2020, the Plans held more than 5% of the Plans' fiduciary net position and more than 5% of total investments in the following fixed-income securities investments.

| | | |
|---------------------------------------|----|------------|
| Federal National Mortgage Association | \$ | 14,800,413 |
|---------------------------------------|----|------------|

CUSTODIAL CREDIT RISK

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

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, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The ATU, IBEW and Salaried Plans' investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments. The ATU, IBEW and Salaried Plans' investment securities are not exposed to custodial credit risk because all securities are held by the ATU, IBEW and Salaried Plans' custodian bank in the District's name.

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 ATU, IBEW and Salaried Plans' investment policy states international equity securities shall be comprised of American Depository Receipts (ADR) of non-U.S. companies, common stocks of non-U.S. companies, preferred stocks of non-U.S. companies, foreign convertible securities including debentures convertible to common stocks, and cash equivalents.

As of June 30, 2020, the ATU, IBEW and Salaried Plans do not have any deposits or investments in a foreign currency.

**RETIREMENT PLANS FOR SACRAMENTO REGIONAL TRANSIT
DISTRICT EMPLOYEES**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

4. CASH AND INVESTMENTS (Continued)

Fair Value Measurements

The ATU, IBEW and Salaried Plans categorize their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The ATU, IBEW and Salaried Plans had the following recurring fair value measurements as of June 30, 2020:

| | June 30, 2020 | Fair Value Measurements Using | | |
|--|-----------------------|---|--|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Debt Securities | | | | |
| Collateralize mortgage obligations | \$ 4,316,376 | \$ - | \$ 4,316,376 | \$ - |
| Corporate bonds | 30,847,807 | - | 30,847,807 | - |
| Municipals | 735,629 | - | 735,629 | - |
| U.S. Government Agency obligations | 35,839,479 | - | 35,839,479 | - |
| U.S. Government issued obligations | 12,266,291 | - | 12,266,291 | - |
| Asset backed obligations | 8,467,793 | - | 8,467,793 | - |
| Equity Securities | | | | |
| Common stock | 70,418,580 | 70,418,580 | - | - |
| Depository receipts | 999,992 | 999,992 | - | - |
| Real estate investment trust | 266,848 | 266,848 | - | - |
| Other | 571 | 571 | - | - |
| Total investments by fair value level | <u>\$ 164,159,366</u> | <u>\$ 71,685,991</u> | <u>\$ 92,473,375</u> | <u>\$ -</u> |
| Investments measured at the net asset value | | | | |
| S&P 500 index fund | \$ 52,802,330 | | | |
| MSCI EAFE index fund | 13,671,689 | | | |
| International large capital equity fund | 28,350,682 | | | |
| International small capital equity fund | 15,246,762 | | | |
| International emerging markets fund | 19,046,134 | | | |
| Total investments measured at NAV | <u>129,117,597</u> | | | |
| Total investments measured at fair value | <u>\$ 293,276,963</u> | | | |

**RETIREMENT PLANS FOR SACRAMENTO REGIONAL TRANSIT
DISTRICT EMPLOYEES**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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JUNE 30, 2020**

4. CASH AND INVESTMENTS (Continued)

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Net asset value (NAV) securities are valued based on the net asset value of the pooled investments. The NAV per unit is determined by dividing the total value of the securities and other assets, less any liabilities, by the total outstanding units of the fund.

Investment measured at the net asset value (NAV)

| | June 30, 2020 | Fair Value | Unfunded Commitments | Redemptions Frequency | Redemptions Notice Period |
|--|-----------------------|-----------------------|-------------------------|--------------------------|------------------------------|
| S&P 500 index fund ¹ | \$ 52,802,330 | \$ 52,802,330 | \$ - | Daily | 1 day |
| MSCI EAFE index fund ² | 13,671,689 | 13,671,689 | - | Semi-monthly | 6-8 days |
| International large capital equity fund ³ | 28,350,682 | 28,350,682 | - | Monthly | 7 days |
| International small capital equity fund ⁴ | 15,246,762 | 15,246,762 | - | Monthly | 2 days |
| International emerging markets fund ⁵ | 19,046,134 | 19,046,134 | - | Daily | 1 day |
| Total investments measured at the NAV | <u>\$ 129,117,597</u> | <u>\$ 129,117,597</u> | <u>\$ -</u> | | |

1. S&P 500 index fund. This type includes an investment in a S&P 500 index fund that invests to match the S&P 500® Index. The S&P 500 is made up of primarily U.S. common stocks. The fair value of the investment in this type has been determined using the NAV per unit of the investment. The NAV per unit of the investment are determined each business day. Issuances and redemptions of fund units may be made on such days, based upon the closing market value on the valuation date of the investments bought or sold and the NAV per unit of the fund.

2. MSCI EAFE index fund. This type includes an investment in the Morgan Stanley Capital International Europe, Australasia, Far East Index (MSCI EAFE) Index fund that invest to approximate as closely as practicable, before expenses, the performance of the MSCI EAFE Index over the long term. The MSCI EAFE Index is made up of primarily International stocks. The per unit NAV of the fund is determined as of the last business day of each month and at least one other business day during the month. Issuances and redemptions of fund units may be made on such days, based upon the closing market value on the valuation date of the investments bought or sold and the NAV per unit of the fund.

3. International large capital equity fund. This type includes an investment in an International Equity Fund that seeks total return from long-term capital growth and income, while attempting to outperform the MSCI EAFE Index over a market cycle, gross of fees. The fair value of the investment in this type has been determined using the NAV per unit of the investment. The Trust has one dealing day per month, which is the first business day, and units are issued based upon a valuation on the last business day of the preceding month.

4. International small capital equity fund. The fund intends to utilize a set of valuation, momentum and economic factors to generate an investment portfolio based on security selection procedures geared to assist the fund in meeting its investment objectives. The fund generally will be managed by underweighting and overweighting securities relative to the benchmark. The investment objective is to outperform the MSCI EAFE Small Cap Index over a full market cycle. The fair value of the investment in this type has been determined using the NAV per unit of the investment. The fund has one dealing day per month, which is the first business day, and notification is required at least two business days in advance of a subscription or withdrawal.

**RETIREMENT PLANS FOR SACRAMENTO REGIONAL TRANSIT
DISTRICT EMPLOYEES**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

4. CASH AND INVESTMENTS (Continued)

5. International emerging markets fund. This type invests substantially all of its assets in the Emerging Market Series. The Emerging Market Series purchases a broad market coverage of larger companies associated with emerging markets, which may include frontier markets (emerging market countries in an earlier stage of development), authorized for investment by the Advisor’s Investment Committee. As a non-fundamental policy, under normal circumstances, the Emerging Markets Series will invest at least 80% of its net assets in emerging markets investments that are defined in the Prospectus as Approved Market securities. The fair values of the investments in this type have been determined using the NAV per unit of the investments. Investors may purchase or redeem units of the fund on any business day.

5. NET PENSION LIABILITY

ATU Plan

The components of the net pension liability of the ATU Plan at June 30, 2020, were as follows:

| | | |
|--|----|----------------------|
| Total pension liability | \$ | 188,721,035 |
| Plan fiduciary net position | | <u>(137,424,052)</u> |
| ATU net pension liability | \$ | <u>51,296,983</u> |
| Plan fiduciary net position as a percentage of the total pension liability | | 72.82% |

The total pension liability was determined by an actuarial valuation as of July 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, and using update procedures to roll forward the total pension liability to the pension plan’s fiscal year-end:

| | |
|---------------------------|--|
| Inflation | 3.00% |
| Amortization growth rate | 3.00% |
| Salary increases | 3.00%, plus merit component |
| Investment Rate of Return | 7.25%, net of investment expense |
| Post-retirement mortality | RP 2014 w/ Scale MP-2015, base tables adjusted 115% for males and 130% for females |

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2015.

The discount rate used to measure the Total Pension Liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that the District will continue to contribute to the ATU Plan based on an actuarially determined contribution, reflecting a payment equal to annual Normal Cost, the expected administrative expenses, and an amount necessary to amortize the remaining Unfunded Actuarial Liability as a level percentage of payroll over a closed period (13 years remaining as of the July 1, 2019 actuarial valuation).

Based on those assumptions, the ATU Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current ATU Plan members. Therefore, the long-term expected rate of return on the ATU Plan’s investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

**RETIREMENT PLANS FOR SACRAMENTO REGIONAL TRANSIT
DISTRICT EMPLOYEES**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

5. NET PENSION LIABILITY (Continued)

The following presents the net pension liability of the ATU Plan, calculated using the discount rate of 7.25 percent, as well as what the ATU Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

| | 1% Decrease 6.25% | Discount Rate 7.25% | 1% Increase 8.25% |
|---|-------------------------|---------------------------|-------------------------|
| Total pension liability | \$ 207,664,700 | \$ 188,721,035 | \$ 172,497,874 |
| Plan fiduciary net position | (137,424,052) | (137,424,052) | (137,424,052) |
| Net pension liability | \$ 70,240,648 | \$ 51,296,983 | \$ 35,073,822 |
| Plan fiduciary net position as a percentage of the total pension liability | 66.18% | 72.82% | 79.67% |

IBEW Plan

The components of the net pension liability of the IBEW Plan at June 30, 2020, were as follows:

| | |
|---|---------------|
| Total pension liability | \$ 84,200,710 |
| Plan fiduciary net position | (60,379,125) |
| IBEW net pension liability | \$ 23,821,585 |
| Plan fiduciary net position as a percentage of the total pension liability | 71.71% |

The total pension liability was determined by an actuarial valuation as of July 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, and using update procedures to roll forward the total pension liability to the pension plan's fiscal year-end:

| | |
|---------------------------|--|
| Inflation | 3.00% |
| Amortization growth rate | 3.00% |
| Salary increases | 3.00%, plus merit component |
| Investment Rate of Return | 7.25%, net of investment expense |
| Post-retirement mortality | RP 2014 w/ Scale MP-2015, base tables adjusted 115% for males and 130% for females |

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2015.

The discount rate used to measure the Total Pension Liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that the District will continue to contribute to the IBEW Plan based on an actuarially determined contribution, reflecting a payment equal to annual Normal Cost, the expected administrative expenses, and an amount necessary to amortize the remaining Unfunded Actuarial Liability as a level percentage of payroll over a closed period (13 years remaining as of the July 1, 2019 actuarial valuation).

**RETIREMENT PLANS FOR SACRAMENTO REGIONAL TRANSIT
DISTRICT EMPLOYEES**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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5. NET PENSION LIABILITY (Continued)

Based on those assumptions, the IBEW Plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current IBEW Plan members. Therefore, the long-term expected rate of return on the IBEW Plan's investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

The following presents the net pension liability of the IBEW Plan, calculated using the discount rate of 7.25 percent, as well as what the IBEW Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

| | 1% Decrease 6.25% | Discount Rate 7.25% | 1% Increase 8.25% |
|---|-------------------------|---------------------------|-------------------------|
| Total pension liability | \$ 93,263,190 | \$ 84,200,710 | \$ 76,491,919 |
| Plan fiduciary net position | (60,379,125) | (60,379,125) | (60,379,125) |
| Net pension liability | \$ 32,884,065 | \$ 23,821,585 | \$ 16,112,794 |
| | | | |
| Plan fiduciary net position as a percentage of the total pension liability | 64.74% | 71.71% | 78.94% |

Salaried Plan

The components of the net pension liability of the Salaried Plan at June 30, 2020, were as follows:

| | |
|---|----------------|
| Total pension liability | \$ 159,593,959 |
| Plan fiduciary net position | (100,552,171) |
| Salaried net pension liability | \$ 59,041,788 |
| | |
| Plan fiduciary net position as a percentage of the total pension liability | 63.00% |

**RETIREMENT PLANS FOR SACRAMENTO REGIONAL TRANSIT
DISTRICT EMPLOYEES**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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5. NET PENSION LIABILITY (Continued)

The total pension liability was determined by an actuarial valuation as of July 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, and using update procedures to roll forward the total pension liability to the pension plan's fiscal year-end:

| | |
|---------------------------|---|
| Inflation | 3.00% |
| Amortization growth rate | 3.00% |
| Salary increases | 3.00%, plus merit component |
| Investment Rate of Return | 7.25%, net of investment expense |
| Post-retirement mortality | RP 2014 w/ Scale MP-2015, base tables adjusted 130% for females |

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2015.

The discount rate used to measure the Total Pension Liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that the District will continue to contribute to the Salaried Plan based on an actuarially determined contribution, reflecting a payment equal to annual Normal Cost, the expected administrative expenses, and an amount necessary to amortize the remaining Unfunded Actuarial Liability as a level percentage of payroll over a closed period (13 years remaining as of the July 1, 2019 actuarial valuation).

Based on those assumptions, the Salaried Plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current Salaried Plan members. Therefore, the long-term expected rate of return on Salaried Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

The following presents the net pension liability of the Salaried Plan, calculated using the discount rate of 7.25 percent, as well as what the Salaried Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

| | 1% Decrease 6.25% | Discount Rate 7.25% | 1% Increase 8.25% |
|---|-------------------------|---------------------------|-------------------------|
| Total pension liability | \$ 177,895,622 | \$ 159,593,959 | \$ 144,071,674 |
| Plan fiduciary net position | (100,552,171) | (100,552,171) | (100,552,171) |
| Net pension liability | <u>\$ 77,343,451</u> | <u>\$ 59,041,788</u> | <u>\$ 43,519,503</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 56.52% | 63.00% | 69.79% |

**RETIREMENT PLANS FOR SACRAMENTO REGIONAL TRANSIT
DISTRICT EMPLOYEES**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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5. NET PENSION LIABILITY (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation. Actuarial methods and assumptions used include techniques designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets.

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effect of legal or contractual funding limitations.

ATU, IBEW and Salaried Plan

The ATU, IBEW, and Salaried Plans' investments are invested as one comingled fund for economies of scale. The long-term expected rate of return on pension plan's investments were determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020, are summarized in the following table:

| Asset Class | Long-Term Expected Real Rate of Return |
|--------------------------------|---|
| Domestic Equity Large Cap | 8.35% |
| Domestic Equity Small Cap | 9.25% |
| International Equity Developed | 8.70% |
| International Equity Emerging | 10.25% |
| Domestic Fixed Income | 2.75% |
| Real Estate | 7.05% |

6. RECENT EVENT

The ongoing COVID-19 pandemic and restrictions on non-essential businesses have caused disruption in the U.S. and global economies. The continued rapid development of this situation and uncertainty regarding potential economic recovery precludes any prediction as to the ultimate adverse impact of COVID-19 on financial market and economic conditions. The estimates and assumptions underlying these financial statements are based on the information available as of November 24, 2020, including judgments about the financial market and economic conditions which may change over time. Management has not recorded any contingencies in the financial statements as a result of this recent event.

REQUIRED SUPPLEMENTARY INFORMATION

RETIREMENT PLANS FOR SACRAMENTO REGIONAL TRANSIT DISTRICT EMPLOYEES

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
EMPLOYEES WHO ARE MEMBERS OF
ATU LOCAL 256**

FOR THE FISCAL YEARS ENDED JUNE 30, 2020, 2019, 2018 AND 2017

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| Total pension liability | | | | |
| Service Cost | \$ 5,197,253 | \$ 5,084,840 | \$ 4,765,696 | \$ 4,835,944 |
| Interest (includes interest on service cost) | 13,012,883 | 12,664,533 | 12,761,359 | 12,885,195 |
| Changes of benefit terms | - | - | - | (11,268) |
| Difference between expected and actual experience | (87,109) | (519,304) | (261,689) | (5,577,742) |
| Change of assumptions | - | (172,948) | 3,663,543 | - |
| Change in bargaining group | - | (314,880) | (5,129,398) | - |
| Benefit payments, including refunds of member contributions | <u>(12,455,822)</u> | <u>(11,545,372)</u> | <u>(11,304,112)</u> | <u>(10,776,986)</u> |
| Net change in total pension liability | 5,667,205 | 5,196,869 | 4,495,399 | 1,355,143 |
| Total pension liability - beginning | <u>183,053,830</u> | <u>177,856,961</u> | <u>173,361,562</u> | <u>172,006,419</u> |
| Total pension liability - ending | <u>\$ 188,721,035</u> | <u>\$ 183,053,830</u> | <u>\$ 177,856,961</u> | <u>\$ 173,361,562</u> |
| Plan fiduciary net position | | | | |
| Contributions - employer | \$ 8,783,426 | \$ 8,533,307 | \$ 7,863,420 | \$ 7,987,367 |
| Contributions - member | 766,861 | 493,597 | 337,009 | 168,463 |
| Change in bargaining group | - | (343,707) | (2,638,467) | - |
| Net investment income | 2,523,724 | 8,012,792 | 8,591,810 | 14,419,708 |
| Benefit payments, including refunds of member contributions | <u>(12,455,822)</u> | <u>(11,545,372)</u> | <u>(11,304,112)</u> | <u>(10,776,986)</u> |
| Administrative expense | <u>(243,847)</u> | <u>(279,016)</u> | <u>(260,006)</u> | <u>(306,539)</u> |
| Net change in plan fiduciary net position | (625,658) | 4,871,601 | 2,589,654 | 11,492,013 |
| Plan fiduciary net position - beginning | <u>138,049,710</u> | <u>133,178,109</u> | <u>130,588,455</u> | <u>119,096,442</u> |
| Plan fiduciary net position - ending | <u>\$ 137,424,052</u> | <u>\$ 138,049,710</u> | <u>\$ 133,178,109</u> | <u>\$ 130,588,455</u> |
| Net pension liability - ending | <u>\$ 51,296,983</u> | <u>\$ 45,004,120</u> | <u>\$ 44,678,852</u> | <u>\$ 42,773,107</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 72.82% | 75.41% | 74.88% | 75.33% |
| Covered payroll | \$ 34,174,428 | \$ 30,125,788 | \$ 31,575,118 | \$ 30,212,311 |
| Net pension liability as a percentage of covered payroll | 150.10% | 149.39% | 141.50% | 141.58% |

Notes to Schedule: Payroll amounts are based on actual pensionable compensation from the employer

-FY2017: the ATU and IBEW Plans were separated; previous years not available.

-FY2018: amounts are reported as changes of assumptions resulted from lowering the discount rate from 7.50% to 7.25% and inflation rate from 3.15% to 3.00%.

-FY2019: amounts are reported as changes of assumptions resulted from a normal cost load of 2.62% for PEPRAs members to account for missed pay periods.

This is a 10 year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

RETIREMENT PLANS FOR SACRAMENTO REGIONAL TRANSIT DISTRICT EMPLOYEES

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
EMPLOYEES WHO ARE MEMBERS OF
IBEW LOCAL 1245
FOR THE FISCAL YEARS ENDED JUNE 30, 2020, 2019, 2018 AND 2017**

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|----------------------|----------------------|----------------------|----------------------|
| Total pension liability | | | | |
| Service Cost | \$ 1,806,472 | \$ 1,792,845 | \$ 1,596,227 | \$ 1,640,651 |
| Interest (includes interest on service cost) | 5,716,051 | 5,449,300 | 5,338,451 | 4,742,855 |
| Changes of benefit terms | - | - | - | (105,379) |
| Difference between expected and actual experience | 845,009 | 499,642 | (978,363) | 2,420,299 |
| Changes of assumptions | - | (98,047) | 1,630,101 | - |
| Benefit payments, including refunds of member contributions | <u>(4,169,979)</u> | <u>(3,779,076)</u> | <u>(3,621,685)</u> | <u>(3,281,167)</u> |
| Net change in total pension liability | 4,197,553 | 3,864,664 | 3,964,731 | 5,417,259 |
| Total pension liability - beginning | <u>80,003,157</u> | <u>76,138,493</u> | <u>72,173,762</u> | <u>66,756,502</u> |
| Total pension liability - ending | <u>\$ 84,200,710</u> | <u>\$ 80,003,157</u> | <u>\$ 76,138,493</u> | <u>\$ 72,173,761</u> |
| | | | | |
| Plan fiduciary net position | | | | |
| Contributions - employer | \$ 3,230,879 | \$ 3,299,013 | \$ 3,195,912 | \$ 3,315,379 |
| Contributions - member | 304,593 | 209,531 | 103,415 | 39,287 |
| Net investment income | 1,082,659 | 3,482,632 | 3,629,568 | 5,332,230 |
| Benefit payments, including refunds of member contributions | <u>(4,169,979)</u> | <u>(3,779,076)</u> | <u>(3,621,685)</u> | <u>(3,281,167)</u> |
| Administrative expense | <u>(218,135)</u> | <u>(229,569)</u> | <u>(225,752)</u> | <u>(239,188)</u> |
| Net change in plan fiduciary net position | 230,017 | 2,982,531 | 3,081,458 | 5,166,541 |
| Plan fiduciary net position - beginning | <u>60,149,108</u> | <u>57,166,577</u> | <u>54,085,119</u> | <u>48,918,578</u> |
| Plan fiduciary net position - ending | <u>\$ 60,379,125</u> | <u>\$ 60,149,108</u> | <u>\$ 57,166,577</u> | <u>\$ 54,085,119</u> |
| Net pension liability - ending | <u>\$ 23,821,585</u> | <u>\$ 19,854,049</u> | <u>\$ 18,971,916</u> | <u>\$ 18,088,642</u> |
| | | | | |
| Plan fiduciary net position as a percentage of the total pension liability | 71.71% | 75.18% | 75.08% | 74.94% |
| | | | | |
| Covered payroll | \$ 14,166,689 | \$ 13,300,633 | \$ 13,137,945 | \$ 12,473,480 |
| | | | | |
| Net pension liability as a percentage of covered payroll | 168.15% | 149.27% | 144.41% | 145.02% |

Notes to Schedule:

- Payroll amounts are based on actual pensionable compensation from the employer
- FY2017: the ATU and IBEW Plans were separated; previous years not available.
- FY2018: amounts are reported as changes of assumptions resulted from lowering the discount rate from 7.50% to 7.25% and inflation rate from 3.15% to 3.00%.
- FY2019: amounts are reported as changes of assumptions resulted from a normal cost load of 2.62% for PEPRA members to account for missed pay periods.

This is a 10 year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

RETIREMENT PLANS FOR SACRAMENTO REGIONAL TRANSIT DISTRICT EMPLOYEES

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
EMPLOYEES WHO ARE MEMBERS OF
ATU LOCAL 256 AND IBEW 1245
FOR THE FISCAL YEARS ENDED JUNE 30, 2016, 2015 AND 2014**

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|-----------------------|-----------------------|-----------------------|
| Total pension liability | | | |
| Service Cost | \$ 5,760,060 | \$ 5,753,143 | \$ 5,599,479 |
| Interest | 16,758,356 | 16,384,487 | 15,740,342 |
| Difference between expected and actual returns | (1,456,639) | (2,941,777) | - |
| Changes of assumptions | 8,176,501 | 1,621,574 | - |
| Change in bargaining group | - | - | (174,166) |
| Benefit payments, including refunds of member contributions | <u>(13,180,874)</u> | <u>(13,157,985)</u> | <u>(12,877,177)</u> |
| Net change in total pension liability | 16,057,404 | 7,659,442 | 8,288,478 |
| Total pension liability - beginning | <u>222,705,517</u> | <u>215,046,075</u> | <u>206,757,597</u> |
| Total pension liability - ending | <u>\$ 238,762,921</u> | <u>\$ 222,705,517</u> | <u>\$ 215,046,075</u> |
| | | | |
| Plan fiduciary net position | | | |
| Contributions - employer | \$ 10,447,190 | \$ 10,343,620 | \$ 9,711,107 |
| Contributions - member | 54,714 | 3,682 | 22,425 |
| Net investment income/(expense) | (1,121,417) | 4,609,506 | 22,631,819 |
| Change in bargaining group | - | - | (174,166) |
| Benefit payments, including refunds of member contributions | (13,180,874) | (13,157,985) | (12,877,177) |
| Administrative expense | <u>(290,647)</u> | <u>(190,442)</u> | <u>(230,365)</u> |
| Net change in plan fiduciary net position | (4,091,034) | 1,608,381 | 19,083,643 |
| Plan fiduciary net position - beginning | <u>172,106,054</u> | <u>170,497,673</u> | <u>151,414,030</u> |
| Plan fiduciary net position - ending | <u>\$ 168,015,020</u> | <u>\$ 172,106,054</u> | <u>\$ 170,497,673</u> |
| Net pension liability - ending | <u>\$ 70,747,901</u> | <u>\$ 50,599,463</u> | <u>\$ 44,548,402</u> |
| | | | |
| Plan fiduciary net position as a percentage of the total pension liability | 70.37% | 77.28% | 79.28% |
| | | | |
| Covered payroll | \$ 39,996,326 | \$ 37,950,269 | \$ 38,857,668 |
| | | | |
| Net pension liability as a percentage of covered payroll | 176.89% | 133.33% | 114.65% |

Notes to Schedule:

-Beginning in FY2015, payroll amounts are based on actual pensionable compensation from the employer. In prior years, payroll amounts are projected payroll from the actuarial valuation reports

-FY2015: amounts reported as changes of assumptions resulted from lowering the discount rate from 7.75% to 7.65%

-FY2016: amounts reported as changes of assumptions resulted from lowering the discount rate from 7.65% to 7.50% and updated demographic and economic assumptions that were adopted following an experience study

-FY2017: the ATU and IBEW Plans were separated; combined disclosures are not available going forward. See schedules of the individual plans on pages 24 and 25.

Information prior to 2014 is not available.

RETIREMENT PLANS FOR SACRAMENTO REGIONAL TRANSIT DISTRICT EMPLOYEES

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
EMPLOYEES WHO ARE MEMBERS OF
SALARIED EMPLOYEES
LAST 10 FISCAL YEARS**

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|-----------------------|-----------------------|-----------------------|
| Total pension liability | | | |
| Service Cost | \$ 4,024,291 | \$ 3,831,831 | \$ 3,647,115 |
| Change in bargaining group | - | 474,438 | 5,129,398 |
| Interest (includes interest on service cost) | 10,794,658 | 10,288,390 | 9,485,966 |
| Changes of benefit terms | - | - | - |
| Difference between expected and actual experience | 2,669,480 | 1,215,057 | 1,856,563 |
| Changes of assumptions | - | (17,295) | 3,291,931 |
| Benefit payments, including refunds of member contributions | <u>(9,453,326)</u> | <u>(8,373,494)</u> | <u>(7,779,366)</u> |
| Net change in total pension liability | 8,035,103 | 7,418,927 | 15,631,607 |
| Total pension liability - beginning | <u>151,558,856</u> | <u>144,139,929</u> | <u>128,508,322</u> |
| Total pension liability - ending | <u>\$ 159,593,959</u> | <u>\$ 151,558,856</u> | <u>\$ 144,139,929</u> |
| Plan fiduciary net position | | | |
| Contributions - employer | \$ 9,159,513 | \$ 8,503,815 | \$ 7,669,178 |
| Contributions - member | 360,051 | 193,293 | 143,094 |
| Change in bargaining group | - | 343,707 | 2,638,467 |
| Net investment income/(expense) | 1,526,151 | 5,649,123 | 6,073,483 |
| Benefit payments, including refunds of member contributions | <u>(9,453,326)</u> | <u>(8,373,494)</u> | <u>(7,779,366)</u> |
| Administrative expense | <u>(226,310)</u> | <u>(260,441)</u> | <u>(247,077)</u> |
| Net change in plan fiduciary net position | 1,366,079 | 6,056,003 | 8,497,779 |
| Plan fiduciary net position - beginning | <u>99,186,092</u> | <u>93,130,089</u> | <u>84,632,310</u> |
| Plan fiduciary net position - ending | <u>\$ 100,552,171</u> | <u>\$ 99,186,092</u> | <u>\$ 93,130,089</u> |
| Net pension liability - ending | <u>\$ 59,041,788</u> | <u>\$ 52,372,764</u> | <u>\$ 51,009,840</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 63.00% | 65.44% | 64.61% |
| Covered payroll | \$ 26,295,215 | \$ 22,220,418 | \$ 24,283,580 |
| Net pension liability as a percentage of covered payroll | 224.53% | 235.70% | 210.06% |

Notes to Schedule:

-FY2015: amounts reported as changes of assumptions resulted from lowering the discount rate from 7.75% to 7.65%.

-FY2016: amounts reported as changes of assumptions resulted from lowering the discount rate from 7.65% to 7.50% and updated demographic and economic assumptions that were adopted following an experience study.

-FY2018: amounts reported as changes of assumptions resulted from lowering the discount rate from 7.50% to 7.25% and inflation rate from 3.15% to 3.00%.

-FY2019: amounts reported as changes of assumptions resulted from a normal cost load of 0.57% for PEPRA members to account for missed pay periods.

-Beginning in FY2015, payroll amounts are based on actual pensionable compensation from the employer. In prior years, payroll amounts are projected payroll from the actuarial valuation reports.

This is a 10 year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

RETIREMENT PLANS FOR SACRAMENTO REGIONAL TRANSIT DISTRICT EMPLOYEES

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
EMPLOYEES WHO ARE MEMBERS OF
SALARIED EMPLOYEES
LAST 10 FISCAL YEARS (Continued)**

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| Total pension liability | | | | |
| Service Cost | \$ 3,873,148 | \$ 3,594,919 | \$ 3,476,103 | \$ 3,321,337 |
| Change in bargaining group | - | - | - | 174,166 |
| Interest (includes interest on service cost) | 8,960,042 | 8,807,953 | 8,434,365 | 7,978,675 |
| Changes of benefit terms | (298,430) | - | - | - |
| Difference between expected and actual experience | 2,062,482 | (852,040) | (753,076) | - |
| Changes of assumptions | - | (680,161) | 930,863 | - |
| Benefit payments, including refunds of member contributions | <u>(7,179,362)</u> | <u>(6,190,981)</u> | <u>(5,502,144)</u> | <u>(5,664,400)</u> |
| Net change in total pension liability | 7,417,880 | 4,679,690 | 6,586,111 | 5,809,778 |
| Total pension liability - beginning | <u>121,090,442</u> | <u>116,410,572</u> | <u>109,824,641</u> | <u>104,014,863</u> |
| Total pension liability - ending | <u>\$ 128,508,322</u> | <u>\$ 121,090,442</u> | <u>\$ 116,410,752</u> | <u>\$ 109,824,641</u> |
| Plan fiduciary net position | | | | |
| Contributions - employer | \$ 7,321,138 | \$ 7,576,866 | \$ 7,335,308 | \$ 6,609,083 |
| Contributions - member | 53,706 | 21,014 | 261 | 1,678 |
| Change in bargaining group | - | - | - | 174,166 |
| Net investment income/(expense) | 9,388,876 | (396,556) | 2,132,136 | 9,297,644 |
| Benefit payments, including refunds of member contributions | (7,179,362) | (6,190,981) | (5,502,144) | (5,664,400) |
| Administrative expense | <u>(289,067)</u> | <u>(269,624)</u> | <u>(194,209)</u> | <u>(176,367)</u> |
| Net change in plan fiduciary net position | 9,295,291 | 740,719 | 3,771,352 | 10,241,804 |
| Plan fiduciary net position - beginning | <u>75,337,019</u> | <u>74,596,300</u> | <u>70,824,948</u> | <u>60,583,144</u> |
| Plan fiduciary net position - ending | <u>\$ 84,632,310</u> | <u>\$ 75,337,019</u> | <u>\$ 74,596,300</u> | <u>\$ 70,824,948</u> |
| Net pension liability - ending | <u>\$ 43,876,012</u> | <u>\$ 45,753,423</u> | <u>\$ 41,814,452</u> | <u>\$ 38,999,693</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 65.86% | 62.22% | 64.08% | 64.49% |
| Covered payroll | \$ 23,435,642 | \$ 24,341,878 | \$ 23,022,281 | \$ 22,008,809 |
| Net pension liability as a percentage of covered payroll | 187.22% | 187.96% | 181.63% | 177.20% |

Notes to Schedule:

- FY2015: amounts reported as changes of assumptions resulted from lowering the discount rate from 7.75% to 7.65%.
- FY2016: amounts reported as changes of assumptions resulted from lowering the discount rate from 7.65% to 7.50% and updated demographic and economic assumptions that were adopted following an experience study.
- FY2018: amounts reported as changes of assumptions resulted from lowering the discount rate from 7.50% to 7.25% and inflation rate from 3.15% to 3.00%.
- FY2019: amounts reported as changes of assumptions resulted from a normal cost load of 0.57% for PEPRA members to account for missed pay periods.
- Beginning in FY2015, payroll amounts are based on actual pensionable compensation from the employer. In prior years, payroll amounts are projected payroll from the actuarial valuation reports.

This is a 10 year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

RETIREMENT PLANS FOR SACRAMENTO REGIONAL TRANSIT DISTRICT EMPLOYEES

**SCHEDULE OF DISTRICT CONTRIBUTIONS
EMPLOYEES WHO ARE MEMBERS OF
ATU LOCAL 256
FOR THE FISCAL YEARS ENDING JUNE 30, 2020, 2019, 2018 AND 2017
(Dollar amounts in thousands)**

| | 2020 | 2019 | 2018 | 2017 |
|--|-----------|-----------|-----------|-----------|
| Actuarially determined contribution | \$ 8,783 | \$ 8,533 | \$ 7,863 | \$ 7,987 |
| Contributions in relation to the actuarially determined contribution | 8,783 | 8,533 | 7,863 | 7,987 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - |
| Covered payroll | \$ 34,174 | \$ 30,126 | \$ 31,575 | \$ 30,212 |
| Contributions as a percentage of covered payroll | 25.70% | 28.33% | 24.90% | 26.44% |

Notes to Schedule

Valuation Date 7/1/2018 (to determine FY19-20 contribution)
 Timing Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year.

Key methods and assumptions used to determine contribution rates:

Actuarial cost method Entry Age
 Amortization method Level percentage of payroll, closed 14 year period as of 6/30/2018
 Asset valuation method 5-year smoothed market
 Discount Rate 7.25%
 Amortization growth rate 3.00%
 Price inflation 3.00%
 Salary Increases 3.00%, plus merit component on employee classification and years of service
 Mortality RP 2014 w/Scale MP-2015, base tables adjusted 115% for males and 130% for females

Other information:

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2020, can be found in the July 1, 2018 actuarial valuation report. The financial reporting for the ATU and IBEW Plans' was split during FY2017, previous years information is not available.

RETIREMENT PLANS FOR SACRAMENTO REGIONAL TRANSIT DISTRICT EMPLOYEES

**SCHEDULE OF DISTRICT CONTRIBUTIONS
EMPLOYEES WHO ARE MEMBERS OF
IBEW LOCAL 1245
FOR THE FISCAL YEARS ENDING JUNE 30, 2020, 2019, 2018 AND 2017
(Dollar amounts in thousands)**

| | 2020 | 2019 | 2018 | 2017 |
|--|-----------|-----------|-----------|-----------|
| Actuarially determined contribution | \$ 3,231 | \$ 3,299 | \$ 3,196 | \$ 3,315 |
| Contributions in relation to the actuarially determined contribution | 3,231 | 3,299 | 3,196 | 3,315 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - |
| Covered payroll | \$ 14,167 | \$ 13,301 | \$ 13,138 | \$ 12,473 |
| Contributions as a percentage of covered payroll | 22.81% | 24.80% | 24.33% | 26.58% |

Notes to Schedule

Valuation Date 7/1/2018 (to determine FY19-20 contribution)
 Timing Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year

Key methods and assumptions used to determine contribution rates:

| | |
|--------------------------|--|
| Actuarial cost method | Entry Age |
| Amortization method | Level percentage of payroll, closed 14 year period as of 6/30/2018 |
| Asset valuation method | 5-year smoothed market |
| Discount Rate | 7.25% |
| Amortization growth rate | 3.00% |
| Price inflation | 3.00% |
| Salary Increases | 3.00%, plus merit component on employee classification and years of service |
| Mortality | RP 2014 w/ Scale MP-2015, base tables adjusted 115% for males and 130% for females |

Other information:

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2020, can be found in the July 1, 2018 actuarial valuation report. The financial reporting for the ATU and IBEW Plans' was split during FY2017, previous years information is not available.

RETIREMENT PLANS FOR SACRAMENTO REGIONAL TRANSIT DISTRICT EMPLOYEES

**SCHEDULE OF DISTRICT CONTRIBUTIONS
EMPLOYEES WHO ARE MEMBERS OF
ATU LOCAL 256 AND IBEW LOCAL 1245
FOR THE FISCAL YEARS ENDING JUNE 30, 2016, 2015, 2014, 2013, 2012, 2011 AND 2010
(Dollar amounts in thousands)**

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Actuarially determined contribution | \$ 10,447 | \$ 10,344 | \$ 9,711 | \$ 8,694 | \$ 7,885 | \$ 6,809 | \$ 7,426 |
| Contributions in relation to the actuarially determined contribution | 10,447 | 10,344 | 9,711 | 8,694 | 7,885 | 6,809 | 7,426 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered payroll | \$ 39,996 | \$ 37,950 | \$ 38,858 | \$ 37,110 | \$ 38,558 | \$ 38,343 | \$ 43,626 |
| Contributions as a percentage of covered payroll | 26.12% | 27.26% | 24.99% | 23.43% | 20.45% | 17.76% | 17.02% |

Note: Beginning in FYE2015, payroll amounts are based on actual total payroll of the District. In previous years the schedule used covered payroll which is different than actual payroll and therefore the contributions as a percentage of covered payroll will differ from what was actually contributed.

Notes to Schedule

Valuation Date 7/1/2014 (to determine FY15-16 contribution)
 Timing Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year

Key methods and assumptions used to determine contribution rates:

Actuarial cost method Entry Age
 Amortization method Level percentage of payroll, closed 18 year period as of 6/30/2014
 Asset valuation method 5-year smoothed market
 Discount Rate 7.65%
 Amortization growth rate 3.15%
 Price inflation 3.15%
 Salary Increases 3.15%, plus merit component on employee classification and years of service
 Mortality Sex Distinct RP-2000 Combined Blue Collar Mortality, 3 year setback for females

Other information:

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2016, can be found in the July 1, 2014 actuarial valuation report. The financial reporting for the ATU and IBEW Plans' was split during FY2017; no additional information will be available for the combined Plans.

RETIREMENT PLANS FOR SACRAMENTO REGIONAL TRANSIT DISTRICT EMPLOYEES

**SCHEDULE OF DISTRICT CONTRIBUTIONS
EMPLOYEES WHO ARE MEMBERS OF
SALARIED EMPLOYEES
LAST 10 FISCAL YEARS
(Dollar amounts in thousands)**

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Actuarially determined contribution | \$ 9,160 | \$ 8,504 | \$ 7,669 | \$ 7,321 | \$ 7,577 | \$ 7,335 | \$ 6,609 | \$ 5,800 | \$ 4,580 | \$ 3,718 |
| Contributions in relation to the actuarially determined contribution | 9,160 | 8,504 | 7,669 | 7,321 | 7,577 | 7,335 | 6,609 | 5,800 | 4,580 | 3,718 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered payroll | \$ 26,295 | \$ 22,220 | \$ 24,284 | \$ 24,342 | \$ 23,022 | \$ 22,009 | \$ 19,627 | \$ 19,105 | \$ 19,466 | \$ 22,602 |
| Contributions as a percentage of covered payroll | 34.84% | 38.27% | 31.58% | 30.08% | 32.91% | 33.33% | 33.67% | 30.36% | 23.53% | 16.45% |

Note: Beginning in FYE2015, payroll amounts are based on actual total payroll of the District. In previous years the schedule used covered payroll which is different than actual payroll and therefore the contributions as a percentage of covered payroll will differ from what was actually contributed.

Notes to Schedule

Valuation Date 7/1/2018 (to determine FY19-20 contribution)
 Timing Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year

Key methods and assumptions used to determine contribution rates:

Actuarial cost method Entry Age
 Amortization method Level percentage of payroll, closed 14 year period as of 6/30/2018
 Asset valuation method 5-year smoothed market
 Discount Rate 7.25%
 Amortization growth rate 3.00%
 Price inflation 3.00%
 Salary Increases 3.00%, plus merit component on employee classification and years of service
 Mortality RP 2014 w/ Scale MP-2015, base tables adjusted 130% for females

Other information:

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2020, can be found in the July 1, 2018 actuarial valuation report.

**RETIREMENT PLANS FOR SACRAMENTO REGIONAL TRANSIT
DISTRICT EMPLOYEES**

**SCHEDULE OF INVESTMENT RETURNS
EMPLOYEES WHO ARE MEMBERS OF
ATU LOCAL 256 AND IBEW LOCAL 1245
AND SALARIED EMPLOYEES
LAST 10 FISCAL YEARS
(Dollar amounts in thousands)**

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|-------|-------|-------|--------|--------|-------|--------|
| Annual money-weighted rate of return, net of investment expense | 1.98% | 6.23% | 6.93% | 12.09% | -0.19% | 3.25% | 15.64% |

Note: To achieve economies of scale, assets are combined and invested as one pool for the ATU, IBEW and Salaried Plans. Information prior to 2014 was not available.

SUPPLEMENTAL SCHEDULES

RETIREMENT PLANS FOR SACRAMENTO REGIONAL TRANSIT DISTRICT EMPLOYEES

**SCHEDULES OF INVESTMENT AND ADMINISTRATIVE EXPENSES
EMPLOYEES WHO ARE MEMBERS OF
ATU LOCAL 256
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Investment Expenses:

| Vendor Names | Type of Services | Amount |
|--|--------------------|-------------------|
| Metropolitan West Asset Management, L.L.C. | Asset Management | \$ 133,203 |
| Boston Partners Investment Management | Asset Management | 113,183 |
| Atlanta Capital Management Co. | Asset Management | 92,227 |
| Pyrford | Asset Management | 88,119 |
| AQR | Asset Management | 51,642 |
| SSgA S&P 500 | Asset Management | 10,054 |
| SSgA MSCI EAFE | Asset Management | 4,489 |
| State Street Bank and Trust Company | Custodian Services | 27,415 |
| Northern Trust Company | Custodian Services | 25,977 |
| Callan Associates, Inc. | Investment Advisor | 78,808 |
| Total | | <u>\$ 625,117</u> |

Administrative Expenses:

| Vendor Names | Type of Services | Amount |
|--|---------------------|-------------------|
| Sacramento Regional Transit District | Plan Administration | \$ 101,551 |
| Hanson Bridgett | Consulting Services | 84,668 |
| Cheiron EFI | Actuarial Services | 38,158 |
| Alliant Insurance Services, Inc. | Fiduciary Insurance | 13,515 |
| Sacramento Area Council of Governments | Audit Services | 3,690 |
| Other | Misc | 2,265 |
| Total | | <u>\$ 243,847</u> |

RETIREMENT PLANS FOR SACRAMENTO REGIONAL TRANSIT DISTRICT EMPLOYEES

**SCHEDULES OF INVESTMENT AND ADMINISTRATIVE EXPENSES
EMPLOYEES WHO ARE MEMBERS OF
IBEW LOCAL 1245
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Investment Expenses:

| Vendor Names | Type of Services | Amount |
|--|--------------------|-------------------|
| Metropolitan West Asset Management, L.L.C. | Asset Management | \$ 58,256 |
| Boston Partners Investment Management | Asset Management | 49,500 |
| Atlanta Capital Management Co. | Asset Management | 40,339 |
| Pyrford | Asset Management | 38,540 |
| AQR | Asset Management | 22,274 |
| SSgA S&P 500 | Asset Management | 4,395 |
| SSgA MSCI EAFE | Asset Management | 1,962 |
| State Street Bank and Trust Company | Custodian Services | 11,972 |
| Northern Trust Company | Custodian Services | 11,354 |
| Callan Associates, Inc. | Investment Advisor | 45,710 |
| Total | | <u>\$ 284,302</u> |

Administrative Expenses:

| Vendor Names | Type of Services | Amount |
|--|---------------------|-------------------|
| Sacramento Regional Transit District | Plan Administration | \$ 84,437 |
| Hanson Bridgett | Consulting Services | 84,668 |
| Cheiron EFI | Actuarial Services | 30,320 |
| Alliant Insurance Services, Inc. | Fiduciary Insurance | 13,515 |
| Sacramento Area Council of Governments | Audit Services | 3,690 |
| Other | Misc | 1,505 |
| Total | | <u>\$ 218,135</u> |

RETIREMENT PLANS FOR SACRAMENTO REGIONAL TRANSIT DISTRICT EMPLOYEES

**SCHEDULES OF INVESTMENT AND ADMINISTRATIVE EXPENSES
SALARIED EMPLOYEES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Investment Expenses:

| Vendor Names | Type of Services | Amount |
|--|--------------------|-------------------|
| Metropolitan West Asset Management, L.L.C. | Asset Management | \$ 96,258 |
| Boston Partners Investment Management | Asset Management | 81,795 |
| Atlanta Capital Management Co. | Asset Management | 66,678 |
| Pyrford | Asset Management | 63,687 |
| AQR | Asset Management | 36,959 |
| SSgA S&P 500 | Asset Management | 7,257 |
| SSgA MSCI EAFE | Asset Management | 3,241 |
| State Street Bank and Trust Company | Custodian Services | 19,775 |
| Northern Trust Company | Custodian Services | 18,669 |
| Callan Associates, Inc. | Investment Advisor | 62,482 |
| Total | | <u>\$ 456,801</u> |

Administrative Expenses:

| Vendor Names | Type of Services | Amount |
|--|------------------------|-------------------|
| Sacramento Regional Transit District | Pension Administration | \$ 88,559 |
| Hanson Bridgett | Consulting Services | 84,668 |
| Cheiron EFI | Actuarial Services | 30,990 |
| Alliant Insurance Services, Inc. | Fiduciary Insurance | 13,365 |
| Sacramento Area Council of Governments | Audit Services | 3,690 |
| CALAPRS | Dues & Training Course | 3,167 |
| Other | Miscellaneous | 1,871 |
| Total | | <u>\$ 226,310</u> |

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Retirement Board of Directors
Sacramento Regional Transit District
Sacramento, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the ATU Plan, IBEW Plan and Salaried Plan for Sacramento Regional Transit District Employees (the Plans), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Plans' basic financial statements as listed in the table of contents, and have issued our report thereon dated November 24, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plans' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Plans' internal control. Accordingly, we do not express an opinion on the effectiveness of Plans' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Plans' financial statements are free from material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Crowe LLP

Sacramento, California
November 24, 2020