



Valley Transportation Authority ATU Local 265 Pension Plan

GASB 67/68 Report as of June 30, 2020

Produced by Cheiron

August 2020

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August 14, 2020

Board of Pensions
Santa Clara Valley Transportation Authority
3331 North First Street
San Jose, CA 95134-1906

Dear Members of the Board:

The purpose of this report is to provide accounting and financial disclosure information under the Governmental Accounting Standards Board Statements 67 and 68 (GASB 67 and GASB 68) for the ATU Local 265 Pension Plan (the Plan) and the Valley Transportation Authority (the VTA). This information includes:

- Projection of the Total Pension Liability from the valuation date to the measurement date,
- Calculation of the Net Pension Liability at the discount rate as well as discount rates 1% higher and lower than the discount rate,
- Changes in the Net Pension Liability,
- Schedule of Employer Contributions,
- Disclosure of Deferred Inflows and Outflows, and
- Calculation of the Annual Pension Expense for the VTA.

If you have any questions about the report or would like additional information, please let us know.

Sincerely,
Cheiron



Graham A. Schmidt, ASA, FCA, MAAA, EA
Consulting Actuary



Anne D. Harper, FSA, MAAA, EA
Principal Consulting Actuary

**VALLEY TRANSIT AUTHORITY – ATU LOCAL 265 PENSION PLAN
GASB 67 AND 68 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

SECTION I – BOARD SUMMARY

The purpose of this report is to provide accounting and financial disclosure information under the Governmental Accounting Standards Board Statements 67 and 68 for the ATU Local 265 Pension Plan (the Plan) and the Valley Transportation Authority (the VTA). This information includes:

- Projection of the Total Pension Liability from the valuation date to the measurement date,
- Calculation of the Net Pension Liability at the discount rate as well as discount rates 1% higher and lower than the discount rate,
- Changes in the Net Pension Liability,
- Schedule of Employer Contributions,
- Disclosure of Deferred Inflows and Outflows, and
- Calculation of the Annual Pension Expense for the VTA.

Highlights

The reporting date for the Plan and the VTA is June 30, 2020. Measurements as of the reporting date are based on the fair value of assets as of June 30, 2020 and the Total Pension Liability (TPL) as of the valuation date, January 1, 2020, updated to June 30, 2020. There were no significant events between the valuation date and the measurement date, so the update procedures only included the addition of service cost and interest cost offset by actual benefit payments for the first six months of 2020.

Beginning of year measurements are based on the actuarial valuation as of January 1, 2019, rolled forward to June 30, 2019 using similar procedures as the roll-forward to June 30, 2020. The beginning and ending liability measurements are based on different actuarial valuations; hence, liability changes due to experience between the valuations are reported each year. In addition, any liability change due to a change in assumptions is reported as well. Both the January 1, 2019 and January 1, 2020 valuations assumed a discount rate and rate of return, net of investment expenses, of 7.00%. For GASB reporting purposes, as explained in detail in section III of this report, the assumed discount rate for liabilities at June 30, 2019 was 6.96% and at June 30, 2020 was 6.87%. This assumption change increased the Total Pension Liability.

The results contained in this report do not reflect the cost-of-living adjustment (COLA) provision as described in the agreement effective September 9, 2019 between VTA and ATU, given our understanding that there is outstanding legal uncertainty surrounding the COLA provision. We have however provided a cost study to VTA that shows the COLA provision would have a meaningful impact on Plan liability and cost.

**VALLEY TRANSIT AUTHORITY – ATU LOCAL 265 PENSION PLAN
GASB 67 AND 68 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

SECTION I – BOARD SUMMARY

The following table provides a summary of the key results during this reporting period.

	Measurement Date	
	6/30/2020	6/30/2019
Discount Rate	6.87%	6.96%
Net Pension Liability	\$ 248,578,808	\$ 190,883,372
Deferred Outflows	(81,722,483)	(49,530,541)
Deferred Inflows	10,740,089	14,320,118
Net Impact on Statement of Net Position	\$ 177,596,413	\$ 155,672,949
Pension Expense (\$ Amount)	\$ 52,475,346	\$ 45,479,320
Pension Expense (% of Payroll)	38.14%	34.00%

A Net Pension Liability of \$190,883,372 would be recognized as of the beginning of the reporting year. As of the end of the reporting year, the VTA would report a Net Pension Liability of \$248,578,808, Deferred Outflows of \$81,722,483, and Deferred Inflows of \$10,740,089. Consequently, the net impact on the VTA’s Statement of Net Position due to the Plan would be \$177,596,413 at the end of the reporting year.

For the measurement year ending June 30, 2020, the annual pension expense is \$52,475,346 or 38.14% of payroll. This amount is not related to the VTA’s contribution to the Plan (\$30,551,882), but instead represents the change in the net impact on the VTA’s Statement of Net Position plus employer contributions (\$177,596,413 - \$155,672,949 + \$30,551,882). A breakdown of the components of the net pension expense is shown in Table VII-2 of this report.

The Net Pension Liability (NPL) increased by \$57.7 million during the reporting year, primarily due to an assumption change (\$7.3 million), liability experience losses (\$2.3 million), and the return on investments being less than expected (by about \$53.4 million).

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SECTION II – CERTIFICATION

The purpose of this report is to provide accounting and financial reporting information under GASB 67 for the ATU Local 265 Pension Plan (the Plan) and under GASB 68 for the Valley Transportation Authority (the VTA). This report is for the use of the Plan and their auditors in preparing financial reports in accordance with applicable law and accounting requirements. This report is not appropriate for other purposes, including the measurement of funding requirements for the Plan.

In preparing our report, we relied on information (some oral and some written) supplied by the Plan. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

The assumptions used in calculating the liabilities as of the beginning and end of period measurement dates reflect the results of an Experience Study approved by the Board in November 2017. The assumptions used in this report are intended to produce results that, in the aggregate, reasonably approximate the anticipated future experience of the Plan.

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions or applicable law.

This report and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices that are consistent with our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this report. This report does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

This report was prepared for the Plan for the purposes described herein and for the use by the Plan auditor in completing an audit related to the matters herein. Other users of this report are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.

Graham Schmidt, ASA, FCA, MAAA, EA
Consulting Actuary

Anne D. Harper, FSA, MAAA, EA
Principal Consulting Actuary

**VALLEY TRANSIT AUTHORITY – ATU LOCAL 265 PENSION PLAN
GASB 67 AND 68 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

SECTION III – DETERMINATION OF DISCOUNT RATE

The discount rate used to measure the Total Pension Liability was 6.87%.

The projection of cash flows used to determine the discount rate assumed that VTA will continue to contribute to the Plan based on an actuarially determined contribution, reflecting a payment equal to the employer’s share of the annual Normal Cost, the expected Administrative Expenses, and an amount necessary to amortize the remaining Unfunded Actuarial Liability as a level dollar amount over an open (rolling) 20-year period.

Based on these assumptions, the Plan’s Fiduciary Net Position was projected to be available to make all projected future benefit payments for current Plan members until at least FYE 2082 when only a portion of the projected benefit payments are expected to be made from the projected Fiduciary Net Position. Projected benefit payments are discounted at the long-term expected return on assets of 7.00% to the extent the Fiduciary Net Position is available to make the payments and the municipal bond rate of 2.21%, based on the Bond Buyer 20-Bond GO Index as of June 25, 2020, to the extent they are not available. The single equivalent rate used to determine the Total Pension Liability as of June 30, 2020 is 6.87%. The single equivalent rate used to determine the Total Pension Liability as of June 30, 2019 is 6.96%.

Appendix A shows the details of this calculation as of June 30, 2020.

**VALLEY TRANSIT AUTHORITY – ATU LOCAL 265 PENSION PLAN
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SECTION IV – PROJECTION OF TOTAL PENSION LIABILITY

The Total Pension Liability (TPL) at the beginning of the measurement year is measured as of a valuation date of January 1, 2019 and projected forward to the beginning of the measurement year of June 30, 2019. The TPL at the end of the measurement year, June 30, 2020, is measured as of a valuation date of January 1, 2020, and projected forward to June 30, 2020.

There were no significant events during the projection period of which we are aware. The table below shows the projection of the TPL at discount rates equal to the rate used for disclosure and plus and minus one percent from the rate used for disclosure.

Table IV-1 Projection of Total Pension Liability from Valuation to Measurement Date			
Discount Rate	5.87%	6.87%	7.87%
Valuation Total Pension Liability, 1/1/2020			
Actives	\$ 333,952,689	\$ 290,038,138	\$ 253,460,999
Deferred Vested	41,467,175	35,256,324	30,311,665
Retirees	<u>500,561,262</u>	<u>462,635,740</u>	<u>429,713,095</u>
Total	\$ 875,981,126	\$ 787,930,202	\$ 713,485,759
Service Cost from 1/1/2020 to 6/30/2020	11,656,409	9,319,741	7,507,284
Benefit Payments from 1/1/2020 to 6/30/2020	23,799,245	23,799,245	23,799,245
Interest from 1/1/2020 to 6/30/2020	25,169,032	26,373,344	27,232,503
Total Pension Liability, 6/30/2020	\$ 889,007,322	\$ 799,824,042	\$ 724,426,301

**VALLEY TRANSIT AUTHORITY – ATU LOCAL 265 PENSION PLAN
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SECTION V – NOTE DISCLOSURES

The table below shows the changes in the Total Pension Liability, the Plan Fiduciary Net Position (i.e., fair value of Plan assets), and the Net Pension Liability during the Measurement Year.

Table V-1 Change in Net Pension Liability			
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/2019	\$ 766,548,120	\$ 575,664,748	\$ 190,883,372
Changes for the year:			
Service cost	18,274,641		18,274,641
Interest	52,368,130		52,368,130
Changes of benefits	0		0
Differences between expected and actual experience	2,349,289		2,349,289
Changes of assumptions	7,306,965		7,306,965
Contributions - employer		30,551,882	(30,551,882)
Contributions - member		4,850,309	(4,850,309)
Net investment income		(12,423,890)	12,423,890
Benefit payments	(47,023,104)	(47,023,104)	0
Administrative expense		(374,711)	374,711
Net changes	<u>33,275,922</u>	<u>(24,419,514)</u>	<u>57,695,436</u>
Balances at 6/30/2020	<u>\$ 799,824,042</u>	<u>\$ 551,245,234</u>	<u>\$ 248,578,808</u>

There were no changes in benefits during the year. There were, however, changes in assumptions between the beginning and the end of the measurement period. The discount rate decreased from 6.96% to 6.87%. The net impact of the change in assumptions was an increase to the TPL by approximately \$7.3 million. Differences between expected and actual experience were reported, resulting in liability losses of approximately \$2.3 million during the measurement year.

Total contributions partially offset the service cost, interest cost, liability losses, assumption changes, investment income losses, and administrative expenses, resulting in an increase in the Net Pension Liability (NPL) of approximately \$57.7 million. The NPL as of June 30, 2020, is approximately \$248.6 million.

With the exception of the discount rate assumption, the TPL as of June 30, 2020 was based upon the same data, actuarial methods and assumptions, and plan provisions as were used in the actuarial valuation as of January 1, 2020. Please refer to the Actuarial Valuation Report as of January 1, 2020 for a summary. The discount rate for the January 1, 2020 actuarial valuation was 7.00%, whereas the discount rate for GASB 67 and 68 reporting is 6.87%.

With the exception of the discount rate assumption, the TPL as of June 30, 2019 was based upon the same data, actuarial methods and assumptions, and plan provisions as were used in the actuarial valuation as of January 1, 2019. Please refer to the Actuarial Valuation Report as of January 1, 2019 for a summary. The discount rate for the January 1, 2019 actuarial valuation was 7.00%, whereas the discount rate for GASB 67 and 68 reporting was 6.96%.

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SECTION V – NOTE DISCLOSURES

A summary of the key assumptions is as follows:

- Inflation: 2.75%
- Amortization growth rate: 0.00%
- Salary increases: 3.00% plus merit component
- COLA increases: 0.00%
- Investment rate of return: 7.00%, net of investment expense
- Mortality: Sex distinct RP-2014 Adjusted to 2006 Healthy Employee and Annuitant Blue Collar mortality tables with generational improvements using Scale MP-2017

Changes in the discount rate affect the measurement of the TPL. Lower discount rates produce a higher TPL and higher discount rates produce a lower TPL. Because the discount rate does not affect the measurement of assets, the percentage change in the NPL can be very significant for a relatively small change in the discount rate. The table below shows the sensitivity of the NPL to the discount rate.

Table V-2			
Sensitivity of Net Pension Liability to Changes in Discount Rate			
	1% Decrease 5.87%	Discount Rate 6.87%	1% Increase 7.87%
Total Pension Liability	\$ 889,007,322	\$ 799,824,042	\$ 724,426,301
Plan Fiduciary Net Position	<u>551,245,234</u>	<u>551,245,234</u>	<u>551,245,234</u>
Net Pension Liability	<u>\$ 337,762,088</u>	<u>\$ 248,578,808</u>	<u>\$ 173,181,067</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.0%	68.9%	76.1%

A one percent decrease in the discount rate increases the TPL by approximately 11% and increases the NPL by approximately 36%. A one percent increase in the discount rate decreases the TPL by approximately 9% and decreases the NPL by approximately 30%.

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SECTION VI – REQUIRED SUPPLEMENTARY INFORMATION

This schedule of Required Supplementary Information currently includes seven years of information, based on the number of reports completed under GASB 67, but eventually will build up to 10 years of information. The schedule below shows the changes in NPL and related ratios required by GASB.

Table VI-1 Schedule of Changes in Net Pension Liability and Related Ratios							
	FYE 2020	FYE 2019	FYE 2018	FYE 2017	FYE 2016	FYE 2015	FYE 2014
Total Pension Liability							
Service cost (MOY)	\$ 18,274,641	\$ 17,818,064	\$ 16,952,695	\$ 16,024,018	\$ 14,788,622	\$ 13,468,180	\$ 12,093,329
Interest (includes interest on service cost)	52,368,130	51,921,358	47,849,982	46,151,927	45,109,994	43,068,559	41,417,404
Changes of benefit terms	0	0	0	0	0	0	0
Differences between expected and actual experience	2,349,289	(17,900,147)	12,284,989	6,439,898	7,748,008	4,517,263	0
Changes of assumptions	7,306,965	0	21,917,588	13,105,261	14,576,841	0	0
Benefit payments, including refunds of member contributions	(47,023,104)	(44,311,681)	(41,565,932)	(38,453,828)	(35,587,609)	(33,417,941)	(30,967,019)
Net change in total pension liability	\$ 33,275,922	\$ 7,527,594	\$ 57,439,322	\$ 43,267,276	\$ 46,635,856	\$ 27,636,061	\$ 22,543,714
Total pension liability - beginning	766,548,120	759,020,526	701,581,204	658,313,928	611,678,072	584,042,011	561,498,297
Total pension liability - ending	\$ 799,824,042	\$ 766,548,120	\$ 759,020,526	\$ 701,581,204	\$ 658,313,928	\$ 611,678,072	\$ 584,042,011
Plan fiduciary net position							
Contributions - employer	\$ 30,551,882	\$ 32,282,788	\$ 28,523,868	\$ 27,383,634	\$ 25,751,474	\$ 25,590,315	\$ 25,787,439
Contributions - member	4,850,309	3,342,998	2,725,371	1,070,649	0	0	0
Net investment income	(12,423,890)	23,408,380	40,604,883	60,471,793	2,245,095	16,094,084	64,138,754
Benefit payments, including refunds of member contributions	(47,023,104)	(44,311,681)	(41,565,932)	(38,453,828)	(35,587,609)	(33,417,941)	(30,967,019)
Administrative expense	(374,711)	(409,376)	(403,420)	(323,806)	(281,307)	(301,331)	(314,008)
Net change in plan fiduciary net position	\$ (24,419,514)	\$ 14,313,109	\$ 29,884,770	\$ 50,148,442	\$ (7,872,347)	\$ 7,965,127	\$ 58,645,166
Plan fiduciary net position - beginning	575,664,748	561,351,639	531,466,869	481,318,427	489,190,774	481,225,647	422,580,481
Plan fiduciary net position - ending	\$ 551,245,234	\$ 575,664,748	\$ 561,351,639	\$ 531,466,869	\$ 481,318,427	\$ 489,190,774	\$ 481,225,647
Net pension liability - ending	\$ 248,578,808	\$ 190,883,372	\$ 197,668,887	\$ 170,114,335	\$ 176,995,501	\$ 122,487,298	\$ 102,816,364
Plan fiduciary net position as a percentage of the total pension liability	68.92%	75.10%	73.96%	75.75%	73.11%	79.98%	82.40%
Covered payroll	\$ 137,584,408	\$ 133,749,054	\$ 139,288,447	\$ 131,543,979	\$ 126,796,239	\$ 115,913,935	\$ 107,879,830
Net pension liability as a percentage of covered payroll	180.67%	142.72%	141.91%	129.32%	139.59%	105.67%	95.31%

**VALLEY TRANSIT AUTHORITY – ATU LOCAL 265 PENSION PLAN
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SECTION VI – REQUIRED SUPPLEMENTARY INFORMATION

If an Actuarially Determined Contribution is calculated, the following schedule is required. An Actuarially Determined Contribution is a contribution amount determined in accordance with Actuarial Standards of Practice. The full 10 years of information should be shown in this schedule if it is available. Because prior contribution amounts were determined in accordance with Actuarial Standards of Practice, the full 10-year schedule is provided.

Table VI-2 Schedule of Employer Contributions										
	FYE 2020	FYE 2019	FYE 2018	FYE 2017	FYE 2016	FYE 2015	FYE 2014	FYE 2013	FYE 2012	FYE 2011
Actuarially Determined Contribution	\$ 30,551,882	\$ 32,282,788	\$ 28,523,868	\$ 27,383,634	\$ 25,720,271	\$ 25,549,165	\$ 25,787,439	\$ 24,413,000	\$ 19,148,000	\$ 17,807,000
Contributions in Relation to the Actuarially Determined Contribution	<u>30,551,882</u>	<u>32,282,788</u>	<u>28,523,868</u>	<u>27,383,634</u>	<u>25,751,474</u>	<u>25,590,315</u>	<u>25,787,439</u>	<u>24,413,000</u>	<u>19,148,000</u>	<u>17,807,000</u>
Contribution Deficiency/(Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (31,203)</u>	<u>\$ (41,150)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Payroll	\$ 137,584,408	\$ 133,749,054	\$ 139,288,447	\$ 131,543,979	\$ 126,796,239	\$ 115,913,935	\$ 107,879,830	\$ 104,135,736	\$ 104,725,727	\$ 98,741,029
Contributions as a Percentage of Covered Payroll	22.21%	24.14%	20.48%	20.82%	20.31%	22.08%	23.90%	23.44%	18.28%	18.03%

Notes to Schedule

Valuation Date 1/1/2019
 Timing Actuarially determined contribution rates are calculated based on the actuarial valuation six months prior to the beginning of the fiscal year

Key Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method Entry Age
 Asset valuation method 5-year smoothed market, subject to 80%/120% corridor
 Amortization method All unfunded liability charges are amortized over a rolling 20-year period as a level dollar amount

Discount rate 7.00%
 Amortization growth rate 0.00%
 Price inflation 2.75%
 Salary increases 3.00% plus merit component based on years of service
 Mortality RP-2014 Adjusted to 2006 Healthy Employee and Annuitant Blue Collar Mortality Tables with generational improvements using Scale MP-2017

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 January 1, 2019 actuarial valuation report. Fiscal year contributions and payroll were provided by the VTA.

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SECTION VII – EMPLOYER REPORTING AMOUNTS

The Valley Transit Authority was required to implement GASB 68 for their reporting date of June 30, 2015. The amounts reported as of June 30, 2020 could be based on either the June 30, 2019 or 2020 measurement dates. We understand that the VTA elected to use the 2019 measurement date for their FY 2019 reporting. As a result, the schedules in this section were produced based on an assumption that the VTA will use the June 30, 2020 measurement date for its FY 2020 reporting.

The impact of experience gains or losses on the TPL are recognized in expense over the average expected remaining service life of all active and inactive members of the Plan. As of the measurement date, this recognition period was five years. During the measurement year, there was a liability loss of approximately \$2.3 million. Approximately \$0.5 million of that loss was recognized as an increase in pension expense in the current year, with the remainder to be recognized as a deferred outflow of resources over the following four years. The remaining liability gain from the June 30, 2019 reporting date of approximately \$14.3 million continues to be recognized at approximately \$3.6 million this year, leaving \$10.7 million to be recognized as a deferred inflow of resources. The remaining liability losses from the 2015 – 2018 reporting dates of approximately \$14.7 million continue to be recognized at approximately \$5.2 million this year, leaving \$9.6 million to be recognized as a deferred outflow of resources. In total, this leaves approximately \$11.5 million in deferred outflows and approximately \$10.7 million in deferred inflows due to experience losses and gains to be recognized in pension expense in future years.

The impact of assumption changes is also recognized in expense over the average expected remaining service life of all active and inactive members of the Plan of five years. During the measurement year, there was an increase to the Total Pension Liability due to assumption changes approximately \$7.3 million. Approximately \$1.5 million of that increase was recognized in the current year, with the remainder of \$5.8 million to be recognized as a deferred outflow of resources over the next four years. The remaining impact from the assumption changes in prior periods of approximately \$26.0 million continue to be recognized at approximately \$8.3 million this year, leaving approximately \$17.8 million in deferred outflows due to assumption changes to be recognized in pension expense in future years. In total, this leaves approximately \$23.6 million in deferred outflows due to assumption changes to be recognized in pension expense in future years.

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment loss of approximately \$53.4 million. \$10.7 million of that loss was recognized as an increase in pension expense in the current year and an identical amount will be recognized in each of the next four years, resulting in a deferred outflow of resources of \$42.7 million. The net deferred investment losses from previous years of approximately \$8.8 million continue to be recognized by approximately \$4.8 million this year, for a remaining net amount of \$3.9 million in deferred outflows. The combined investment gains and losses remaining to be recognized are a net deferred outflow of resources of \$46.7 million.

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SECTION VII – EMPLOYER REPORTING AMOUNTS

The following table summarizes the current balances of deferred outflows and deferred inflows of resources along with the net recognition over the next five years.

Table VII-1		
Schedule of Deferred Inflows and Outflows of Resources		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,459,893	\$ 10,740,089
Changes in assumptions	23,602,260	0
Net difference between projected and actual earnings on pension plan investments	46,660,330	0
Total	<u>\$ 81,722,483</u>	<u>\$ 10,740,089</u>
Amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:		
Measurement year ended June 30:		
2021	19,515,518	
2022	20,781,485	
2023	18,075,126	
2024	12,610,264	
2025	0	
Thereafter	\$ 0	

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SECTION VII – EMPLOYER REPORTING AMOUNTS

The annual pension expense recognized by the VTA can be calculated two different ways. First, it is the change in the amounts reported on the Plan’s Statement of Net Position that relate to the Plan and are not attributable to employer contributions. That is, it is the change in NPL plus the changes in deferred outflows and inflows plus employer contributions.

Alternatively, annual pension expense can be calculated by its individual components. While GASB does not require or suggest the organization of the individual components shown in the table below, we believe it helps to understand the level and volatility of pension expense.

Table VII-2 Calculation of Pension Expense		
	Measurement Year Ending	
	2020	2019
Change in Net Pension Liability	\$ 57,695,436	\$ (6,785,515)
Change in Deferred Outflows	(32,191,942)	5,661,929
Change in Deferred Inflows	(3,580,029)	14,320,118
Employer Contributions	<u>30,551,882</u>	<u>32,282,788</u>
Pension Expense	\$ 52,475,346	\$ 45,479,320
Pension Expense as % of Payroll	38.14%	34.00%
Operating Expenses		
Service cost	\$ 18,274,641	\$ 17,818,064
Employee contributions	(4,850,309)	(3,342,998)
Administrative expenses	<u>374,711</u>	<u>409,376</u>
Total	\$ 13,799,043	\$ 14,884,442
Financing Expenses		
Interest cost	\$ 52,368,130	\$ 51,921,358
Expected return on assets	<u>(40,971,188)</u>	<u>(40,130,672)</u>
Total	\$ 11,396,942	\$ 11,790,686
Changes		
Benefit changes	\$ 0	\$ 0
Recognition of assumption changes	9,728,008	8,266,615
Recognition of liability gains and losses	2,054,856	1,584,997
Recognition of investment gains and losses	<u>15,496,497</u>	<u>8,952,580</u>
Total	\$ 27,279,361	\$ 18,804,192
Pension Expense	\$ 52,475,346	\$ 45,479,320

**VALLEY TRANSIT AUTHORITY – ATU LOCAL 265 PENSION PLAN
GASB 67 AND 68 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

SECTION VII – EMPLOYER REPORTING AMOUNTS

First, there are components that we refer to as operating expenses. These are items directly attributable to the operation of the plan during the measurement year. Service cost less employee contributions represents the increase in employer-provided benefits attributable to the year, and administrative expenses are the cost of operating the Plan for the year.

Second, there are the financing expenses: the interest on the Total Pension Liability less the expected return on assets. If the discount rate is equal to the long-term expected return on assets as of the beginning of the fiscal year, the financing expense is effectively the interest on the Net Pension Liability (after adjustment for cash-flow timing). However, for VTA this is not exactly the case, since the interest on the Total Pension Liability was based on the prior year discount rate (6.96%), while the expected return on assets was 7.00%.

The final category is changes. This category will drive most of the volatility in pension expense from year to year. It includes any changes in benefits made during the year and the recognized amounts due to assumption changes, gains or losses on the TPL, and investment gains or losses. For the current year, deferred amounts recognized in pension expense comprised over 51% of the total pension expense.

**VALLEY TRANSIT AUTHORITY – ATU LOCAL 265 PENSION PLAN
GASB 67 AND 68 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

APPENDIX A – DETERMINATION OF DISCOUNT RATE

FYE	Projected Beginning Fiduciary Net Position	Projected Employer Contributions for Current Employees	Projected Employee Contributions for Current Employees	Projected Benefit Payments	Projected Admin Expenses	Projected Investment Earnings	Projected Ending Fiduciary Net Position	"Funded" Portion of Benefit Payments	"Unfunded" Portion of Benefit Payments
2021	\$ 551,245,234	\$ 35,191,439	\$ 5,167,696	\$ 50,813,214	\$ 355,211	\$ 38,037,430	\$ 578,473,374	\$ 50,813,214	\$ 0
2022	\$ 578,473,374	\$ 33,643,498	\$ 5,248,619	\$ 52,615,050	\$ 365,868	\$ 39,827,773	\$ 604,212,347	\$ 52,615,050	\$ 0
2023	\$ 604,212,347	\$ 32,204,704	\$ 5,299,595	\$ 54,596,996	\$ 376,844	\$ 41,511,423	\$ 628,254,228	\$ 54,596,996	\$ 0
2024	\$ 628,254,228	\$ 31,377,797	\$ 5,293,777	\$ 56,576,922	\$ 388,149	\$ 43,097,388	\$ 651,058,118	\$ 56,576,922	\$ 0
2025	\$ 651,058,118	\$ 29,295,644	\$ 5,248,244	\$ 58,461,058	\$ 399,793	\$ 44,556,787	\$ 671,297,942	\$ 58,461,058	\$ 0
2026	\$ 671,297,942	\$ 28,253,065	\$ 5,173,084	\$ 60,374,615	\$ 411,787	\$ 45,871,447	\$ 689,809,136	\$ 60,374,615	\$ 0
2027	\$ 689,809,136	\$ 27,251,268	\$ 5,081,015	\$ 62,290,698	\$ 424,141	\$ 47,066,407	\$ 706,492,987	\$ 62,290,698	\$ 0
2028	\$ 706,492,987	\$ 26,260,492	\$ 4,977,401	\$ 64,002,679	\$ 436,865	\$ 48,140,843	\$ 721,432,179	\$ 64,002,679	\$ 0
2029	\$ 721,432,179	\$ 25,285,886	\$ 4,850,492	\$ 65,571,886	\$ 449,971	\$ 49,098,608	\$ 734,645,309	\$ 65,571,886	\$ 0
2030	\$ 734,645,309	\$ 24,343,281	\$ 4,705,924	\$ 67,168,653	\$ 463,470	\$ 49,935,687	\$ 745,998,078	\$ 67,168,653	\$ 0
2031	\$ 745,998,078	\$ 23,433,480	\$ 4,549,376	\$ 68,590,637	\$ 477,374	\$ 50,649,671	\$ 755,562,593	\$ 68,590,637	\$ 0
2032	\$ 755,562,593	\$ 22,562,155	\$ 4,383,434	\$ 69,765,651	\$ 491,695	\$ 51,248,283	\$ 763,499,120	\$ 69,765,651	\$ 0
2033	\$ 763,499,120	\$ 21,736,864	\$ 4,211,329	\$ 70,936,178	\$ 506,446	\$ 51,734,660	\$ 769,739,349	\$ 70,936,178	\$ 0
2034	\$ 769,739,349	\$ 20,942,693	\$ 4,034,424	\$ 72,015,689	\$ 521,640	\$ 52,106,484	\$ 774,285,621	\$ 72,015,689	\$ 0
2035	\$ 774,285,621	\$ 20,192,654	\$ 3,853,441	\$ 72,882,132	\$ 537,289	\$ 52,368,565	\$ 777,280,860	\$ 72,882,132	\$ 0
2036	\$ 777,280,860	\$ 19,482,677	\$ 3,674,261	\$ 73,701,058	\$ 553,407	\$ 52,525,070	\$ 778,708,402	\$ 73,701,058	\$ 0
2037	\$ 778,708,402	\$ 18,802,817	\$ 3,495,365	\$ 74,416,699	\$ 570,010	\$ 52,576,410	\$ 778,596,286	\$ 74,416,699	\$ 0
2038	\$ 778,596,286	\$ 18,149,034	\$ 3,310,289	\$ 74,941,238	\$ 587,110	\$ 52,527,430	\$ 777,054,692	\$ 74,941,238	\$ 0
2039	\$ 777,054,692	\$ 17,511,450	\$ 3,121,872	\$ 75,414,464	\$ 604,723	\$ 52,380,692	\$ 774,049,518	\$ 75,414,464	\$ 0
2040	\$ 774,049,518	\$ 16,882,498	\$ 2,925,562	\$ 75,895,035	\$ 622,865	\$ 52,131,529	\$ 769,471,206	\$ 75,895,035	\$ 0
2041	\$ 769,471,206	\$ 16,252,045	\$ 2,712,675	\$ 76,555,026	\$ 641,551	\$ 51,766,002	\$ 763,005,352	\$ 76,555,026	\$ 0
2042	\$ 763,005,352	\$ 15,635,328	\$ 2,482,889	\$ 77,257,907	\$ 660,797	\$ 51,267,326	\$ 754,472,190	\$ 77,257,907	\$ 0
2043	\$ 754,472,190	\$ 15,043,267	\$ 2,243,787	\$ 77,883,931	\$ 680,621	\$ 50,627,410	\$ 743,822,102	\$ 77,883,931	\$ 0
2044	\$ 743,822,102	\$ 14,479,129	\$ 1,996,961	\$ 78,561,424	\$ 701,040	\$ 49,838,479	\$ 730,874,207	\$ 78,561,424	\$ 0
2045	\$ 730,874,207	\$ 13,954,185	\$ 1,750,089	\$ 79,117,965	\$ 722,071	\$ 48,894,191	\$ 715,632,637	\$ 79,117,965	\$ 0
2046	\$ 715,632,637	\$ 13,467,959	\$ 1,517,060	\$ 79,323,385	\$ 743,733	\$ 47,802,738	\$ 698,353,274	\$ 79,323,385	\$ 0

**VALLEY TRANSIT AUTHORITY – ATU LOCAL 265 PENSION PLAN
GASB 67 AND 68 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

APPENDIX A – DETERMINATION OF DISCOUNT RATE

FYE	Projected Beginning Fiduciary Net Position	Projected Employer Contributions for Current Employees	Projected Employee Contributions for Current Employees	Projected Benefit Payments	Projected Admin Expenses	Projected Investment Earnings	Projected Ending Fiduciary Net Position	"Funded" Portion of Benefit Payments	"Unfunded" Portion of Benefit Payments
2047	\$ 698,353,274	\$ 13,018,900	\$ 1,300,770	\$ 79,260,328	\$ 766,045	\$ 46,579,133	\$ 679,225,705	\$ 79,260,328	\$ 0
2048	\$ 679,225,705	\$ 12,603,613	\$ 1,101,241	\$ 78,957,001	\$ 789,027	\$ 45,235,560	\$ 658,420,090	\$ 78,957,001	\$ 0
2049	\$ 658,420,090	\$ 12,220,151	\$ 919,961	\$ 78,377,510	\$ 812,698	\$ 43,785,098	\$ 636,155,091	\$ 78,377,510	\$ 0
2050	\$ 636,155,091	\$ 11,869,157	\$ 759,825	\$ 77,579,352	\$ 837,078	\$ 42,241,095	\$ 612,608,738	\$ 77,579,352	\$ 0
2051	\$ 612,608,738	\$ 11,543,910	\$ 621,196	\$ 76,578,504	\$ 862,191	\$ 40,615,232	\$ 587,948,381	\$ 76,578,504	\$ 0
2052	\$ 587,948,381	\$ 11,243,398	\$ 500,883	\$ 75,322,486	\$ 888,057	\$ 38,920,994	\$ 562,403,114	\$ 75,322,486	\$ 0
2053	\$ 562,403,114	\$ 10,969,775	\$ 398,185	\$ 73,760,785	\$ 914,698	\$ 37,176,229	\$ 536,271,820	\$ 73,760,785	\$ 0
2054	\$ 536,271,820	\$ 10,713,593	\$ 314,709	\$ 71,972,227	\$ 942,139	\$ 35,398,821	\$ 509,784,577	\$ 71,972,227	\$ 0
2055	\$ 509,784,577	\$ 10,470,023	\$ 246,359	\$ 70,033,841	\$ 970,403	\$ 33,602,056	\$ 483,098,770	\$ 70,033,841	\$ 0
2056	\$ 483,098,770	\$ 10,243,405	\$ 189,088	\$ 67,955,838	\$ 999,515	\$ 31,796,751	\$ 456,372,661	\$ 67,955,838	\$ 0
2057	\$ 456,372,661	\$ 10,031,639	\$ 143,329	\$ 65,778,391	\$ 1,029,501	\$ 29,992,526	\$ 429,732,263	\$ 65,778,391	\$ 0
2058	\$ 429,732,263	\$ 9,830,154	\$ 108,151	\$ 63,520,791	\$ 1,060,386	\$ 28,197,383	\$ 403,286,774	\$ 63,520,791	\$ 0
2059	\$ 403,286,774	\$ 9,638,292	\$ 80,664	\$ 61,143,314	\$ 1,092,198	\$ 26,420,307	\$ 377,190,526	\$ 61,143,314	\$ 0
2060	\$ 377,190,526	\$ 9,456,085	\$ 58,866	\$ 58,677,961	\$ 1,124,963	\$ 24,671,001	\$ 351,573,552	\$ 58,677,961	\$ 0
2061	\$ 351,573,552	\$ 9,282,096	\$ 42,057	\$ 56,182,088	\$ 1,158,712	\$ 22,956,543	\$ 326,513,447	\$ 56,182,088	\$ 0
2062	\$ 326,513,447	\$ 9,115,075	\$ 29,358	\$ 53,689,319	\$ 1,193,474	\$ 21,281,164	\$ 302,056,250	\$ 53,689,319	\$ 0
2063	\$ 302,056,250	\$ 8,955,374	\$ 19,766	\$ 51,191,226	\$ 1,229,278	\$ 19,648,387	\$ 278,259,274	\$ 51,191,226	\$ 0
2064	\$ 278,259,274	\$ 8,801,925	\$ 12,811	\$ 48,690,819	\$ 1,265,080	\$ 18,062,121	\$ 255,180,231	\$ 48,690,819	\$ 0
2065	\$ 255,180,231	\$ 8,590,396	\$ 8,168	\$ 46,193,437	\$ 1,237,777	\$ 16,526,180	\$ 232,873,760	\$ 46,193,437	\$ 0
2066	\$ 232,873,760	\$ 8,380,719	\$ 5,140	\$ 43,714,719	\$ 1,207,894	\$ 15,043,828	\$ 211,380,834	\$ 43,714,719	\$ 0
2067	\$ 211,380,834	\$ 8,173,474	\$ 3,053	\$ 41,263,676	\$ 1,175,934	\$ 13,617,628	\$ 190,735,379	\$ 41,263,676	\$ 0
2068	\$ 190,735,379	\$ 7,968,547	\$ 1,621	\$ 38,844,750	\$ 1,141,694	\$ 12,249,803	\$ 170,968,907	\$ 38,844,750	\$ 0
2069	\$ 170,968,907	\$ 7,765,816	\$ 781	\$ 36,465,665	\$ 1,105,481	\$ 10,942,280	\$ 152,106,638	\$ 36,465,665	\$ 0
2070	\$ 152,106,638	\$ 7,565,252	\$ 305	\$ 34,129,429	\$ 1,067,303	\$ 9,696,720	\$ 134,172,184	\$ 34,129,429	\$ 0
2071	\$ 134,172,184	\$ 7,366,770	\$ 83	\$ 31,840,240	\$ 1,027,237	\$ 8,514,623	\$ 117,186,183	\$ 31,840,240	\$ 0
2072	\$ 117,186,183	\$ 7,170,331	\$ 10	\$ 29,602,848	\$ 985,386	\$ 7,397,269	\$ 101,165,558	\$ 29,602,848	\$ 0

**VALLEY TRANSIT AUTHORITY – ATU LOCAL 265 PENSION PLAN
GASB 67 AND 68 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

APPENDIX A – DETERMINATION OF DISCOUNT RATE

FYE	Projected Beginning Fiduciary Net Position	Projected Employer Contributions for Current Employees	Projected Employee Contributions for Current Employees	Projected Benefit Payments	Projected Admin Expenses	Projected Investment Earnings	Projected Ending Fiduciary Net Position	"Funded" Portion of Benefit Payments	"Unfunded" Portion of Benefit Payments
2073	\$ 101,165,558	\$ 6,975,983	\$ 0	\$ 27,422,114	\$ 941,897	\$ 6,345,669	\$ 86,123,200	\$ 27,422,114	\$ 0
2074	\$ 86,123,200	\$ 6,783,815	\$ 0	\$ 25,302,641	\$ 896,918	\$ 5,360,566	\$ 72,068,022	\$ 25,302,641	\$ 0
2075	\$ 72,068,022	\$ 6,593,920	\$ 0	\$ 23,249,189	\$ 850,622	\$ 4,442,418	\$ 59,004,549	\$ 23,249,189	\$ 0
2076	\$ 59,004,549	\$ 6,406,416	\$ 0	\$ 21,266,991	\$ 803,214	\$ 3,591,358	\$ 46,932,118	\$ 21,266,991	\$ 0
2077	\$ 46,932,118	\$ 6,221,473	\$ 0	\$ 19,361,598	\$ 754,950	\$ 2,807,146	\$ 35,844,191	\$ 19,361,598	\$ 0
2078	\$ 35,844,191	\$ 6,039,295	\$ 0	\$ 17,538,365	\$ 706,116	\$ 2,089,137	\$ 25,728,142	\$ 17,538,365	\$ 0
2079	\$ 25,728,142	\$ 5,860,104	\$ 0	\$ 15,802,644	\$ 657,017	\$ 1,436,260	\$ 16,564,845	\$ 15,802,644	\$ 0
2080	\$ 16,564,845	\$ 5,684,176	\$ 0	\$ 14,159,677	\$ 608,006	\$ 846,993	\$ 8,328,330	\$ 14,159,677	\$ 0
2081	\$ 8,328,330	\$ 5,511,797	\$ 0	\$ 12,613,567	\$ 559,451	\$ 319,375	\$ 986,485	\$ 12,613,567	\$ 0
2082	\$ 986,485	\$ 5,343,227	\$ 0	\$ 11,167,175	\$ 511,682	\$ 0	\$ 0	\$ 986,485	\$ 10,180,691
2083	\$ 0	\$ 4,676,999	\$ 0	\$ 9,822,661	\$ 465,028	\$ 0	\$ 0	\$ 0	\$ 9,822,661
2084	\$ 0	\$ 3,999,437	\$ 0	\$ 8,581,463	\$ 419,818	\$ 0	\$ 0	\$ 0	\$ 8,581,463
2085	\$ 0	\$ 3,396,532	\$ 0	\$ 7,444,080	\$ 376,369	\$ 0	\$ 0	\$ 0	\$ 7,444,080
2086	\$ 0	\$ 2,863,880	\$ 0	\$ 6,409,893	\$ 334,973	\$ 0	\$ 0	\$ 0	\$ 6,409,893
2087	\$ 0	\$ 2,396,765	\$ 0	\$ 5,477,105	\$ 295,884	\$ 0	\$ 0	\$ 0	\$ 5,477,105
2088	\$ 0	\$ 1,990,251	\$ 0	\$ 4,642,699	\$ 259,308	\$ 0	\$ 0	\$ 0	\$ 4,642,699
2089	\$ 0	\$ 1,639,264	\$ 0	\$ 3,902,525	\$ 225,393	\$ 0	\$ 0	\$ 0	\$ 3,902,525
2090	\$ 0	\$ 1,338,701	\$ 0	\$ 3,251,610	\$ 194,230	\$ 0	\$ 0	\$ 0	\$ 3,251,610
2091	\$ 0	\$ 1,083,523	\$ 0	\$ 2,684,456	\$ 165,868	\$ 0	\$ 0	\$ 0	\$ 2,684,456
2092	\$ 0	\$ 868,816	\$ 0	\$ 2,195,123	\$ 140,318	\$ 0	\$ 0	\$ 0	\$ 2,195,123
2093	\$ 0	\$ 689,836	\$ 0	\$ 1,777,142	\$ 117,547	\$ 0	\$ 0	\$ 0	\$ 1,777,142
2094	\$ 0	\$ 542,063	\$ 0	\$ 1,423,619	\$ 97,464	\$ 0	\$ 0	\$ 0	\$ 1,423,619
2095	\$ 0	\$ 421,270	\$ 0	\$ 1,127,602	\$ 79,929	\$ 0	\$ 0	\$ 0	\$ 1,127,602
2096	\$ 0	\$ 323,578	\$ 0	\$ 882,441	\$ 64,781	\$ 0	\$ 0	\$ 0	\$ 882,441
2097	\$ 0	\$ 245,470	\$ 0	\$ 681,813	\$ 51,853	\$ 0	\$ 0	\$ 0	\$ 681,813
2098	\$ 0	\$ 183,770	\$ 0	\$ 519,659	\$ 40,958	\$ 0	\$ 0	\$ 0	\$ 519,659

**VALLEY TRANSIT AUTHORITY – ATU LOCAL 265 PENSION PLAN
GASB 67 AND 68 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

APPENDIX A – DETERMINATION OF DISCOUNT RATE

FYE	Projected Beginning Fiduciary Net Position	Projected Employer Contributions for Current Employees	Projected Employee Contributions for Current Employees	Projected Benefit Payments	Projected Admin Expenses	Projected Investment Earnings	Projected Ending Fiduciary Net Position	"Funded" Portion of Benefit Payments	"Unfunded" Portion of Benefit Payments
2099	\$ 0	\$ 135,651	\$ 0	\$ 390,301	\$ 31,894	\$ 0	\$ 0	\$ 0	\$ 390,301
2100	\$ 0	\$ 98,636	\$ 0	\$ 288,568	\$ 24,458	\$ 0	\$ 0	\$ 0	\$ 288,568
2101	\$ 0	\$ 70,582	\$ 0	\$ 209,797	\$ 18,451	\$ 0	\$ 0	\$ 0	\$ 209,797
2102	\$ 0	\$ 49,654	\$ 0	\$ 149,810	\$ 13,677	\$ 0	\$ 0	\$ 0	\$ 149,810
2103	\$ 0	\$ 34,304	\$ 0	\$ 104,935	\$ 9,950	\$ 0	\$ 0	\$ 0	\$ 104,935
2104	\$ 0	\$ 23,248	\$ 0	\$ 72,016	\$ 7,094	\$ 0	\$ 0	\$ 0	\$ 72,016
2105	\$ 0	\$ 15,439	\$ 0	\$ 48,367	\$ 4,952	\$ 0	\$ 0	\$ 0	\$ 48,367
2106	\$ 0	\$ 10,035	\$ 0	\$ 31,747	\$ 3,380	\$ 0	\$ 0	\$ 0	\$ 31,747
2107	\$ 0	\$ 6,377	\$ 0	\$ 20,335	\$ 2,252	\$ 0	\$ 0	\$ 0	\$ 20,335
2108	\$ 0	\$ 3,957	\$ 0	\$ 12,694	\$ 1,463	\$ 0	\$ 0	\$ 0	\$ 12,694
2109	\$ 0	\$ 2,396	\$ 0	\$ 7,717	\$ 925	\$ 0	\$ 0	\$ 0	\$ 7,717
2110	\$ 0	\$ 1,415	\$ 0	\$ 4,567	\$ 570	\$ 0	\$ 0	\$ 0	\$ 4,567
2111	\$ 0	\$ 815	\$ 0	\$ 2,632	\$ 342	\$ 0	\$ 0	\$ 0	\$ 2,632
2112	\$ 0	\$ 457	\$ 0	\$ 1,476	\$ 199	\$ 0	\$ 0	\$ 0	\$ 1,476
2113	\$ 0	\$ 250	\$ 0	\$ 804	\$ 113	\$ 0	\$ 0	\$ 0	\$ 804
2114	\$ 0	\$ 132	\$ 0	\$ 425	\$ 62	\$ 0	\$ 0	\$ 0	\$ 425
2115	\$ 0	\$ 68	\$ 0	\$ 219	\$ 33	\$ 0	\$ 0	\$ 0	\$ 219
2116	\$ 0	\$ 34	\$ 0	\$ 110	\$ 17	\$ 0	\$ 0	\$ 0	\$ 110
2117	\$ 0	\$ 16	\$ 0	\$ 53	\$ 9	\$ 0	\$ 0	\$ 0	\$ 53
2118	\$ 0	\$ 7	\$ 0	\$ 24	\$ 4	\$ 0	\$ 0	\$ 0	\$ 24
2119	\$ 0	\$ 3	\$ 0	\$ 10	\$ 2	\$ 0	\$ 0	\$ 0	\$ 10
2120	\$ 0	\$ 1	\$ 0	\$ 4	\$ 1	\$ 0	\$ 0	\$ 0	\$ 4
							Discount Rate:	7.00%	2.21%
							Present Value:	\$ 932,195,287	\$ 17,106,499
							Total Present Value:		\$ 949,301,786
							GASB Discount Rate:		6.87%

APPENDIX B – GLOSSARY OF TERMS

1. Actuarially Determined Contribution

A target or recommended contribution for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted.

2. Actuarial Valuation Date

The date as of which an actuarial valuation is performed. This date may be up to 24 months prior to the measurement date and up to 30 months prior to the employer's reporting date.

3. Deferred Inflow of Resources

An acquisition of net assets by a government employer that is applicable to a future reporting period. In the context of GASB 68, these are experience gains on the Total Pension Liability, assumption changes reducing the Total Pension Liability, or investment gains that are recognized in future reporting periods.

4. Deferred Outflow of Resources

A consumption of net assets by a government employer that is applicable to a future reporting period. In the context of GASB 68, these are experience losses on the Total Pension Liability, assumption changes increasing the Total Pension Liability, or investment losses that are recognized in future reporting periods.

5. Entry Age Actuarial Cost Method

The actuarial cost method required for GASB 67 and 68 calculations. Under this method, the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit ages. The portion of this actuarial present value allocated to a valuation year is called the Service Cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future service costs is called the Total Pension Liability.

6. Measurement Date

The date as of which the Total Pension Liability and Plan Fiduciary Net Position are measured. The Total Pension Liability may be projected from the Actuarial Valuation Date to the Measurement Date. The Measurement Date must be the same as the Reporting Date for the plan.

APPENDIX B – GLOSSARY OF TERMS

7. Net Pension Liability

The liability of employers and nonemployer contributing entities to employees for benefits provided through a defined benefit pension plan. It is calculated as the Total Pension Liability less the Plan Fiduciary Net Position.

8. Plan Fiduciary Net Position

The fair or market value of assets.

9. Reporting Date

The last day of the plan or employer’s fiscal year.

10. Service Cost

The portion of the actuarial present value of projected benefit payments that is attributed to the current period of employee service in conformity with the requirements of GASB 67 and 68. The Service Cost is the normal cost calculated under the entry age actuarial cost method.

11. Total Pension Liability

The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of GASB 67 and 68. The Total Pension Liability is the actuarial liability calculated under the entry age actuarial cost method. This measurement is not appropriate for measuring a settlement of the Plan’s liabilities.



Classic Values, Innovative Advice