RETIREMENT PLANS FOR SACRAMENTO REGIONAL TRANSIT DISTRICT EMPLOYEES

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

RETIREMENT PLANS FOR SACRAMENTO REGIONAL TRANSIT DISTRICT EMPLOYEES

TABLE OF CONTENTS

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

Amalgamated Transit Union Local 256
Ralph Niz, Chairperson
Corina De La Torre, Member
Steve Muniz, Alternate

International Brotherhood of Electrical Workers Local 1245
Eric Ohlson, Chairperson
Lorrin Burdick, Member
Stevie Gallow, Alternate

Administrative Employees Association
James Drake, Chairperson
Russel Devorak, Member
Sue Robison, Alternate

American Federation of State, County & Municipal Employees, Local 146, AFL-CIO
Charles Mallonee, Chairperson
Rob Hoslett, Member
Tim Kent, Alternate

Management and Confidential Employees
Alane Masui, Chairperson
Roger Thorn, Member
Olga Sanchez-Ochoa, Alternate

Sacramento Regional Transit District
Andy Morin, Common Chairperson
Michael R. Wiley, Member
Steve Hansen, Alternate

Assistant Secretary
Donna Bonnel, Director of Human Resources

Legal Counsel
Shayna M. van Hoften, Partner
Anne C. Hydorn, Partner
Hanson Bridgett

Finance Department
Brent Bernegger, Chief Financial Officer, Acting
Jamie Adelman, Senior Accountant

Human Resources Department
Valerie Weekly, Pension and Retiree Services Administrator

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/IBEW Plan and Salaried Plan for Sacramento Regional Transit District Employees (the Plans), as of and for the year ended June 30, 2016, 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. 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/IBEW Plan and the Salaried Plan for Sacramento Regional Transit District Employees as of June 30, 2016, and the respective changes in fiduciary net position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

(Continued)

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 the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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/IBEW Plan's and the Salaried Plan's basic financial statements. The accompanying supplemental Schedules of Investment and Administrative Expenses 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.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
November 18, 2016

RETIREMENT PLANS FOR SACRAMENTO REGIONAL TRANSIT DISTRICT EMPLOYEES

STATEMENT OF PLAN NET POSITION
JUNE 30, 2016

	ATU/IBEW	Salaried	Total
Assets			
Investments:			
Equity securities	$ 104,654,815	$ 49,118,441	$ 153,773,256
Fixed income securities	65,711,732	26,721,665	92,433,397
Total investments	170,366,547	75,840,106	246,206,653
Cash and short-term investments	4,559,094	2,004,465	6,563,559
Receivables			
Securities sold	2,571,938	1,054,136	3,626,074
Interest and dividends	272,803	114,090	386,893
Other receivables and prepaids	28,758	164,130	192,888
Total receivables	2,873,499	1,332,356	4,205,855
Total assets	177,799,140	79,176,927	256,976,067
Liabilities			
Securities purchased payable	9,037,058	3,720,412	12,757,470
Accounts payable	747,062	119,496	866,558
Total liabilities	9,784,120	3,839,908	13,624,028
Net position restricted for pension benefits	$ 168,015,020	$ 75,337,019	$ 243,352,039

(Schedules of Changes in the Net Pension Liability and Related Ratios for the Plans are presented on pages 25 and 26.)

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, 2016

	ATU/IBEW	Salaried	Total
Additions			
Contributions:			
Employer	$ 10,447,190	$ 7,576,866	$ 18,024,056
Member	54,714	21,014	75,728
Total contributions	10,501,904	7,597,880	18,099,784
Investment income/(expense):			
Net depreciation in fair value of investments	(2,920,947)	(1,169,412)	(4,090,359)
Interest, dividends, and other income	2,537,731	1,097,799	3,635,530
Investment expenses	(738,201)	(324,943)	(1,063,144)
Net investment income/(expense)	(1,121,417)	(396,556)	(1,517,973)
Total additions	9,380,487	7,201,324	16,581,811
Deductions			
Benefits paid to participants	13,180,874	6,190,981	19,371,855
Administrative expenses	290,647	269,624	560,271
Total deductions	13,471,521	6,460,605	19,932,126
Net increase/(decrease) in plan net position	(4,091,034)	740,719	(3,350,315)
Net position restricted for pension benefits - Beginning of fiscal year	172,106,054	74,596,300	246,702,354
Net position restricted for pension benefits - End of fiscal year	$ 168,015,020	$ 75,337,019	$ 243,352,039

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

1. DESCRIPTION OF THE PLANS

ATU/IBEW Plan

The Retirement Plan for Sacramento Regional Transit District Employees who are Members of Amalgamated Transit Union (ATU) Local 256 and International Brotherhood of Electrical Workers (IBEW) Local 1245 (the ATU/IBEW Plan) is a single employer defined benefit pension plan covering contract employees of Sacramento Regional Transit District (the District). Participants should refer to their respective plan agreements for more complete information. The ATU Plan and the IBEW Plan are accounted for by the District as one Plan (collectively, the ATU/IBEW Plan). The ATU/IBEW Plan is reported as a pension trust fund in the District's financial statements.

Salaried Plan

The Retirement Plan for Sacramento Regional Transit District Salaried Employees (the Salaried Plan) is a single employer defined benefit pension plan covering full- or part-time employees in the following employee groups: 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, a new tier was created in both the ATU/IBEW and Salaried Plans (Tier 2). The Tier effective date was directly affected by labor negotiations and whether the union/employee group was under a current Memorandum of Understanding (MOU). As of December 30, 2014, the ATU, IBEW, and AFSCME-Technical unions were bound by a current MOU. Whereas, the AEA, MCEG, and AFSCME-Supervisors had not settled negotiations and were not bound by a current MOU; therefore, PEPRA was required to be implemented for these groups.

- ATU, IBEW, and AFSCME-Technical – 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, 2015.
- AEA, MCEG, and AFSCME-Supervisors – 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 is closed to new entrants as all newly hired employees will be placed into the respective Tier 2 plans.

PEPRA Employees

The Public Employees' Pension Reform Act (PEPRA) of 2013 created new pension rules for employees hired after January 1, 2013. 'PEPRA employees' were hired under both the ATU/IBEW Plan and the Salaried Plan and the employees are required to contribute 50% of the normal cost of their plan. The benefits under PEPRA were reduced in an effort to reduce the pension liability of local agencies in the state of California.

On October 4, 2013 Assembly Bill 1222 provided a temporary exemption to the January 1, 2013 PEPRA law for employees of transit agencies. Along with changes to employee retirement benefits, this exemption eliminated employee contributions through January 1, 2015. Therefore all contributions received were refunded in November 2013 and the employees hired between January 1, 2013 and October 4, 2013 were included in the Tier 1 Plans. On September 28, 2014 Assembly Bill 1783 was signed by Governor Brown which extended the District's and the Plans' PEPRA exemption to January 1, 2016.

1. DESCRIPTION OF THE PLANS (Continued)

On December 30, 2014 a court ruling was released in which PEPRA became a requirement for transit agencies in the state of California. The ruling indicated that if a bargaining group was within a current MOU, PEPRA would not apply until the expiration of said MOU. As of December 30, 2014, the ATU, IBEW, and AFSCME-Technical groups were under a current MOU. For all other employee groups not under current contract (MCEG, AEA, and AFSCME-Supervisors), PEPRA applied to all new hires as of December 30, 2014.

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.

ATU/IBEW Plan membership for both Tier 1 and Tier 2, at June 30, 2016, consisted of:

Retirees and beneficiaries currently receiving benefits	530
Terminated members entitled to but not yet collecting benefits	41
Current active members	730
	1,301

Salaried Plan membership for both Tier 1 and Tier 2, as of June 30, 2016, consisted of:

Retirees and beneficiaries currently receiving benefits	242
Terminated members entitled to but not yet collecting benefits	41
Current active members	244
	527

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

TIER 1	**ATU/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%
Employer Contribution	26.51%	26.51%	31.55%	31.55%	31.55%	31.55%
Employee Contribution	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Vacation sell back towards pension calculation	Allowable	Allowable	Allowable	Allowable	Allowable	Allowable
Sick leave sell back towards pension calculation	Allowable	Allowable	Allowable	Allowable	Allowable	Allowable
Retirement Age Eligible and Multiplier	See Table 3	See Table 3	See Table 3	See Table 3	See Table 3	See Table 3
Disability Retirement Multiplier	Equal to applicable retirement age multiplier or 2% if age and service are not met. Vesting required					

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/IBEW Plan**		**Salaried Plan**			
Employee Unions/Groups	**ATU**	**IBEW**	**AFSCME - Technical**	**AFSCME - Supervisors**	**AEA**	**MCEG**
Plan Terms	MOU	MOU	MOU	PEPRA	PEPRA	PEPRA
Vesting Period: Years of Service - % Vested	10 - 100%	10 - 100%	5 - 10% 6 - 30% 7 - 50% 8 - 70% 9 - 90% 10 - 100%	5 - 100%	5 - 100%	5 - 100%
Employer Contribution	23.51%	23.51% to 25.01%	28.55% to 30.05%	25.80%	25.80%	25.80%
Employee Contribution	3.0%	1.5% to 4.5%	1.5% to 4.5%	1/2 Normal Cost	1/2 Normal Cost	1/2 Normal Cost
Vacation sell back towards pension calculation	Allowable	Allowable	Allowable	Not Allowable	Not Allowable	Not Allowable
Sick sell back towards pension calculation	Allowable	Allowable	Allowable	Not Allowable	Not Allowable	Not Allowable
Retirement Age Eligible and Multiplier	See Table 4	See Table 4	See Table 4	See Table 4	See Table 4	See Table 4
Disability Retirement Multiplier	Equal to applicable retirement age multiplier or 2% if age and service are not met. Vesting required					

1. DESCRIPTION OF THE PLANS (Continued)

The retirement ages, years of service and pension calculation multipliers vary by employee union/group. The specific benefits for the ATU/IBEW and Salaried Plan Tier 1 and Tier 2 employees are outlined below in Table 3 and Table 4, respectively:

Table 3

Tier 1

Employee Unions/ Groups	Age	Years of Service	Multiplier
ATU	55	25	2.00%
	56	26	2.10%
	57	27	2.20%
	58	28	2.30%
	59	29	2.40%
	60	30 or more	2.50%
IBEW	55-59	25-29 or more	2.00%
	60	30 or more	2.50%
Salaried (AEA, MCEG, and AFSCME)	55	25	2.00%
	56	26	2.10%
	57	27	2.20%
	58	28	2.30%
	59	29	2.40%
	60	30 or more	2.50%

Table 4

Tier 2

Employee Unions/ Groups	Age	Years of Service	Multiplier
ATU	55	25	2.00%
	56	26	2.10%
	57	27	2.20%
	58	28	2.30%
	59	29	2.40%
	60	30 or more	2.50%
IBEW	55-62	N/A	2.00%
	63	N/A	2.10%
	64	N/A	2.20%
	65	N/A	2.30%
	66	N/A	2.40%
	67	N/A	2.50%
AFSCME-Technical	55	25	2.00%
	56	26	2.10%
	57	27	2.20%
	58	28	2.30%
	59	29	2.40%
	60	30 or more	2.50%
AEA, MCEG, and AFSCME - Supervisors	55	N/A	1.30%
	56	N/A	1.40%
	57	N/A	1.50%
	58	N/A	1.60%
	59	N/A	1.70%
	60	N/A	1.80%
	61	N/A	1.90%
	62	N/A	2.00%
	63	N/A	2.10%
	64	N/A	2.20%
	65	N/A	2.30%
	66	N/A	2.40%
	67	N/A	2.50%

1. DESCRIPTION OF THE PLANS (Continued)

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 or until remarriage.

Administration – The ATU/IBEW Plan is administered by the ATU/IBEW Plan's Retirement Board. All expenses incurred in the administration of the ATU/IBEW Plan are paid by the ATU/IBEW Plan. The Salaried Plan is administered by the Salaried Plan's Retirement Boards. All expenses incurred in the administration of the Salaried Plan are paid by the Salaried Plan.

Plan Termination – Should the ATU/IBEW or the Salaried Plan be terminated, the Plan's 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. 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 ATU/IBEW and Salaried Plans have adopted Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, as their source of accounting and reporting principles. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, State Street.

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, 2016, the ATU/IBEW and Salaried Plans implemented GASB Statement 72, *Fair Value Measurement and Application*. Implementation of this statement has created additional investment disclosures; however, there was no impact on the basic financial statements.

There are currently no future pronouncements that will be applicable to the ATU/IBEW and Salaried Plans' financial statements.

3. CONTRIBUTION REQUIREMENTS

EMPLOYER CONTRIBUTIONS

The ATU/IBEW and Salaried Plans' funding policy 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, 2016, the District made 100% of the actuarially determined contributions to the ATU/IBEW and Salaried Plans of $18,024,056, for all employees.

TIER 1 EMPLOYEES

For the fiscal year ended June 30, 2016, the actuarially determined rate for the ATU/IBEW Plan was 26.51% of covered payroll. For the fiscal year ended June 30, 2016, the actuarially determined rate for the Salaried Plan was 31.55% 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 PEPRA.

ATU employees are required to contribute 3.00% of their annual salary. The employer portion of the actuarially determined rate for the ATU members was 23.51% of covered payroll for the fiscal year ending June 30, 2016. IBEW employees are required to contribute 1.50% the first year of service increasing to 4.50% in the third year of service and beyond. The employer portion of the actuarially determined rate for the IBEW members ranged from 23.51% to 25.01% of covered payroll for the fiscal year ending June 30, 2016. The total contribution by Tier 2 employees of the ATU/IBEW Plan for the fiscal year ended June 30, 2016 was $54,714.

3. CONTRIBUTION REQUIREMENTS (Continued)

AFSCME-Technical employees are required to contribute 1.50% the first year of service increasing to 4.50% in the third year of service and beyond. The employer portion of the actuarially determined rate for the AFSCME-Technical members ranged from 28.55% to 30.05% of covered payroll for the fiscal year ending June 30, 2016. Members of AEA, MCEG, and AFSCME-Supervisors 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 25.80% of covered payroll for the fiscal year ending June 30, 2016. The total contribution by Tier 2 employees of the Salaried Plan for the fiscal year ended June 30, 2016 was $21,014.

The PEPRA related contribution rate for June 30, 2016, was actuarially determined on April 20, 2015, using the member data from actuarial valuations of the ATU/IBEW and Salaried Plans as of June 30, 2014.

4. CASH AND INVESTMENTS

CASH AND SHORT-TERM INVESTMENTS

At June 30, 2016, the reported amount of cash and short-term investments of the ATU/IBEW and Salaried Plans was $6,563,559. 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. This 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, 2016:

Asset Class	Target Allocation
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	35%

For the years ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was -0.19%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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	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%

(1) The fixed income portion of the ATU/IBEW and Salaried Plans shall be limited in duration to between 75% and 125% of the 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 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.

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, 2016.

	Maturity in Years				
	Less than 1	1 – 5	6 – 10	More than 10	Amount
Collateralized Mortgage Obligations	$ -	$ 1,089,677	$ 452,552	$ 5,092,203	$ 6,634,432
Corporate Bonds	1,946,133	6,313,010	7,491,959	4,933,543	20,684,645
Municipal Bonds	-	-	462,901	277,339	740,240
U.S. Government Agency Obligations	-	661,410	798,333	23,336,561	24,796,304
U.S. Government Issued Obligations	1,570,536	18,841,122	3,115,509	4,901,890	28,429,057
Auto Loan Receivables	-	518,052	-	-	518,052
Credit Card Receivables	-	220,136	-	-	220,136
Asset-Backed Securities	-	-	1,273,142	9,137,389	10,410,531
Total	$ 3,516,669	$ 27,643,407	$ 13,594,396	$ 47,678,925	$ 92,433,397

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

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.

CORPORATE DEBT – RANGE NOTES

Range notes are securities which pay two different interest rates depending on whether or not a benchmark index falls within a pre-determined range as structured per the note. If the benchmark index rate does not fall within the pre-determined range, the note will not earn the coupon rate for that time period. With this pre-determined range feature, range notes are highly sensitive to changes in interest rates. As of June 30, 2016, the ATU/IBEW and Salaried Plans held range notes with a value of $389,597.

MORTGAGE PASS-THROUGH SECURITIES

These securities 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 Association (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, 2016, the ATU/IBEW and Salaried Plans held callable bonds with a value of $5,381,862.

<u>CREDIT RISK</u>

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.

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, 2016, 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, 2016.

Investment Rating	Amount	Percentage of Portfolio
Not Applicable	$ 153,773,258	62.46%
Not Rated	29,396,518	11.94%
Aaa	36,966,595	15.01%
Aa1	560,218	0.23%
Aa2	1,126,331	0.46%
Aa3	355,785	0.14%
A1	1,987,906	0.81%
A2	2,425,477	0.99%
A3	4,877,036	1.98%
Baa1	3,921,304	1.59%
Baa2	3,580,644	1.45%
Baa3	2,364,999	0.96%
Ba1	785,010	0.32%
Ba2	620,450	0.25%
Ba3	1,198,809	0.49%
B1	570,760	0.23%
B2	81,822	0.03%
B3	134,413	0.05%
Caa3	439,445	0.18%
Ca	7,134	0.00%
WR	1,032,739	0.42%
	$ 246,206,653	100.00%

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, 2016, the ATU/IBEW and Salaried Plans did not have domestic or international equity fund managers' investments in a single issuer that exceeded 5% (at cost) of the value of the portfolios and/or of the total outstanding shares. As of June 30, 2016, the Plans held more than 5% of the Plans' investments and fiduciary net position in the following fixed-income securities investments:

Federal Home Loan Bank	$	12,384,797

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.

The following table provides information on deposits and investments held in various foreign currencies, which are stated in U.S. dollars. The ATU/IBEW and Salaried Plans have foreign currency deposits and investments which may be used for hedging purposes.

4. CASH AND INVESTMENTS (Continued)

At June 30, 2016, the U.S. dollar balances organized by investment type and currency denominations for the ATU/IBEW and Salaried Plans are as follows:

Foreign Currency	U.S. Dollars	
Swiss Franc	$	6,108
EURO		429
Japanese Yen		104
Total	$	6,641

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, 2016:

		Fair Value Measurements Using		
	06/30/2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Signficant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
Collateralize mortgage obligations	$ 6,634,432	$ -	$ 6,634,432	$ -
Corporate bonds	20,684,645	-	20,684,645	-
Municipals	740,240	-	740,240	-
U.S. Government Agency obligations	24,796,304	-	24,796,304	-
U.S. Government issued obligations	28,429,057	28,429,057	-	-
Asset backed obligations	10,410,531	-	10,410,531	-
Other debt securities	738,188	-	738,188	-
Equity securities	-			
Common stock	57,798,157	57,798,157	-	-
Depository receipts	609,755	609,755	-	-
Real estate investment trust	390,976	390,976	-	-
Total investments by fair value level	151,232,285	$ 87,227,945	$ 64,004,340	$ -
Investments measured at the net asset value (NAV)				
S&P 500 index fund	40,604,536			
MSCI EAFE index fund	20,550,873			
International equity fund	21,281,757			
International emerging markets fund	12,537,202			
Total investments measured at NAV	94,974,368			
Totain investments measured at fair value	$ 246,206,653			

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 is determined by dividing the total value of the securities and other assets, less any liabilities, by the total outstanding shares of the fund.

Investment measured at the net asset value (NAV)

	06/30/2016	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
S&P 500 index fund [1]	$ 40,604,536	$ 40,604,536	$ -	Daily	1 day
MSCI EAFE index fund [2]	20,550,873	20,550,873	-	Semi-monthly	6-8 days
International equity fund [3]	21,281,757	21,281,757	-	Daily	1 day
International emerging markets fund [4]	12,537,202	12,537,202	-	Daily	1 day
Total investments measured at the NAV	$ 94,974,368	$ 94,974,368	$ -		

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 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. Issuances and redemptions of fund shares can be performed on any business day, based on the closing market value on the valuation date of the purchase or sale.

4. 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 share of the investments. Investors may purchase or redeem shares of the fund on any business day.

5. NET PENSION LIABILITY

ATU/IBEW Plan

The components of the net pension liability of the ATU/IBEW Plan at June 30, 2016, were as follows:

Total pension liability	$	238,762,921
Plan fiduciary net position		(168,015,020)
ATU/IBEW net pension liability	$	70,747,901
Plan fiduciary net position as a percentage of the total pension liability		70.37%

The total pension liability was determined by an actuarial valuation as of July 1, 2015, 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	3.15%
Amortization growth rate	3.15%
Salary increases	3.15%, plus merit component
Investment Rate of Return	7.50%, net of investment expense
Post-retirement mortality	Sex Distinct RP-2000 Combined Blue Collar Mortality, 3 year setback for females

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

The long-term expected rate of return on pension plan investments was 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, 2016, are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic Equity Large Cap	8.85%
Domestic Equity Small Cap	9.85%
International Equity Developed	9.55%
International Equity Emerging	11.15%
Domestic Fixed Income	3.05%

5. NET PENSION LIABILITY (Continued)

The discount rate used to measure the Total Pension Liability was 7.50%. The discount rate was decreased during the fiscal year ended June 30, 2016 to 7.50% from 7.65%. The reduction is due to a review of potential investment returns over the next ten to twenty year horizon. The projection of cash flows used to determine the discount rate assumed that the District will continue to contribute to the ATU/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 (17 years remaining as of the July 1, 2015 actuarial valuation).

Based on those assumptions, the ATU/IBEW Plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current ATU/IBEW Plan members. Therefore, the long-term expected rate of return on the ATU/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 ATU/IBEW Plan, calculated using the discount rate of 7.50 percent, as well as what the ATU/IBEW Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease 6.50%	Discount Rate 7.50%	1% Increase 8.50%
Total pension liability	$ 263,781,397	$ 238,762,921	$ 217,400,628
Plan fiduciary net position	(168,015,020)	(168,015,020)	(168,015,020)
Net pension liability	$ 95,766,377	$ 70,747,901	$ 49,385,608
Plan fiduciary net position as a percentage of the total pension liability	63.69%	70.37%	77.28%

Salaried Plan

The components of the net pension liability of the Salaried Plan at June 30, 2016, were as follows:

Total pension liability	$ 121,090,442
Plan fiduciary net position	(75,337,019)
Salaried net pension liability	$ 45,753,423
Plan fiduciary net position as a percentage of the total pension liability	62.22%

5. NET PENSION LIABILITY (Continued)

The total pension liability was determined by an actuarial valuation as of July 1, 2015, 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	3.15%
Amortization growth rate	3.15%
Salary increases	3.15%, plus merit component
Investment Rate of Return	7.50%, net of investment expense
Post-retirement mortality	Sex Distinct RP-2000 Combined White Collar Mortality, 3 year setback for females

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

The long-term expected rate of return on pension plan investments was 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, 2016, are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic Equity Large Cap	8.85%
Domestic Equity Small Cap	9.85%
International Equity Developed	9.55%
International Equity Emerging	11.15%
Domestic Fixed Income	3.05%

The discount rate used to measure the Total Pension Liability was 7.50%. The discount rate was decreased during the fiscal year ended June 30, 2016, to 7.50% from 7.65%. The reduction is due to a review of potential investment returns over the next ten to twenty year horizon. 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 (17 years remaining as of the July 1, 2015 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.

5. NET PENSION LIABILITY (Continued)

The following presents the net pension liability of the Salaried Plan, calculated using the discount rate of 7.50 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 (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease 6.50%	Discount Rate 7.50%	1% Increase 8.50%
Total pension liability	$ 135,273,142	$ 121,090,442	$ 109,059,306
Plan fiduciary net position	(75,337,019)	(75,337,019)	(75,337,019)
Net pension liability	$ 59,936,123	$ 45,753,423	$ 33,722,287
Plan fiduciary net position as a percentage of the total pension liability	55.69%	62.22%	69.08%

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.

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 AND IBEW LOCAL 1245
FOR THE FISCAL YEARS ENDED JUNE 30, 2016, 2015 AND 2014

	2016	2015	2014
Total pension liability			
Service Cost	$ 5,760,060	$ 5,753,143	$ 5,599,479
Intrest	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	-
Transfers out - Salaried Plan	-	-	(174,166)
Benefit payments, including refunds of member contributions	(13,180,874)	(13,157,985)	(12,877,177)
Net change in total pension liability	16,057,404	7,659,442	8,288,478
Total pension liability - beginning	222,705,517	215,046,075	206,757,597
Total pension liability - ending	$ 238,762,921	$ 222,705,517	$ 215,046,075
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
Transfers out - Salaried Plan	-	-	(174,166)
Benefit payments, including refunds of member contributions	(13,180,874)	(13,157,985)	(12,877,177)
Administrative expense	(290,647)	(190,442)	(230,365)
Net change in plan fiduciary net position	(4,091,034)	1,608,381	19,083,643
Plan fiduciary net position - beginning	172,106,054	170,497,673	151,414,030
Plan fiduciary net position - ending	$ 168,015,020	$ 172,106,054	$ 170,497,673
Net pension liability - ending	$ 70,747,901	$ 50,599,463	$ 44,548,402
Plan fiduciary net position as a percentage of the total pension liability	70.37%	77.28%	79.28%
Covered employee payroll	$ 39,996,326	$ 37,950,269	$ 38,857,668
Net pension liability as a percentage of covered employee payroll	176.89%	133.33%	114.65%

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

-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

RETIREMENT PLANS FOR SACRAMENTO REGIONAL TRANSIT DISTRICT EMPLOYEES

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
SALARIED EMPLOYEES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016, 2015 AND 2014

	2016	2015	2014
Total pension liability			
Service Cost	$ 3,594,919	$ 3,476,103	$ 3,321,337
Transfers In - ATU/IBEW Plan	-	-	174,166
Interest (includes interest on service cost)	8,807,953	8,434,365	7,978,675
Difference between expected and actual returns	(852,040)	(753,076)	-
Changes of assumptions	(680,161)	930,863	-
Benefit payments, including refunds of member contributions	(6,190,981)	(5,502,144)	(5,664,400)
Net change in total pension liability	4,679,690	6,586,111	5,809,778
Total pension liability - beginning	116,410,752	109,824,641	104,014,863
Total pension liability - ending	$ 121,090,442	$ 116,410,752	$ 109,824,641
Plan fiduciary net position			
Contributions - employer	$ 7,576,866	$ 7,335,308	$ 6,609,083
Contributions - member	21,014	261	1,678
Transfers in - ATU/IBEW Plan	-	-	174,166
Net investment income/(Expense)	(396,556)	2,132,136	9,297,644
Benefit payments, including refunds of member contributions	(6,190,981)	(5,502,144)	(5,664,400)
Administrative expense	(269,624)	(194,209)	(176,367)
Net change in plan fiduciary net position	740,719	3,771,352	10,241,804
Plan fiduciary net position - beginning	74,596,300	70,824,948	60,583,144
Plan fiduciary net position - ending	$ 75,337,019	$ 74,596,300	$ 70,824,948
Net pension liability - ending	$ 45,753,423	$ 41,814,452	$ 38,999,693
Plan fiduciary net position as a percentage of the total pension liability	62.22%	64.08%	64.49%
Covered employee payroll	$ 24,341,878	$ 23,022,281	$ 22,008,809
Net pension liability as a percentage of covered employee payroll	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

-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

RETIREMENT PLANS FOR SACRAMENTO REGIONAL TRANSIT DISTRICT EMPLOYEES

SCHEDULE OF DISTRICT CONTRIBUTIONS
EMPLOYEES WHO ARE MEMBERS OF
ATU LOCAL 256 AND IBEW LOCAL 1245
LAST 10 FISCAL YEARS
(Dollar amounts in thousands)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	$ 10,447	$ 10,344	$ 9,711	$ 8,694	$ 7,885	$ 6,809	$ 7,426	$ 6,937	$ 7,681	$ 7,088
Contributions in relation to the actuarially determined contribution	10,447	10,344	9,711	8,694	7,885	6,809	7,426	6,937	7,681	7,088
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 39,996	$ 37,950	$ 38,858	$ 37,110	$ 38,558	$ 38,343	$ 43,626	$ 44,916	$ 44,718	$ 42,897
Contributions as a percentage of covered-employee payroll	26.12%	27.26%	24.99%	23.43%	20.45%	17.76%	17.02%	15.44%	17.18%	16.52%

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.

<u>Notes to Schedule</u>

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

<u>Key methods and assumptions used to determine contribution rates:</u>

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.

RETIREMENT PLANS FOR SACRAMENTO REGIONAL TRANSIT DISTRICT EMPLOYEES

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	$ 7,577	$ 7,335	$ 6,609	$ 5,800	$ 4,580	$ 3,718	$ 4,269	$ 3,820	$ 4,132	$ 3,694
Contributions in relation to the actuarially determined contribution	7,577	7,335	6,609	5,800	4,580	3,718	4,269	3,820	4,132	3,694
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 24,342	$ 23,022	$ 22,009	$ 19,627	$ 19,105	$ 19,466	$ 22,602	$ 21,115	$ 21,929	$ 21,363
Contributions as a percentage of covered-employee payroll	31.13%	31.86%	30.03%	29.55%	23.97%	19.10%	18.89%	18.09%	18.84%	17.29%

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 White 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.

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)

	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	-0.19%	3.25%	15.64%

Note: 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 AND IBEW LOCAL 1245
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Investment Expenses:

Vendor Names	Type of Services	Amount
Metropolitan West Asset Management, L.L.C.	Asset Management	$ 165,270
Boston Partners Investment Management	Asset Management	146,695
Atlanta Capital Management Co.	Asset Management	116,590
JP Morgan Investment Management, Inc.	Asset Management	106,183
SSgA MSCI EAFE	Asset Management	14,697
SSgA S&P 500	Asset Management	13,620
Callan Associates, Inc.	Investment Advisor	82,953
State Street Bank and Trust Company	Custodian Services	92,193
Total		$ 738,201

Administrative Expenses:

Vendor Names	Type of Services	Amount
Hanson Bridgett	Consulting Services	$ 98,404
Sacramento Regional Transit District	Plan Administration	88,955
Cheiron EFI	Actuarial Services	67,099
AON Risk Services, Inc.	Fiduciary Insurance	28,978
CALAPRS	Dues & Training Course	3,250
Sacramento Occupational Medical Group	Medical Evaluation	1,128
Procurement Costs	Advertising Contracts	1,032
Information Services	Technical Support	414
Other	Misc	1,387
Total		$ 290,647

RETIREMENT PLANS FOR SACRAMENTO REGIONAL TRANSIT DISTRICT EMPLOYEES

SCHEDULES OF INVESTMENT AND ADMINISTRATIVE EXPENSES
SALARIED EMPLOYEES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Investment Expenses:

Vendor Names	Type of Services	Amount
Metropolitan West Asset Management, L.L.C.	Asset Management	$ 72,795
Boston Partners Investment Management	Asset Management	64,609
Atlanta Capital Management Co.	Asset Management	51,366
JP Morgan Investment Management, Inc.	Asset Management	46,754
SSgA MSCI EAFE	Asset Management	6,472
SSgA S&P 500	Asset Management	5,999
Callan Associates, Inc.	Investment Advisor	36,447
State Street Bank and Trust Company	Custodian Services	40,501
Total		$ 324,943

Administrative Expenses:

Vendor Names	Type of Services	Amount
Hanson Bridgett	Consulting Services	$ 98,404
Sacramento Regional Transit District	Pension Administration	76,488
Cheiron EFI	Actuarial Services	59,835
AON Risk Services, Inc.	Fiduciary Insurance	28,815
CALAPRS	Dues & Training Course	3,250
Media Outlets	Advertising Contracts	1,032
Information Services	Technical Support	414
Other	Miscellaneous	1,386
Total		$ 269,624