AC TRANSIT
EMPLOYEES' RETIREMENT PLAN

Basic Financial Statements with Supplementary Information

December 31, 2019 and 2018

(With Independent Auditor's Report Thereon)

WILLIAMS ADLEY

WILLIAMS, ADLEY & COMPANY-CA, LLP

Certified Public Accountants / Management Consultants

AC TRANSIT
EMPLOYEES' RETIREMENT PLAN
December 31, 2019 and 2018

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Independent Auditor's Report

To the Retirement Board of the
AC Transit Employees' Retirement Plan

We have audited the accompanying financial statements of the AC Transit Employees' Retirement Plan (the Plan), a component unit of the Alameda-Contra Costa Transit District, which comprise the statements of fiduciary net position as of December 31, 2019 and 2018, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Plan 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 Plan's 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 Plan's 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 opinion.

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WILLIAMS ADLEY

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the AC Transit Employees' Retirement Plan as of December 31, 2019 and 2018, and the changes in its fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Net Pension Liability of Employer

As described in note 5, based on the most recent actuarial valuation as of December 31, 2019, the Plan's independent actuaries determined that, at December 31, 2019, the total pension liability exceeded the fiduciary net position by $270.1 million.

Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 and the schedule of changes in the employer's net pension liability and related ratios, schedule of employer contributions, and schedule of investment returns on pages 19 through 21 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 audits 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.

Williams, Adley & Company-CA, LLP

Oakland, California
July 27, 2020

Management's Discussion and Analysis
(Unaudited)

The following is an overview and analysis of the financial activities of the AC Transit Employees' Retirement Plan for the years ended December 31, 2019 and 2018. Please read it in conjunction with the financial statements that follow this section.

Financial Overview

In 2019 the U.S. stock market as measured by the Russell 3000 returned 31.0% while non-U.S. stocks as measured by the MSCI EAFE (Morgan Stanley Capital International Europe, Australasia, and Far East) returned 22.0%. The U.S. bond market as measured by the Barclays Aggregate returned 8.7%. Plan investments returned 17.2% for the year. Fiduciary net position increased from $641.5 million at December 31, 2018 to $746.8 million at December 31, 2019.

Fiduciary net position increased by $105.3 million during the year. The Plan, with a current asset allocation target of 51% in equities, 39% in fixed income and 10% in alternative investments, saw its investment portfolio return 17.2% for the year. During the last three years, equity markets have increased in value, with the Russell 3000 averaging roughly a 14.6% increase (on an annual basis), and the MSCI EAFE (Unhedged) index averaging approximately a 9.6% increase (on an annual basis). The Barclays Capital U.S. Aggregate Bond index has averaged a 4.0% annual increase during this period.

The Plan ended 2019 with $746.8 million in net position, an increase of $105.3 million from December 31, 2018. The increase in Plan net position in 2019 was primarily a result of Plan investment performance mentioned above.

- The contribution from AC Transit increased from $54.7 million in 2018 to $56.9 million in 2019. The District's contribution is computed by the actuary for the Plan and approved by the Retirement Board.

- Net investment income, comprised of the net appreciation (depreciation) in the fair value of investments, interest and dividend income, and total investment expenses, increased from a loss of $34.3 million in 2018 to a gain of $110.1 million in 2019. The increase of $144.4 million is primarily attributable to the gains sustained in the equity markets by the Plan in 2019 as opposed to the losses in 2018.

- Benefit payments increased from $56.7 million in 2018 to $60.3 million in 2019. In 2018, benefit payments increased from $54.6 million in 2017 to $56.7 million. The net number of retirees and beneficiaries receiving benefits increased by 29 in 2019 and 52 in 2018. It should be noted that all things being equal an employee retiring now will receive a higher pension than someone who retired 20 years ago. This is a result of both improvements to the Plan and the fact that employees are paid more than they were 20 years ago. A large part of this is attributable to inflation.

- As of December 31, 2019, the Plan fiduciary net position as a percentage of the total pension liability is 73.44%, compared to 65.39% as of December 31, 2018.

- As of December 31, 2019 the assumed rate of return for the Plan was 7.00%. For the current actuarial valuation as of January 1, 2020 the Plan will assume a long-term rate of return of 7.0%. Given the historical return of financial assets and the current asset allocation of the Plan, this return is one the actuary feels is reasonable. Management is aware that a 7.0% return is not guaranteed and that a long-term return significantly below 7.0% will result in AC Transit needing to increase its contribution to the Plan.

Management's Discussion and Analysis
(Unaudited)

Overview of Financial Statements

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

1. ***Statements of Fiduciary Net Position*** are a snapshot of account balances at year-end. They disclose the total assets and total liabilities as of December 31, 2019, and 2018. The Plan net position restricted for pension benefits reflects the funds available for future payment of retirement benefits and operating expenses as of the same periods.

2. ***Statements of Changes in Fiduciary Net Position***, on the other hand, provide a view of additions to and deductions from the Plan during the years ended December 31, 2019 and 2018.

3. ***Notes to Financial Statements*** provide additional information that is essential to a full understanding of the data provided in the financial statements.

4. ***Required Supplementary Information*** follows the notes and provides additional information and detail concerning the Plan's progress in funding its obligations to provide pension benefits to members, the trend of employer contributions, and pertinent actuarial information as of the latest valuation.

Fiduciary Net Position Summary (in thousands) – As of December 31,

		2019	2018	2017	2019 Increase (Decrease)	2018 Increase (Decrease)
Assets:						
Investments	$	748,789	642,365	679,415	106,424	(37,050)
Other assets		4,852	4,500	4,789	352	(289)
Total assets		753,641	646,865	684,204	106,776	(37,339)
Total liabilities		6,788	5,330	5,320	1,458	10
Net position	$	746,853	641,535	678,884	105,318	(37,349)

Changes in Fiduciary Net Position Summary (in thousands) – Years Ended December 31,

		2019	2018	2017	2019 Increase (Decrease)	2018 Increase (Decrease)
Additions:						
Employer contributions	$	56,863	54,723	52,369	2,140	2,354
Employee contributions		92	19	0	73	19
Investment income		110,146	(34,344)	87,481	144,490	(121,825)
Total additions		167,101	20,398	139,850	146,703	(119,452)
Benefit payments		60,321	56,697	54,631	3,624	2,066
Administrative expense		1,462	1,050	1,033	412	17
Total deductions		61,783	57,747	55,664	4,036	2,083
Net increase (decrease)	$	105,318	(37,349)	84,186	142,667	(121,535)

Management's Discussion and Analysis
(Unaudited)

Fiduciary Responsibilities

The Plan's Retirement Board is the fiduciary of the Plan. Under the California Constitution the assets can only be used for the exclusive benefit of Plan participants and their beneficiaries.

Request for Information

This financial report is designed to provide the Retirement Board and Plan participants with a general overview of the AC Transit Employees' Retirement Plan finances and to show accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

AC Transit Retirement Department
1600 Franklin Street
Oakland, CA 94612

AC TRANSIT EMPLOYEES' RETIREMENT PLAN

Statements of Fiduciary Net Position

Years Ended December 31, 2019 and 2018

(in thousands)

	2019	2018
Assets		
Investments at fair value		
Short-term investments	$ 6,141	$ 9,675
Equity securities	93,433	73,056
Equity funds	297,509	243,868
Fixed income funds	313,671	277,936
Real estate	38,035	37,830
Total investments	748,789	642,365
Interest and dividends receivable	101	68
Receivable from AC Transit for contributions	4,751	4,432
Total assets	753,641	646,865
Liabilities		
Accrued expenses	806	594
Benefits payable	946	-
Payable to AC Transit for benefit payments	5,025	4,728
Payable to brokers for unsettled transactions	11	8
Total liabilities	6,788	5,330
Net position restricted for pensions	$ 746,853	$ 641,535

See accompanying notes to financial statements.

AC TRANSIT EMPLOYEES' RETIREMENT PLAN

Statements of Changes in Fiduciary Net Position

Years Ended December 31, 2019 and 2018

(in thousands)

	2019	2018
Additions		
Employer contributions	$ 56,863	$ 54,723
Employee contributions	92	19
Investment income		
Dividends and interest	10,186	6,754
Net appreciation (depreciation) in fair value of investments	101,933	(39,388)
Investment expenses	(1,973)	(1,710)
Net investment income (loss)	110,146	(34,344)
Total additions (declines)	167,101	20,398
Deductions		
Benefit payments	60,321	56,697
Administrative expenses	1,462	1,050
Total deductions	61,783	57,747
Net increase (decrease)	105,318	(37,349)
Net position restricted for pensions, beginning of year	641,535	678,884
Net position restricted for pensions, end of year	$ 746,853	$ 641,535

See accompanying notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The AC Transit Employees' Retirement Plan (the Plan) is a component unit of the Alameda-Contra Costa Transit District's (AC Transit or the District) reporting entity and is included in AC Transit's basic financial statements as a pension trust fund. The Plan is a trust and, as such, is a legal entity separate and apart from AC Transit. The Plan is administered by the five-member AC Transit Retirement Board (the Retirement Board), composed of two non-employee members selected by the District Board, two members selected by Amalgamated Transit Union (ATU) Local 192 and one non-ATU employee selected by the District Board.

A summary of the Plan's significant accounting policies is as follows:

a. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Contributions are recorded in the period determined due as actuarially calculated, income and expense are recorded in the period incurred, and benefits are recognized when due and payable in accordance with the terms of the Plan.

b. Contributions

AC Transit's Plan provides retirement benefits for all qualifying employees. Beginning on July 1, 2018 the Plan began to require employee contributions for non-represented employees hired after December 31, 2015. AC Transit's contribution to fund the Plan has been actuarially computed and includes the normal cost of the Plan plus amortization of unfunded prior service costs (the UAL) as a level percentage of payroll over a period of not more than 13 years in 2015.

At the August 25, 2016 Board meeting, the AC Transit Board of Retirement made a change to the funding policy; choosing to specify that the existing UAL as of 1/1/2016 would be amortized over a 12-year closed period (nine years remaining as of January 1, 2019), except for the 50% of the investment losses that occurred during the year ended December 31, 2008, which is being amortized separately over a closed 30 year period (20 years as of 1/1/2019). Any changes in the UAL occurring after 1/1/2016 will be amortized over a new separate, 20-year closed layer, with the exception of changes due to Plan Amendments, where the length of the period will be determined by the Retirement Board.

c. Investments

Investments are stated at fair value. Purchases and sales of securities are recorded on the trade date. Quoted market values are used to determine the fair value of investments. Investments for which market quotations are not readily available are valued at their fair values as determined by the pricing vendors utilized by the custodial bank. Investment gains or losses are based on average cost.

d. Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires Plan management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Implementation of New Accounting Pronouncements

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This statement requires that recognition occur when the liability is both incurred and reasonably estimable. This statement did not have a material impact on the financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements,* improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This statement did not have a material impact on the financial statements.

NOTE 2 – PLAN SUMMARY

Plan Description

The Plan is a single-employer defined benefit retirement plan, which provides retirement benefits for all qualifying union and non-union employees. The Plan also provides death and disability benefits. All permanent full-time AC Transit employees are eligible to participate in the Plan. Users of these financial statements should refer to the Plan document for a more complete Plan description.

As of January 1, 2013 California law required all new participants in a public retirement system to make employee contributions that covered at least 50% of the normal cost of the retirement benefits accrued each year. A subsequent law exempted certain transit employees hired prior to December 31, 2015. The application of that obligation to employees who are in bargaining units represented by employee organizations and who were hired after December 31, 2015 remains under consideration. Non-represented employees hired after December 31, 2015 began making contributions on July 1, 2018.

Administration of the Plan's operations is overseen by the Retirement Board (Board) and performed by the Retirement Department. A custodial bank holds the Plan's cash and investments. The cash is held in a short-term investment fund. Substantially all costs of administering the Plan are paid by the Plan.

Benefit provisions are established in the Plan document. The Plan document cannot be changed by the Retirement Board. Any change to the Plan document must be made by the District Board and for represented employees no changes can be made without the consent of the applicable union. Retirement benefits vest after either 8 years of service or 5 years of service, depending on the employee's classification. Most AC Transit employees who retire at or after age 55 with vested benefits are entitled to an annual retirement benefit, payable monthly for life, at a rate based upon age, the higher of either the average of the last 36 months of employment or the average of the highest 3 years of earnings and the completed years of service with AC Transit.

NOTE 2 – PLAN SUMMARY (Continued)

As of December 31, 2019 and 2018, employee membership in the Plan was as follows:

	2019	2018
Retirees and beneficiaries currently receiving benefits	2,147	2,118
Terminated employees entitled to benefits but not yet receiving them	172	181
	2,319	2,299
Current employees:		
Vested	1,106	1,108
Non-vested	1,135	1,105
	2,241	2,213

Actuarial Valuations

The Plan utilizes an independent actuarial firm to conduct an annual actuarial valuation of the Plan.

The purpose of the actuarial valuation is to reassess the magnitude of the Plan's benefit commitments in comparison with the assets expected to be available to support those commitments so the annual employer and employee contribution can be adjusted accordingly. The actuarial assumptions have been selected in order to estimate as closely as possible what the actual cost of the Plan will be so as to permit an orderly method of setting aside contributions today to provide benefits in the future, and to maintain generational equity. To reduce the volatility of the annual contribution the Retirement Board has adopted five-year smoothing of assets.

NOTE 3 – INVESTMENTS

Investment Policy

The following is the Retirement Board's adopted asset allocation policy as of December 31, 2019:

Asset Class	Target Allocation
Large Cap Domestic Equity	22%
Domestic Small Cap Equity	6
International Equity	14
International Small Cap Equity	3
Emerging Market Equity	6
Fixed Income (Core)	19
Fixed Income (Credit)	13
Emerging Market Debt	6
Real Estate	5
Private Debt	5
Cash	1
Total	100%

The portfolio is managed by investment managers hired by the Retirement Board. The Retirement Board utilizes both active and passive management in the portfolio. The Retirement Board has chosen to manage the investment risks described by GASB Statement No. 40 by requiring investment managers to abide by certain guidelines that are tailored to the portfolio that the manager manages. These guidelines specify the amount of credit, interest, and foreign currency risk that a manager may take and the performance objective of the portfolio.

Rate of Return

The money-weighted rate of return is a measure of the rate of return for an asset or portfolio of assets that incorporates the size and timing of cash flows. For the years ended December 31, 2019 and 2018, the annual money-weighted rates of return on pension plan investments, net of pension plan investment expenses, were 17.2% in 2019 and a negative return of 5.1% in 2018 respectively.

Investment Consultant

The Retirement Board utilizes an investment consulting firm to aid in risk management, asset allocation, performance measurement, and manager selection. The consultant attends Board meetings during the year to discuss the investment portfolio, discusses the risks associated with the portfolio, and monitors the risk level of the investment managers.

NOTE 3 – INVESTMENTS (Continued)

Credit Risk

Credit risk is the risk that the issuer of a debt security or other counterparty to an investment will not fulfill its obligation. The entire fixed income portfolio is invested in mutual and commingled funds managed by outside money managers. These funds do not have a credit rating assigned by the rating agencies.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Bond prices are highly sensitive to the movement of interest rates. A decline in interest rates will tend to increase bond prices while an increase in rates will tend to depress prices. Duration is a measure of interest rate risk with a higher duration signifying greater price volatility in response to a change in interest rates. As of December 31, 2019 and 2018, the Plan had the following investments in fixed income funds. (Amounts are in millions. Duration is in years).

As of December 31, 2019

Fund		Amount	Duration
SSgA US Aggregate Bond Index Fund	$	137.8	5.9
Loomis, Sayles Credit Asset Fund		47.8	4.6
PIMCO Diversified Income Fund		50.7	5.4
Investec Emerging Market Debt Fund		48.4	6.3
Park Square		10.9	0.2
Monroe		14.4	0.1
Crescent		3.7	2.0
Total fixed income funds	$	313.7	5.2

As of December 31, 2018

Fund		Amount	Duration
SSgA US Aggregate Bond Index Fund	$	126.7	5.9
Loomis, Sayles Credit Asset Fund		42.3	5.5
PIMCO Diversified Income Fund		44.9	4.9
Investec Emerging Market Debt Fund		42.0	4.9
Park Square		11.9	0.4
Monroe		3.8	0.2
Crescent		6.3	2.0
Total fixed income funds	$	277.9	5.1

As of December 31, 2019 and 2018, the Plan had \$6.1 million and \$9.7 million invested in a short-term investment fund managed by Northern Trust.

NOTE 3 – INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Plan will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. All of the Plan's securities except those owned in a mutual fund or a commingled fund are held by the Plan's custodial bank in the Plan's name.

Foreign Currency Risk

Foreign currency risk is the risk that the changes in foreign exchange rates will affect the fair value of an investment denominated in a foreign currency. The Plan has, or could have, exposure to foreign currencies through its investment in several international funds. As of December 31, 2019 and 2018, investments in international equity funds (including emerging markets) totaled $155.5 million and $128.2 million. The Plan had $172.2 million and $144.9 million as of December 31, 2019 and 2018, respectively, in fixed income investments that could have foreign currency exposure. As of December 31, 2018 and 2017, the Plan had no direct exposure to foreign currency risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. As of December 31, 2019 and 2018, the Plan had no investments in a single issuer that equaled or exceeded 5% of the Plan's net position.

Fair Value Measurement

The Plan reports investments in accordance with the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*, which generally requires investments to be measured at fair value, using the appropriate valuation techniques. GASB Statement No. 72 established three levels to measure the fair value of an investment:

Level 1 inputs are quoted prices in active markets for identical investments.
Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
Level 3 inputs are unobservable inputs for an investment.

GASB Statement No. 72 allows for the use of Net Asset Value (NAV) per share (or its equivalent) for an investment in a nongovernmental entity that does not have a readily determined fair value. Investments measured at NAV without determinable fair value are excluded from the Level 1, 2 and 3 categorization described above.

NOTE 3 – INVESTMENTS (Continued)

The Plan has the following recurring fair value measurements as of December 31, 2019:

	Total at December 31, 2019	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Fair Value Measurements Using: Pricing Vendors Using Matrix Pricing (Level 2)	
Investments by Fair Value Level				
Cash Equivalents				
Short Term Investment Funds	$ 6,141	$ –	6,141	
Fixed Income Securities				
Mutual Funds	50,664	50,664	–	
Pooled Investments	234,024	–	234,024	
Total Fixed Income Securities	284,688	50,664	234,024	
Equity Securities				
U.S.	235,480	93,433	142,047	
International	155,462	67,075	88,387	
Total Equity Securities	390,942	160,508	230,434	
Total Investments by Fair Value Level	681,771	$ 211,172	470,599	
Investments Measured at the Net Asset Value (NAV)		**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Fixed Income (1)	28,983	11,440	Not Eligible	N/A
Real Estate (2)	38,035	5,379	None or Quarterly	45 – 60 day notice
Total Investments Measured at NAV	67,018			
Total Investments	$ 748,789			

1 Fixed Income – The fixed income portfolio consists of investments in three funds that make direct loans to companies. These funds are valued at the net asset value of the units held at the end of the period based upon the fair value of the underlying investments. These funds are not eligible for redemption but rather distribute proceeds over the funds' lifespans.

2 Real Estate – The primary objective of the real estate portfolio is income and appreciation. The real estate portfolio consists of investments in five commingled funds. These funds invest primarily in U.S. commercial real estate (office, industrial, retail, multi-family, and other). These funds are structured as open-end commingled funds and closed-end limited partnerships. The fair value of the investments in each fund is determined using third-party appraisals or internal valuations. For the two open-end funds, distribution of income is made quarterly and redemptions can be made from these funds on a quarterly basis with 45-60 days' notice. Under certain conditions, the fund manager may not allow redemptions from the open-end funds. The three closed-end limited partnerships pay distributions of income and investment sale proceeds at the manager's discretion. They do not allow client-directed redemptions.

NOTE 3 – INVESTMENTS (Continued)

The Plan has the following recurring fair value measurements as of December 31, 2018:

	Total at December 31, 2018	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Fair Value Measurements Using: Pricing Vendors Using Matrix Pricing (Level 2)	
Investments by Fair Value Level				
Cash Equivalents				
Short Term Investment Funds	$ 9,675	$ –	9,675	
Fixed Income Securities				
Mutual Funds	44,924	44,924	–	
Pooled Investments	211,024	–	211,024	
Total Fixed Income Securities	255,948	44,924	211,024	
Equity Securities				
U.S.	188,714	73,056	115,658	
International	128,210	58,653	69,557	
Total Equity Securities	316,924	131,709	185,215	
Total Investments by Fair Value Level	582,547	176,633	405,914	
Investments Measured at the Net Asset Value (NAV)		**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Fixed Income [(1)]	21,988	21,473	Not Eligible	N/A
Real Estate [(2)]	37,830	5,982	None or Quarterly	45 – 60 day notice
Total Investments Measured at NAV	59,818			
Total Investments	$ 642,365			

1 Fixed Income – The fixed income portfolio consists of investments in three funds that make direct loans to companies. These funds are valued at the net asset value of the units held at the end of the period based upon the fair value of the underlying investments. These funds are not eligible for redemption but rather distribute proceeds over the funds' lifespans.

2 Real Estate – The primary objective of the real estate portfolio is income and appreciation. The real estate portfolio consists of investments in five commingled funds. These funds invest primarily in U.S. commercial real estate (office, industrial, retail, multi-family, and other). These funds are structured as open-end commingled funds and closed-end limited partnerships. The fair value of the investments in each fund is determined using third-party appraisals or internal valuations. For the two open-end funds, distribution of income is made quarterly and redemptions can be made from these funds on a quarterly basis with 45-60 days' notice. Under certain conditions, the fund manager may not allow redemptions from the open-end funds. The three closed-end limited partnerships pay distributions of income and investment sale proceeds at the manager's discretion. They do not allow client-directed redemptions.

NOTE 4 – PLAN TERMINATION

Subject to the terms of any collective bargaining agreement with represented employees, AC Transit may terminate the Plan at any time, subject to the provisions of governing law. In the event of the dissolution, merger, consolidation or reorganization of AC Transit, the Plan shall terminate and assets in excess of liabilities shall be disposed of in compliance with a termination resolution and governing law, or in its absence, liquidated consistent with the governing law, unless the Plan is continued by the successor to AC Transit.

NOTE 5 – NET PENSION LIABILITY

The components of the net pension liability of the District at December 31, 2019 are as follows (in thousands):

Total Pension Liability	$	1,016,940
Less: Plan Fiduciary Net Position		746,853
District's Net Pension Liability	$	270,087

The Plan fiduciary net position as a percentage of the total pension liability is 73.44%.

For information related to the components of the net pension liability of the District at December 31, 2019 see the Required Supplementary Information on page 19.

Actuarial Method and Assumptions

The total pension liability was determined based on an actuarial valuation as of January 1, 2019 using the entry age normal actuarial cost method and the following actuarial assumptions, applied to all periods included in the measurement.

Investment Rate of Return	7.00%
Inflation Rate	2.75%

Measurements as of the reporting date are based on the fair value of assets as of December 31, 2019, and the total pension liability as of the valuation date, January 1, 2019, updated to December 31, 2019. There were no significant events between the valuation date and the measurement date.

Mortality rates were based on the RP-2014 Adjusted to 2006 Blue Collar Annuitant Mortality Table (110% adjustment factor for male ATU/IBEW members and 130% for ATU/IBEW females, 110% adjustment factor for male AFSCME/Non-Union members), projected with generational improvements using MP-2018.

The actuarial assumptions used in the January 1, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2015 – December 31, 2018.

The long-term expected rate of return on the pension plan investments was determined using a building-block method which estimates expected future rates of return (net of inflation) for each major asset class.

NOTE 5 – NET PENSION LIABILITY (Continued)

Best estimates of the arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2019 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Long Term Expected Real Rate of Return
Large Cap Domestic Equity	5.4%
Domestic Small Cap Equity	6.4
International Equity	6.3
International Small Cap Equity	7.0
Emerging Market Equity	9.9
Fixed Income (Core)	1.1
Fixed Income (Credit)	3.1
Emerging Market Debt	3.4
Real Estate	5.4
Private Debt	5.9

Discount Rate

The discount rate used to measure the total pension liability was 7.00%.

The projection of cash flows used to determine the discount rate assumed that the District will contribute to the 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 (UAL) as a level percentage of payroll. The remaining portion of the extraordinary investment loss from 2008 is being amortized over a closed period, with 20 years remaining as of January 1, 2019. The remainder of the UAL is being amortized over a closed period, with 9 years remaining as of January 1, 2019. The receivable contribution for the UAL payment for the fiscal year containing the valuation date is being amortized over a 20-year closed period. Any unexpected changes in the UAL after 2016 are amortized over new 20-year closed layers.

Based on these policies, the Plan's Fiduciary Net Position is expected to be available to make all projected future benefit payments of current Plan members. The Actuary did not perform a formal cash flow projection as described under Paragraph 41 of GASB Statement No. 67. However, Paragraph 43 of GASB Statement No. 67 allows alternative methods to confirm the sufficiency of the Net Position if the evaluations "can be made with sufficient reliability without a separate projection of cash flows into and out of the pension plan…" In the Actuary's professional judgment, adherence to the actuarial funding policy described above will result in the Plan's projected Fiduciary Net Position being greater than or equal to the benefit payments projected for each future period.

Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

NOTE 5 – NET PENSION LIABILITY (Continued)

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the District, calculated using the discount rate of 7.00%, as well as what the District's net pension liability would be if it were calculated using a discount rate of 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate.

	1% Decrease (6.00%)	**Current Discount (7.00%)**	**1% Increase (8.00%)**
District's net pension liability	\$377,624	\$270,087	\$178,288

Amounts in Thousands

NOTE 6 – SUBSEQUENT EVENTS

These financial statements report asset values as of December 31, 2019 and December 31, 2018 and do not include any fair value adjustments to the Plan's assets resulting from the Coronavirus pandemic (COVID-19). The global financial markets have experienced declines in valuation and remain volatile from the uncertainty caused by COVID-19. The Plan's portfolio is structured to focus on long-term performance. The Plan is closely monitoring its investment and asset allocation to ensure that it is consistent with its long-term investment objectives. The long-term impact of the pandemic on the investment portfolio of the Plan is not currently determinable. Market fluctuations are an expected investment risk for a defined benefit plan and the value of the Plan's investment portfolio changes periodically.

AC TRANSIT
EMPLOYEES' RETIREMENT PLAN

Schedule of Changes in the Employer's Net Pension Liability and Related Ratios
(Unaudited – See Accompanying Independent Auditor's Report)
December 31, 2019 (in thousands)

Schedule I: Schedule of Changes in the Employer's Net Pension Liability and Related Ratios

	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost (MOY)	$ 25,699	$ 22,789	$ 21,186	$ 18,740	$ 16,614	$ 16,698
Interest (includes interest on service cost)	67,116	66,063	64,249	62,964	57,571	55,840
Changes of benefit terms	0	0	0	0	0	0
Differences between expected and actual experience	8,617	5,058	369	(11,563)	(2,243)	0
Changes of assumptions	(5,244)	10,041	0	0	52,583	0
Benefit payments, including refunds of member contributions	(60,321)	(56,697)	(54,631)	(52,560)	(49,875)	(47,410)
Net change in total pension liability**	**$ 35,867**	**$ 47,254**	**$ 31,173**	**$ 17,581**	**$ 74,649**	**$ 25,127**
Total pension liability – beginning	**981,073**	**933,819**	**902,646**	**885,065**	**810,416**	**785,289**
Total pension liability – ending	**$ 1,016,940**	**$ 981,073**	**$ 933,819**	**$ 902,646**	**$ 885,065**	**$ 810,416**
Plan Fiduciary Net Position						
Contributions - employer	$ 56,863	$ 54,723	$ 52,369	$ 48,479	$ 42,274	$ 40,384
Contributions - member	92	19	0	0	0	0
Net investment income	110,146	(34,344)	87,481	46,601	(1,458)	23,507
Benefit payments, including refunds of member contributions	(60,321)	(56,697)	(54,631)	(52,560)	(49,875)	(47,410)
Administrative expense	(1,462)	(1,050)	(1,033)	(1,007)	(863)	(867)
Net change in plan fiduciary net position	**$ 105,318**	**$ (37,349)**	**$ 84,186**	**$ 41,513**	**$ (9,922)**	**$ 15,614**
Plan fiduciary net position – beginning	**641,535**	**678,884**	**594,698**	**553,185**	**563,107**	**547,493**
Plan fiduciary net position – ending	**$ 746,853**	**$ 641,535**	**$ 678,884**	**$ 594,698**	**$ 553,185**	**$ 563,107**
Net pension liability – ending	**$ 270,087**	**$ 339,538**	**$ 254,935**	**$ 307,948**	**$ 331,880**	**$ 247,309**
Plan fiduciary net position as a percentage of the total pension liability	73.44%	65.39%	72.70%	65.88%	62.50%	69.48%
Covered payroll*	$ 183,248	$ 176,763	$ 167,786	$ 150,234	$ 133,012	$ 129,310
Net pension liability as a percentage of covered payroll	147.39%	192.09%	151.94%	204.98%	249.51%	191.25%

*Payroll amounts prior to 2014 are based on projected pensionable payroll from the actuarial valuation reports. Payroll for 2014-2019 is based on the payroll used to determine the employer contribution amount, and is provided by the Plan. This complies with the recently guidance issued by GASB under Statement No. 82.

** Differences due to rounding exist.

AC TRANSIT
EMPLOYEES' RETIREMENT PLAN
Schedule of Employer Contributions
(Unaudited – See Accompanying Independent Auditor's Report)
December 31, 2019
(in thousands)

Schedule II: Schedule of Employer Contributions

	FYE 2019	FYE 2018	FYE 2017	FYE 2016	FYE 2015	FYE 2014	FYE 2013	FYE 2012	FYE 2011	FYE 2010
Actuarially Determined Contribution	$ 56,863	$ 54,723	$ 52,369	$ 48,479	$ 42,274	$ 40,384	$ 39,151	$ 38,374	$ 38,312	$ 38,461
Contributions in Relation to the Actuarially Determined Contribution	56,863	54,723	52,369	48,479	42,274	40,384	39,151	38,374	38,312	38,461
Contribution Deficiency/(Excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Covered Payroll*	$183,248	$ 176,763	$ 167,786	$ 150,234	$ 133,012	$ 129,310	$ 130,592	$ 126,239	$ 126,536	$ 136,127
Contributions as a Percentage of Covered Payroll	31.03%	30.96%	31.21%	32.27%	31.78%	31.23%	29.98%	30.40%	30.28%	28.25%

Amounts in Thousands

* Payroll amounts prior to 2014 are based on projected pensionable payroll from the actuarial valuation reports. Payroll for 2014-2019 is based on the payroll used to determine the employer contribution amount, and is provided by the Plan. This complies with the recently guidance issued by GASB under Statement No. 82.

Notes to Schedule

Valuation Date	1/1/2019 (used to determine 7/1/2019-6/30/2020 contribution).
Timing	Actuarially determined contribution rates are calculated based on the actuarial valuation six months prior to the beginning of the employer's fiscal year.

Key Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry Age
Asset valuation method	5-year smoothed market, 80% / 120% corridor around market.
Amortization method	Level percentage of payroll (9 years remaining as of 1/1/2019) with separate periods for Extraordinary Actuarial Gains or Losses (20 years for 2008 extraordinary loss as of 1/1/2019), and 20-year closed periods for all UAL changes after 1/1/2017 due to actuarial gains and losses or changes in assumptions and methods.
Discount rate	7.00%, net of investment expenses
Amortization growth rate	3.00%
Price inflation	2.75%
Salary increases	3.00% plus merit component based on employee classification and years of service.
Mortality	For active members: RP-2014 Adjusted to 2006 Non-Annuitant Mortality Table with Blue Collar Adjustment.
	For retired members: RP-2014 Adjusted to 2006 Blue Collar Annuitant Mortality Table Sex distinct RP-2000 Combined Mortality (110%/130% adjustment factor for ATU/IBEW male/female members, 110% adjustment factor for AFSCME/Non-Union members), projected with generational improvements using MP-2018.

A complete description of the methods and assumptions used to determine contribution rates for 2019 can be found in the January 1, 2018 and January 1, 2019 actuarial valuation reports.

AC TRANSIT
EMPLOYEES' RETIREMENT PLAN
Schedule of Investment Returns
(Unaudited – See Accompanying Independent Auditor's Report)
December 31, 2019

Schedule III: Schedule of Investment Returns

	2019	2018	2017	2016	2015	2014	2013
Annual Money- Weighted Rate of Return, Net of Investment Expense	17.2%	-5.1%	14.8%	8.4%	-0.5%	4.5%	15.1%

This schedule is presented to illustrate the requirement to show information for 10 years. However, 10 years of information is not available and will be added as it becomes available.