SAN FRANCISCO BAY AREA
RAPID TRANSIT DISTRICT
RETIREE HEALTH BENEFIT TRUST
(A FIDUCIARY COMPONENT UNIT OF THE SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT)

FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
RETIREE HEALTH BENEFIT TRUST

FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
San Francisco Bay Area Rapid Transit District
Retiree Health Benefit Trust
Oakland, California

Report on the Financial Statements

We have audited the accompanying financial statements of the San Francisco Bay Area Rapid Transit District Retiree Health Benefit Trust ("Trust"), a fiduciary component unit of the San Francisco Bay Area Rapid Transit District ("District"), as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the Trust's 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.

Auditor's Responsibility

Our responsibility is to express an opinion 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 entity'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 entity'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.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Trust as of June 30, 2021, and the changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in net OPEB liability and related ratios, the schedule of employer contributions, and the schedule of investment returns, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Crowe LLP

Crowe LLP

San Francisco, California
November 23, 2021

The following discussion and analysis of the financial performance of the Retiree Health Benefit Trust (the "Trust") of the San Francisco Bay Area Rapid Transit District (the "District") provides an overview of its financial activities for the year ended June 30, 2021. Please read it in conjunction with the Trust's financial statements, which begin on page 6. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests solely with management of the Trust. To the best of our knowledge and belief, the financial statements, as presented, are accurate in all material respects.

Financial Highlights

Net position held in trust for retiree health benefits totaled $501,321,000 as of June 30, 2021.

Financial Statements

The financial report for the Trust includes management's discussion and analysis, statement of fiduciary net position, statement of changes in fiduciary net position, and notes to the financial statements. These financial statements are prepared on the accrual basis of accounting. The Trust is administered by one or more trustees appointed by the District's Board of Directors (the "Board"). Currently, the Board has appointed the District's Controller-Treasurer as the Trustee. The Trust's assets are held in trust by US Bank.

Condensed Statements of Changes in Fiduciary Net Position

The following table indicates the changes in fiduciary net position for the years ended June 30, 2021 and 2020 (dollar amounts in thousands):

	2021	2020	Increase Decrease
Employer contributions	$ 45,978	$ 41,832	$ 4,146
Net investment income	93,374	32,235	61,139
Total additions	139,352	74,067	65,285
Benefit payments	26,890	25,130	1,760
Other expenses	269	279	(10)
Total deductions	27,159	25,409	1,750
Change in fiduciary net position	112,193	48,658	63,535
Net position, beginning of year	389,128	340,470	48,658
Net position, end of year	$ 501,321	$ 389,128	$ 112,193

(Continued)

Employer Contributions

Per the Collective Bargaining Agreement (CBA), effective July 1, 2013, the District was required to contribute to the Trust at a minimum the Actuarially Determined Contribution (ADC). The ADC for fiscal year 2021 is based on an actuarial valuation as of June 30, 2019. In fiscal year 2021, employer contributions increased by $4,146,000 compared to fiscal year 2020. The District's contribution rate for fiscal year 2021 was 11.2% of projected employee payroll of active miscellaneous and safety employees covered by the plan or $41,323,000 compared to 10.9% in 2020 or $37,419,000. The higher calculated implied subsidy amounting to $4,655,000 in fiscal year 2021 compared to $4,413,000 in fiscal year 2020 also contributed to the increase in employer contributions in fiscal year 2021.

Net Investment Income

In fiscal year 2021, net investment income increased by $61,139,000 compared to fiscal year 2020. The Trust earned a return of 23.6% in fiscal year 2021, significantly higher, compared to the return in fiscal year 2020 of 9.3% as the overall investment had favorable gains despite the global pandemic issues and general lack of stability in global political climate that affected the overall financial market.

Benefit Payments

The CBA established that beginning July 1, 2013, the full ADC will be contributed to the Trust and that retiree medical benefits will be paid directly from the Trust. Medical insurance premiums paid by the Trust increased in fiscal year 2021 by $1,760,000 mainly due to the increase of 281 retirees and survivors receiving benefits, from 2,491 retirees and survivors in fiscal year 2020. The increase in implied Subsidy by $242,000 from $4,413,000 in fiscal year 2020 also contributed to the increase in total benefit payment.

Condensed Statements of Fiduciary Net Position

A comparison of the Trust's statements of fiduciary net position as of June 30, 2021 and 2020 is as follows (dollar amounts in thousands):

	2021	2020	Increase Decrease
Assets	$ 501,511	$ 426,335	$ 75,176
Liabilities	190	37,207	(37,017)
Net position	$ 501,321	$ 389,128	$ 112,193

Fiduciary net position increased in fiscal year 2021 by $112,193,000 due to growth in assets from a) employer contributions exceeding benefit payments and other expenses by $18,819,000 and b) net investment income of $93,374,000 earned in fiscal year 2021.

The decrease of $37,017,000 in liabilities between fiscal years 2021 and 2020 is mostly due to the timing in settlement of investment transactions traded near fiscal year-end.

Request for Information

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District's Controller-Treasurer, 2150 Webster Street, 10th Floor, P.O. Box 12688, Oakland, California 94612.

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SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
RETIREE HEALTH BENEFIT TRUST
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2021
(dollar amounts in thousands)

ASSETS	
Cash and cash equivalents	$ 49,794
Receivables and other assets	
Interest & dividend receivables	364
Prepaid expenses	18
Total receivables and other assets	382
Investments:	
Domestic common stocks	64,097
Foreign stocks	4,126
U.S. Treasury obligations	27,425
Mortgage backed securities	6,024
Mutual funds - equity	226,510
Mutual funds - fixed income securities	80,151
Corporate obligations	40,077
Foreign obligations	2,925
Total investments	451,335
Total assets	501,511
LIABILITIES	
Accounts payable	190
Total liabilities	190
Net position restricted for retiree health benefits	$ 501,321

See accompanying notes to the financial statements.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
RETIREE HEALTH BENEFIT TRUST
STATEMENT OF CHANGES IN FIDUCIARY NET POSTION
For the year ended June 30, 2021
(dollar amounts in thousands)

Additions	
Employer contributions	$ 45,978
Investment income (expense):	
Interest income	5,489
Realized and unrealized gains on investments	88,383
Investment expense	(498)
Net investment income	93,374
Total additions	139,352
Deductions	
Benefit payments	26,890
Legal fees	6
Audit fees	18
Insurance expense	28
Administrative fees	217
Total deductions	27,159
Increase in fiduciary net position	112,193
Net position restricted for retiree health benefits	
Beginning of year	389,128
End of year	$ 501,321

See accompanying notes to the financial statements.

NOTE 1 – DESCRIPTION OF THE PLAN

The following description of the San Francisco Bay Area Rapid Transit District Retiree Health Benefit Trust (the "Trust"), a fiduciary component unit of the San Francisco Bay Area Rapid Transit District (the "District" or "BART"), provides only general information. Participants should refer to the Agreement and Declaration of Trust of the San Francisco Bay Area Rapid Transit District Retiree Health Benefit Trust (the "Trust Agreement"), effective May 18, 2004, as amended effective July 1, 2005, for a more complete description of the Trust's provisions.

General: On May 18, 2004, the District created the Trust to account for certain benefits of the District's single-employer defined benefit other postemployment benefit plan (the "Plan"). The purpose of establishing the Trust is to facilitate the provision of medical benefits ("retiree medical benefits") and other health and welfare benefits for qualifying retirees and beneficiaries of the District; to provide the means for financing the costs and expenses of operating and administering such benefits; to hold Trust assets for the sole and exclusive purpose of providing benefits to participants and beneficiaries; and to defray the reasonable expenses of administering the Trust and designated plans. Assets placed into the Trust cannot be used for any other purposes and are not available to satisfy general creditors of the District. Under California state law, the restrictions on the use of any proceeds from liquidation of the Trust are significant enough to render the Trust effectively irrevocable. The Trust Agreement states that the Trust shall be administered by one or more Trustees appointed by the District's Board of Directors (the "Board"). As of June 30, 2021, the Board has appointed the District's Controller-Treasurer as the Trustee.

The Trust is considered to be a part of the District's financial reporting entity and is included in the District's financial statements as a fiduciary fund. The financial statements of the Trust are intended to present only the plan net position and changes in plan net position of the Trust. They do not purport to, and do not, present fairly the financial position of the District as of June 30, 2021, the changes in its financial position or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America (GAAP).

As of June 30, 2021, the Trust includes the funding only for the "retiree medical benefits", which include retiree and survivor health medical benefits. It does not fund the additional "other postemployment benefits" ("OPEB"), which include retiree life insurance premiums and survivors dental and vision benefits.

On May 18, 2020, the retiree survivor benefits program trust was created specifically to handle survivor dental and vision benefits and to reimburse survivors the difference between the required medical premium contribution from the beneficiary and required contribution from survivors who are enrolled in the survivor benefits program. The financial data of the retiree survivor benefits program trust is reported separately and is not included in the financial statements of the Retiree Health Benefit Trust.

Health Care Benefits: Per the collective bargaining agreement (CBA), the District is required to provide postemployment health care benefits to employees. Most employees hired before December 31, 2013 who retire directly from the District or their survivors are eligible to receive the benefits if the employee retires at or after age 50 with a minimum of 5 years of service with the District (15 years full eligibility for those hired after December 31, 2013), elects to take an annuity from the State of California's Public Employees' Retirement System ("CalPERS"), and makes a timely election of retiree medical benefits.

NOTE 1 – DESCRIPTION OF THE PLAN (CONTINUED)

Membership in the Plan, per the CalPERS billing roster summary as of June 30, 2021, consisted of the following:

Retirees and beneficiaries receiving benefits	2,772
Active plan members	3,557
Total plan participants	6,329

Employer and Retiree Contributions: Per CBA, the District is required to contribute to the OPEB trust based on the Actuarially Determined Contribution (ADC). The Trust received total cash contributions from the District of $41,323,000 in fiscal year 2021. In addition, in fiscal year 2021, the District also contributed implied subsidy amounting to $4,655,000.

Effective July 1, 2013, retiree and survivor medical insurance premiums were paid directly from the Trust. The Trust paid net retiree and survivor medical insurance premiums amounting to $22,235,000 for 2,772 retirees and survivors in fiscal year 2021. For fiscal year 2021, implied subsidy amounting to $4,655,000 was paid, bringing the total employer benefit payments to $26,890,000.

Based on the health plan selected, retired plan members and survivors currently receiving benefits are required to contribute specified amounts monthly toward the cost of health insurance premiums. For calendar year 2021, the minimum amount is currently set at $153.85 for non-represented retirees and for retirees represented by AFSCME, ATU or SEIU and is $164.93 for Police retirees. CalPERS, the third-party administrator of the retiree medical benefit plan, collects the required member contributions directly from the retirees and survivors and bills the District only for the net medical premiums. For fiscal year ended June 30, 2021, plan members contributed $4,675,000, or approximately 17% of total premiums paid (includes both employer and retiree share) for fiscal year 2021, which is not included in the financial statements of the Trust.

Trust Termination: The Trust Agreement provides that the District's Board of Directors has the right to discontinue or to terminate the Trust in whole or in part, subject to any duty to bargain in good faith with the District's unions over any such termination. The Trust Agreement further provides that, in the event of termination of the Trust, the assets then remaining shall be used for the purpose of providing for the expenses of the Trust and for the payment of benefits under any plan that is a health and welfare benefit program to be funded in whole or in part by the Trust and which comprises health benefits offered to District retirees, as designated at the discretion of the Board of Directors, until exhausted. The District's current collective bargaining agreements have the following language:

"The District may terminate the Trust subject to its duty to bargain in good faith to agreement or impasse over such termination with the union. If the District gives the Unions notice of the termination of the Trust, the Trust shall not terminate until the assets then remaining are exhausted. Such assets shall be used only as provided in paragraph 1 above."

Paragraph 1 of the District's current collective bargaining agreement includes the following language:

"Trust assets shall be held for the sole and exclusive purpose of providing health benefits to eligible BART retirees and to defray the reasonable expenses of administering the Trust."

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The accompanying financial statements are presented on the accrual basis of accounting. Contributions are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. On an accrual basis, employer contributions refer to the District's cash contributions based on the ADC as determined by actuarial valuation.

Cash Equivalents: The District considers all highly liquid investments with a maturity of 90 days or less when purchased to be cash equivalents.

Investments: Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transactions between market participants at the measurement date. The Trust measures its investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by GAAP. Securities and mutual funds traded on a national or international exchange are valued at the last reported sales price on the last business day of the fiscal year at current exchange rates. Purchases and sales of securities are reflected on the trade date. Investment income is recognized as earned.

Realized and Unrealized Gains (Losses) on Investments: Realized and unrealized gains (losses) on investments includes realized gains and losses on the sale of investments, as well as the net appreciation (decline) in fair value of investments. Unrealized gains and/or losses adjust investment carrying amounts to reflect current fair value.

Administrative Costs: The costs of administering the Trust are paid by the District, except costs that are directly related to the Trust's activities, such as investment manager fees, insurance premium, legal fees, and audit costs.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

Investment Policy – The investment objective of the Trust is to achieve consistent long-term growth for the Trust and to maximize income consistent with the preservation of capital for the sole and exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering the Trust. The District's Board establishes the general investment policy and guidelines for the Trust. Allowable investments under the Trust investment guidelines include:

- Cash equivalents such as U.S. Treasury bills, money market mutual funds, short-term investment fund (STIF) trusts, commercial paper rated A1/P1, banker's acceptances, certificates of deposits, and repurchase agreements;
- Fixed income securities, which include U.S. agency and corporation bonds (including Yankees), preferred stock and Rule 144A issues, and mortgage or asset-backed securities; and

(Continued)

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

- Equity securities, including U.S. traded common, preferred stocks, and convertible stocks and bonds, including American Depository Receipts.

Interest Rate Risk: The Trust's investment policy mitigates exposure to changes in interest rates by requiring that the assets of the Trust be invested in accordance with the following asset allocation guidelines:

Asset Class	Minimum	Maximum	Preferred
Equity securities	45%	70%	60%
Fixed income securities	25%	45%	35%
Cash equivalents	3%	10%	5%

Fixed income securities have the following maturity restrictions: 1) maximum maturity for any single security is 40 years and 2) the weighted average portfolio maturity may not exceed 25 years.

A summary of investments by type of investments and by segmented time distribution as of June 30, 2021 is as follows (dollar amounts in thousands):

		Investment maturities (in years)				
	Total	Less than 1	1 to 5	6 to 10	More than 10	NA
U.S. Treasury obligations	$ 27,425	$ 14,984	$ 7,317	$ 5,124	$ -	$ -
Mortgage backed securities	6,024	-	1,576	3,628	820	-
Corporate obligations	40,077	921	10,948	20,499	7,709	-
Foreign obligations	2,925	-	1,030	1,895	-	-
Mutual funds - fixed income securities	80,151	-	-	-	-	80,151
Total investments subject to interest rate risk	156,602	$ 15,905	$ 20,871	$ 31,146	$ 8,529	$ 80,151
Domestic common stocks	64,097					
Foreign stocks	4,126					
Mutual funds - equity	226,510					
Money market mutual funds & cash in banks	49,794					
Total cash and cash equivalents and investments	$ 501,129					

Credit Risk**:** The Trust's credit risk policy is defined in its Statement of Investment Policy approved by the District's Board of Directors. The policy states that the Board recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the Trust's objectives and that the Trust's investment managers are expected to make reasonable efforts to control risk. The investment policy requires that all of the Trust's assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the Trust, with minimal impact on market prices. The investment policy also requires that no single investment shall exceed five percent of the total Trust assets, at fair value, except obligations of the U.S. Government, short-term money market mutual funds, index funds, and other diversified commingled accounts; and for actively managed equity accounts, where, for issues that comprise more than 4.0% of the account's stated benchmark, the limit shall be 125.0% of the weight of the common stock benchmark.

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

The following is a summary of the credit quality distribution for securities with credit exposure as rated by Standard & Poor's Financial Services and/or Moody's Investor Services as of June 30, 2021 (dollar amounts in thousands):

		Credit ratings						
	Total	**AAA**	**AA**	**A**	**BBB**	**BB**	**B**	**Not rated**
U.S. Treasury obligations	$ 27,425	$ 27,425	$ -	$ -	$ -	$ -	$ -	$ -
Mortgage backed securities	6,024	-	6,024	-	-	-	-	-
Corporate obligations	40,077	8,149	1,286	8,941	21,505	196	-	-
Foreign obligations	2,925	-	272	949	1,704	-	-	-
Mutual funds - fixed income securities	80,151	-	-	-	-	-	-	80,151
Total investments subject to credit risk	156,602	$ 35,574	$ 7,582	$ 9,890	$ 23,209	$ 196	$ -	$ 80,151
Domestic common stocks	64,097							
Foreign stocks	4,126							
Mutual funds - equity	226,510							
Money market mutual funds & cash in banks	49,794							
Total cash and cash equivalents and investments	$ 501,129							

<u>Fair Value Hierarchy</u>: The Trust categorizes its 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 fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and level 3 inputs are significant unobservable inputs.

The custodian bank relies on the pricing by nationally known vendors. In the event that a particular category is not priced by the primary pricing vendor, the custodian bank engages a secondary vendor or other sources.

The following is a summary of the fair value hierarchy of the fair value of investments of the Trust as of June 30, 2021 (dollar amounts in thousands):

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

	Fair Value Hierarchy		
	Total	**Level 1**	**Level 2**
Domestic common stocks	$ 64,097	$ 64,097	$ -
Foreign stocks	4,126	4,126	-
U.S. Treasury obligations	27,425	27,425	-
Mortgage backed securities	6,024	-	6,024
Mutual funds - equity	226,510	135	226,375
Corporate obligations	40,077	-	40,077
Foreign obligations	2,925	-	2,925
Total investments at fair value	371,184	$ 95,783	$ 275,401
Investment measured at Net Asset Value			
Mutual funds - fixed income securities	80,151		
Total investments	451,335		
Money market mutual funds & cash in banks	49,794		
Total cash and cash equivalents and investments	$ 501,129		

Investments classified in Level 1 of the fair value hierarchy valued at $95,783,000 in fiscal year 2021 are valued using quoted prices in active markets.

Investments amounting to $275,401,000 in fiscal year 2021 are classified under Level 2 of the fair value hierarchy and are valued using Matrix pricing, which is used to value securities based on the securities' relationship to benchmark quoted prices.

The fixed income commingled fund totaling $80,151,000 as of June 30, 2021 is valued using the net asset value (NAV) methodology. The NAV is derived from the value of these investments, accrued income, anticipated cash flow (maturities) and other fund expenses. This fixed income strategy investment is similar to the mutual fund, but at a lower cost for institutional investors. The investment has daily liquidity and any interest earned in the fund is redeemable immediately after the acquisition. There is no restriction on the redemption frequency and the notice period is not currently in place although Western Asset does reserve the right to implement a 15-day notice period per the Confidential Offering Memorandum. The Trust do not have an unfunded commitment related to this investment type.

Concentration of Credit Risk: The Trust's investment policy mitigates exposure to concentration of credit risk by diversifying the portfolio and limiting investments in any one issuer to no more than 5.0% of the total portfolio with the following exceptions: obligations of the U.S. Government, diversified short term money market funds, index funds, other diversified comingled accounts and actively managed equity accounts. As of June 30, 2021, none of the investment exceeds 5% of total investment or 5% of the fiduciary net position except pooled investments.

(Continued)

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Custodial Credit Risk – Deposits: For deposits, custodial credit risk is the risk that in the event of a bank failure, the Trust's deposits may not be returned. California Government Code Section 53652 requires California banks and savings and loan associations to secure governmental deposits by pledging government securities as collateral. The fair value of pledged securities must equal at least 110.0% of the Trust's deposits. California law also allows financial institutions to secure governmental deposits by pledging first trust deed mortgage notes having a value of 150% of the Trust's total deposits. Such collateral is considered to be held in the Trust's name.

Custodial Credit Risk – Investments: For investments, custodial credit risk is the risk that in the event of a failure of the counterparty, the Trust may not be able to recover the value of its investments. The exposure to the Trust is limited as the Trust's investments are in the custody of a third-party custodian that is separate from the counterparty.

Rate of Return: For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, is 23.6%. The money-weighted rate of return expresses investment performance (net of investment expense) adjusted for the changing amounts invested monthly.

NOTE 4 – OTHER POSTEMPLOYMENT BENEFITS

The components of the net OPEB liability as of June 30, 2021 are presented below (dollar amounts in thousands):

Total OPEB liability (TOL)	$ 655,697
Fiduciary net position (FNP)	(501,321)
Net OPEB liability	$ 154,376
Plan fiduciary net position as a percentage of the total OPEB liability	76.5%

The total OPEB liability as of June 30, 2021 was determined by actuarial valuations using the following actuarial assumptions:

Valuation Date	June 30, 2020, update procedures were used to roll forward the total OPEB liability to June 30, 2021
Actuarial cost method	Entry age normal cost
Actuarial assumptions:	
Discount rate	6.00% Plan assets projected to be sufficient to pay all benefits from the Trust
Long-term investment rate of return on investments	6.00% at June 30, 2021
General inflation	2.75% per annum
Crossover test assumptions	Employer contributes full ADC
Mortality, disability, termination, retirement	CalPERS 1997-2015 Experience Study
Morality improvement	Mortality project fully generational with Scale MP-2020

(Continued)

NOTE 4 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Salary increases	Aggregate – 3.0% annually
Healthcare costs trend rate	Non-Medicare – 7.0% for 2022, decreasing to an ultimate rate of 4.0% in 2076 Medicare – 6.1% for 2022, decreasing to an ultimate rate of 4.0% for 2076
Healthcare participation for future retirees	- Medical coverage: 98% of safety and 88% of Miscellaneous future retirees elect coverage - Retirees not eligible for BART medical subsidy: 60% participate - Spouse coverage: varies by bargaining unit, 56% to 90% - 10% of waived retirees under age 65 on valuation date assumed to elect coverage at 65 - Assumptions based on study of recent retirees

Discount Rate: The discount rate used to measure the total OPEB liability changed from 6.5% in fiscal year 2020 to 6.0% in fiscal year 2021. The projection of cash flows used to determine the discount rate assumed that the Trust contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position is projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments is applied to all periods of projected benefit payments to determine the total OPEB liability.

Long- Term Expected Rate of Return on Investments: The long-term expected rate of return on investments used is 6.0%, net of investment expenses for fiscal year 2021. The table below reflects the long-term expected real rate of return by asset class. The geometric return method was used to calculate the rate of return. The target allocation for the June 30, 2021 measurement date was as follows:

Asset class	Strategic Allocation	10 Year Return
U.S Equity	53.00%	4.82%
International Equity	2.80%	4.82%
Fixed Income	36.70%	1.31%
Non U.S. Fixed Income	0.00%	1.31%
Cash Equivalents	7.50%	0.06%
Total	100.00%	

(Continued)

NOTE 4 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity of the Net OPEB Liability to Changes in Assumptions: The following presents the net OPEB liability of the Plan as of the June 30, 2021 measurement date, calculated using the discount rate of 6.0%, and healthcare trend rate of 7.25% for non-Medicare and 6.3% for Medicare, decreasing to an ultimate rate of 4.0%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1.0% point lower or 1.0% point higher than the current rate (dollar amounts in thousands):

Discount rate

	1.0% decrease (5.00%)	Current rate (6.00%)	1.0% increase (7.00%)
Net OPEB liability	$ 242,160	$ 154,376	$ 81,935

Health care cost trend rate

	1.0% decrease	Current rate	1.0% increase
Net OPEB liability	$ 63,644	$ 154,376	$ 266,116

The District's OPEB Expense for Fiscal Year: For the fiscal year ended June 30, 2021, the District recognized OPEB expense of $8,832,000.

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Schedule of Changes in Net OPEB Liability and Related Ratios (Last 10 years ****)

The following tables show the changes in net OPEB liability and related ratios for measurement period ending June 30 (dollar amounts in thousands):

	2021	2020	2019	2018	2017
Total OPEB liability					
Service cost	$ 24,764	$ 23,497	$ 23,480	$ 21,777	$ 21,143
Interest	42,511	41,348	40,503	39,409	36,977
Changes of benefit terms	(2,994)		(1,224)		
Difference between expected and actual experience	(29,719)	(17,434)	(29,522)	(35,022)	
Change of assumptions	5,333	(4,784)	4,337	35,015	
Benefit payments, including refunds*	(26,890)	(25,130)	(24,060)	(23,095)	(22,396)
Net change in total OPEB liability	13,005	17,497	13,51 4	38,084	35,724
Total OPEB liability - beginning	642,692	625,195	611,681	573,597	537,873
Total OPEB liability- ending	$ 655,697	$ 642,692	$ 625,195	$ 611,681	$ 573,597
Fiduciary net position					
Contributions from employer	$ 45,978	$ 41,832	$ 39,511	$ 35,569	$ 28,912
Net investment income	93,374	32,235	19,355	23,448	26,497
Benefit payments, including refunds*	(26,890)	(25,130)	(24,060)	(23,095)	(22,396)
Administrative expense	(269)	(279)	(186)	(223)	(266)
Net change in total fiduciary net position	112,193	48,658	34,620	35,699	32,747
Total fiduciary net position - beginning	389,128	340,470	305,850	270,151	237,404
Total fiduciary net position - ending	$ 501,321	$ 389,128	$ 340,470	$ 305,850	$ 270,151
Net OPEB liability	$ 154,376	$ 253,564	$ 284,725	$ 305,831	$ 303,446
Plan fiduciary net position as a percentage of the total OPEB liability	76.46%	60.55%	54.46%	50.00%	47.10%

* Changes of benefit terms

- 2019-the additional $44 monthly BPO & BPMA retiree contributions cease in 2035 (ceased in 2018 for previous measurement date)
- 2021-$37/month retiree contributions extended to 2024

** Changes of Assumptions

- 2018-Discount rate changed from 6.75% in 2017 to 6.5% in 2018
  -General Inflation changed from 3.0% in 2017 to 2.75% in 2018
- 2019-Demographic assumptions were updated to CalPERS 1997-2015 Experience Study
- 2020-Mortality improvement scale was updated to Scale MP-2019
  -Medical trend changed from 7.5% in 2019 to 7.25% in 2020 for Non-Medicare and from 6.5% in 2019 to 6.3% in 2020 for Medicare
- 2021-Discount rate changed from 6.5% in 2020 to 6.0% in 2021
  -Mortality improvement scale was updated to Scale MP-2020
  -Claim cost was updated using age based claims curve
  -Decreased medical trend rate for Kaiser Senior Advantage Plans

*** Includes implied subsidy benefit payments of $4,655,000, $4,413,000, $4,306,000, $4,196,000 and $3,900,000 in fiscal years 2021, 2020, 2019, 2018 and 2017, respectively.

****This schedule is intended to show information for the past ten years. Additional years will be presented as they become available.

Schedule of Employer Contributions (Last 10 years *)

The following tables show the employer contributions for the fiscal years ending June 30 (dollar amounts in thousands):

	2021	2020	2019	2018	2017
Actuarially determined contribution (ADC)	$ 45,978	$ 41,832	$ 39,511	$ 35,369	$ 28,912
Contribution in relation to the actuarially determined contribution	(45,978)	(41,832)	(39,511)	(35,369)	(28,912)
Contribution deficiency / (excess)	$ -	$ -	$ -	$ -	$ -

* This schedule is intended to show information for the past ten years. Additional years will be presented as they become available.

Notes to Schedule of Employer Contributions

Methods and assumptions for actuarially determined contribution for the 2020/2021 fiscal year follows:

Valuation date	June 30, 2019
Actuary	Bartel Associates, LLC
Actuarial cost method	Entry age, level percentage of payroll
Amortization method	Level percent of payroll
Amortization period	14-year fixed period for 2019 valuation changes
Asset valuation method	Fair value of assets
Discount rate	6.50%
General inflation	2.75%
Medical trend	

Year	Increase from prior year Non-Medicare	Increase from prior year Medicare
2019	Actual premiums	
2020	Actual premiums	
2021	7.25%	6.30%
2022	7.00%	6.10%
2023	6.75%	5.90%
2024	6.50%	5.70%
2025	6.25%	5.50%
2026	6.00%	5.30%
2027	5.80%	5.15%
2028	5.60%	5.00%
2029	5.40%	4.85%
2030	5.20%	4.70%
2031-2075	5.05%-4.3%	4.60%-4.20%
2076+	4.00%	4.00%

Mortality	CalPERS 1997-2015 Experience Study
Mortality improvement	Post-retirement mortality projected fully generational Scale MP-2019

Schedule of Investment Returns

Year *	Annual money-weighted rate of return, net of investment expense
2021	23.6%
2020	9.3%
2019	6.2%
2018	8.6%
2017	11.1%

* Historical information is required only for measurement periods for which GASB Statement No. 74 is applicable.

Notes to Required Supplementary Information

According to GASB Statement No. 74, a single-employer defined benefit OPEB plan is required to disclose the OPEB liability based on benefit payments due to the plan members according to the benefit terms including accrued investment and administrative expenses. Net OPEB liability/asset is not recognized by the Trust but is instead presented in the financial statements of the District.

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