AC TRANSIT
EMPLOYEES' RETIREMENT PLAN

Basic Financial Statements with Supplementary Information

December 31, 2021 and 2020

(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, 2021 and 2020

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WILLIAMS ADLEY

Independent Auditor's Report

To the Retirement Board of the
AC Transit Employees' Retirement System Oakland, California

Opinions

We have audited the accompanying financial statements of the AC Transit Employees' Retirement System (the Plan), a component unit of the Alameda-Contra Costa Transit District, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

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 System of the Alameda-Contra Costa Transit District, as of December 31, 2021 and 2020, and the respective 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 a Matter

Net Pension Liability of Employer

As described in note 5, based on the most recent actuarial valuation as of December 31, 2021, the Plan's independent actuaries determined that, at December 31, 2021, the total pension liability exceeded the fiduciary net position by $209.5 million.

Our opinion is not modified with respect to this matter.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Plan, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Plan management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion 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 is the responsibility of management and, 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.

Williams, Adley + Company-CA, LLP

Oakland, California
October 19, 2022

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, 2021 and 2020. Please read it in conjunction with the financial statements that follow this section.

Financial Overview

In 2021 the U.S. stock market as measured by the Russell 3000 returned 25.7% while non-U.S. stocks as measured by the MSCI EAFE (Morgan Stanley Capital International Europe, Australasia, and Far East) returned 11.3%. The U.S. bond market as measured by the Barclays Aggregate returned a negative 1.5%. Plan investments returned 9.2% for the year. Fiduciary net position increased from $837.9 million at December 31, 2020 to $911.4 million at December 31, 2021.

Fiduciary net position increased by $73.5 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 9.2% for the year. During the last three years, equity markets have increased in value, with the Russell 3000 averaging roughly a 25.8% increase (on an annual basis), and the MSCI EAFE (Unhedged) index averaging approximately a 13.5% increase (on an annual basis). The Barclays Capital U.S. Aggregate Bond index has averaged a 4.8% annual increase during this period.

The Plan ended 2021 with $911.4 million in net position, an increase of $73.5 million from December 31, 2020. The increase in Plan net position in 2021 was primarily a result of Plan investment performance mentioned above.

- The contribution from AC Transit and employees decreased from $61.1 million in 2020 to $60.0 million in 2021. The reduction in contributions was a result of District payroll decreasing in 2021 as a result of the pandemic. 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, decreased from a gain of $94.8 million in 2020 to a gain of $79.6 million in 2021. The decrease of $15.2 million is primarily attributable to the gains sustained in the equity markets not being as robust in 2021 as they were in 2020. Even though net investment income in 2021 was lower than in 2020, it was still a substantial return on assets for the Plan.

- Benefit payments increased from $62.8 million in 2020 to $64.7 million in 2021. The net number of retirees and beneficiaries receiving benefits increased by 39 in 2021 and 26 in 2020. 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, 2021, the Plan fiduciary net position as a percentage of the total pension liability is 81.3%, compared to 79.3% as of December 31, 2020.

- As of December 31, 2021 the assumed rate of return for the Plan was 6.75%. 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 6.75% return is not guaranteed and that a long-term return significantly below 6.75% 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, 2021, and 2020. The Plan net position restricted for pension benefits reflects the funds available for future payment of retirement benefits and operating expenses for 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, 2021 and 2020.

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,

		2021	2020	2019	2021 Increase (Decrease)	2020 Increase (Decrease)
Assets:						
Investments	$	913,672	840,695	748,789	72,977	91,906
Other assets		6,101	6,029	4,852	72	1,177
Total assets		919,773	846,724	753,641	73,049	93,083
Total liabilities		8,422	8,857	6,788	(435)	2,069
Net position	$	911,351	837,867	746,853	73,484	91,014

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

		2021	2020	2019	2021 Increase (Decrease)	2020 Increase (Decrease)
Additions:						
Employer contributions	$	59,830	60,989	56,863	(1,159)	4,126
Employee contributions		232	158	92	74	66
Investment income		79,616	94,790	110,146	(15,174)	(15,356)
Total additions		139,678	155,937	167,101	(16,259)	(11,164)
Benefit payments		64,655	62,834	60,321	1,821	2,513
Administrative expense		1,539	2,089	1,462	(550)	627
Total deductions		66,194	64,923	61,783	1,271	3,140
Net increase (decrease)	$	73,484	91,014	105,318	(17,530)	(14,304)

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

December 31, 2021 and 2020

(in thousands)

		2021		2020
Assets				
Investments at fair value				
Short-term investments	$	10,906	$	12,099
Equity securities		131,747		107,949
Equity funds		348,643		343,261
Fixed income funds		379,617		340,064
Real estate		42,759		37,322
Total investments		913,672		840,695
Interest and dividends receivable		378		174
Receivable from AC Transit for contributions		5,723		5,728
Receivable from brokers for unsettled transactions		-		127
Total assets		919,773		846,724
Liabilities				
Accrued expenses		922		1,727
Benefits payable		1,984		1,858
Payable to AC Transit for benefit payments		5,516		5,238
Payable to brokers for unsettled transactions		-		34
Total liabilities		8,422		8,857
Net position restricted for pensions	$	911,351	$	837,867

See accompanying notes to financial statements.

AC TRANSIT EMPLOYEES' RETIREMENT PLAN

Statements of Fiduciary Net Position

December 31, 2021 and 2020

(in thousands)

	2021	2020
Additions		
Employer contributions	$ 59,830	$ 60,989
Employee contributions	232	158
Investment income		
Dividends and interest	7,844	6,356
Net appreciation in fair value of investments	74,335	90,937
Investment expenses	(2,563)	(2,503)
Net investment income	79,616	94,790
Total additions	139,678	155,937
Deductions		
Benefit payments	64,655	62,834
Administrative expenses	1,539	2,089
Total deductions	66,194	64,923
Net increase	73,484	91,014
Net position restricted for pensions, beginning of year	837,867	746,853
Net position restricted for pensions, end of year	$ 911,351	$ 837,867

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.

The existing UAL as of January 1, 2016 is amortized over a 12-year closed period (seven years remaining as of January 1, 2021), 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 (18 years as of January 1, 2021). Any changes in the UAL occurring after January 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 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 (PEPRA) requires all new participants in a public retirement system to make employee contributions that covers 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. Non-represented employees hired after December 31, 2015 began making contributions on July 1, 2018. These employees are eligible to retire at age 52 with 5 years of service. Represented employees hired after December 31, 2019 are covered by PEPRA and began making contributions in the year ending December 31, 2022.

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. Employees covered under PEPRA are eligible to retire at age 52 after 5 years of service.

As of December 31, 2021 and 2020 employee membership in the Plan was as follows:

	2021	2020
Retirees and beneficiaries currently receiving benefits	2,212	2,173
Terminated employees entitled to benefits but not yet receiving them	163	163
	2,375	2,336
Current employees:		
Vested	1,204	1,179
Non-vested	915	984
	2,119	2,163

NOTE 2 – PLAN SUMMARY (Continued)

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 contributions 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, 2021:

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, 2021 and 2020, the annual money-weighted rates of return on pension plan investments, net of pension plan investment expenses, were 9.2% in 2021 and 12.6% in 2020.

NOTE 3 – INVESTMENTS (Continued)

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.

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, 2021 and 2020, the Plan had the following investments in fixed income funds. (Amounts are in millions. Duration is in years).

As of December 31, 2021

Fund		Amount	Duration
SSgA US Aggregate Bond Index Fund	$	201.33	6.8
Loomis, Sayles Credit Asset Fund		54.62	3.5
PIMCO Diversified Income Fund		53.89	5.9
Ninety One		49.60	5.8
Park Square		0.03	-
Monroe		18.80	0.2
Crescent		1.35	0.3
Total fixed income funds	$	379.62	5.7

NOTE 3 – INVESTMENTS (Continued)

As of December 31, 2020

Fund		Amount	Duration
SSgA US Aggregate Bond Index Fund	$	155.50	6.2
Loomis, Sayles Credit Asset Fund		52.76	5.2
PIMCO Diversified Income Fund		53.90	6.1
Ninety One		51.67	6.1
Park Square		6.35	0.1
Monroe		17.39	0.2
Crescent		2.47	1.3
Total fixed income funds	$	340.04	5.6

As of December 31, 2021 and 2020, the Plan had $10.9 million and $12.1 million invested in a short-term investment fund managed by Northern Trust.

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, 2021 and 2020, investments in international equity funds (including emerging markets) totaled $206.5 million and $192.3 million. The Plan had $178.3 million and $184.6 million as of December 31, 2021 and 2020, respectively, in fixed income investments that could have foreign currency exposure. As of December 31, 2021 and 2020, 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, 2021 and 2020, the Plan had no investments in a single issuer that equaled or exceeded 5% of the Plan's net position.

NOTE 3 – INVESTMENTS (Continued)

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 determinable fair value. Investments measured at NAV without a 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, 2021:

	Total at December 31, 2021	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	$ 10,906	$ –	$ 10,906	
Fixed Income Securities				
Mutual Funds	53,887	53,887	–	
Pooled Investments	305,551	–	305,551	
Total Fixed Income Securities	359,438	53,887	305,551	
Equity Securities				
U.S.	273,891	131,747	142,144	
International	206,499	24,601	181,898	
Total Equity Securities	480,390	156,348	324,042	
Total Investments by Fair Value Level	850,734	$ 210,235	$ 640,499	
Investments Measured at the Net Asset Value (NAV)		**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Fixed Income (1)	20,179	21,165	Not Eligible	N/A
Real Estate (2)	42,759	5,016	None or Quarterly	45 – 60 day notice
Total Investments Measured at NAV	62,938			
Total Investments	$ 913,672			

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, 2020:

	Total at December 31, 2020	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	$ 12,099	$ –	$ 12,099	
Fixed Income Securities				
Mutual Funds	53,902	53,902	–	
Pooled Investments	259,950	–	259,950	
Total Fixed Income Securities	313,852	53,902	259,950	
Equity Securities				
U.S.	258,833	107,949	150,884	
International	192,377	21,182	171,195	
Total Equity Securities	451,210	129,131	322,079	
Total Investments by Fair Value Level	777,161	$ 183,033	$ 594,128	
Investments Measured at the Net Asset Value (NAV)		**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Fixed Income (1)	26,212	10,029	Not Eligible	N/A
Real Estate (2)	37,322	5,032	None or Quarterly	45 – 60 day notice
Total Investments Measured at NAV	63,534			
Total Investments	$ 840,695			

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, 2021 are as follows (in thousands):

Total Pension Liability	$	1,120,830
Less: Plan Fiduciary Net Position		911,351
District's Net Pension Liability	$	209,479

The Plan fiduciary net position as a percentage of the total pension liability is 81.3%.

For information related to the components of the net pension liability of the District at December 31, 2021 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, 2021 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	6.75%
Inflation Rate	2.75%

Measurements as of the reporting date are based on the fair value of assets as of December 31, 2021, and the total pension liability as of the valuation date, January 1, 2021, updated to December 31, 2021. 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, 2021 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, 2021 (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	4.6%
Domestic Small Cap Equity	5.7
International Equity	5.1
International Small Cap Equity	6.5
Emerging Market Equity	9.2
Fixed Income (Core)	0.7
Fixed Income (Credit)	2.7
Emerging Market Debt	3.3
Real Estate	4.7
Private Debt	5.7

Discount Rate

The discount rate used to measure the total pension liability was 6.75%.

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 18 years remaining as of January 1, 2021. The remainder of the UAL is being amortized over a closed period, with 7 years remaining as of January 1, 2021. 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 6.75%, 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 (5.75%) or 1-percentage-point higher (7.75%) than the current rate.

	1% Decrease (5.75%)	**Current Discount (6.75%)**	**1% Increase (7.75%)**
District's net pension liability	$329,778	$209,479	$107,016

Amounts in Thousands

NOTE 6 – SUBSEQUENT EVENTS

Change in Effective Period of Actuarially Determined Contribution

At their June 2, 2022 meeting, the Retirement Board approved a change to the effective period of the actuarially determined contribution from a fiscal year basis to a calendar year basis, beginning 12 months after the valuation date, effective with the January 1, 2022 actuarial valuation which will go into effect for the calendar year beginning January 1, 2023. During the interim period, as part of the action taken at the June 2, 2022 meeting, the Retirement Board provided direction that the employer and PEPRA member contribution rate for the 1st half of the Fiscal Year 2022-2023 (i.e. the period from July 1 through December 31, 2022) shall be based on the results of the January 1, 2021 actuarial valuation.

Effect of Macroeconomic Events on the Value of Investments

Macroeconomic events, such as the war in Ukraine and higher inflation have adversely impacted financial markets and the global economy resulting in negative market performance for our investment portfolio in the year ending December 31, 2022. The Board and staff continue to monitor the investment portfolio and the recent market declines have not resulted in any changes to the long-term asset allocation of our portfolio.

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, 2021
(in thousands)

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

	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service cost (MOY)	$ 28,772	$ 26,939	$ 25,699	$ 22,789	$ 21,186	$ 18,740	$ 16,614	$ 16,698
Interest (includes interest on service cost)	71,917	69,951	67,116	66,063	64,249	62,964	57,571	55,840
Changes of benefit terms	0	0	0	0	0	0	0	0
Differences between expected and actual experience	1,711	5,654	8,617	5,058	369	-11,563	-2,243	0
Changes of assumptions	26,435	0	-5,244	10,041	0	0	52,583	0
Benefit payments, including refunds of member contributions	-64,655	-62,834	-60,321	-56,697	-54,631	-52,560	-49,875	-47,410
Net change in total pension liability**	**$ 64,180**	**$ 39,710**	**$ 35,867**	**$ 47,254**	**$ 31,173**	**$ 17,581**	**$ 74,649**	**$ 25,127**
Total pension liability – beginning	**1,056,650**	**1,016,940**	**981,073**	**933,819**	**902,646**	**885,065**	**810,416**	**785,289**
Total pension liability – ending	**$ 1,120,830**	**$ 1,056,650**	**$ 1,016,940**	**$ 981,073**	**$ 933,819**	**$ 902,646**	**$ 885,065**	**$ 810,416**
Plan Fiduciary Net Position								
Contributions - employer	59,830	60,989	56,863	54,723	52,369	48,479	42,274	40,384
Contributions - member	232	158	92	19	0	0	0	0
Net investment income	79,616	94,790	110,146	-34,344	87,481	46,601	-1,458	23,507
Benefit payments, including refunds of member contributions	-64,655	-62,834	-60,321	-56,697	-54,631	-52,560	-49,875	-47,410
Administrative expense	-1,539	-2,089	-1,462	-1,050	-1,033	-1,007	-863	-867
Net change in plan fiduciary net position	**$ 73,484**	**$ 91,014**	**$ 105,318**	**$ (37,349)**	**$ 84,186**	**$ 41,513**	**$ (9,922)**	**$ 15,614**
Plan fiduciary net position – beginning	**837,867**	**746,853**	**641,535**	**678,884**	**594,698**	**553,185**	**563,107**	**547,493**
Plan fiduciary net position – ending	**$ 911,351**	**$ 837,867**	**$ 746,853**	**$ 641,535**	**$ 678,884**	**$ 594,698**	**$ 553,185**	**$ 563,107**
Net pension liability – ending **	**$ 209,479**	**$ 218,783**	**$ 270,087**	**$ 339,538**	**$ 254,935**	**$ 307,948**	**$ 331,880**	**$ 247,309**
Plan fiduciary net position as a percentage of the total pension liability	81.30%	79.30%	73.44%	65.39%	72.70%	65.88%	62.50%	69.48%
Covered payroll	$ 177,734	$ 193,938	$ 183,248	$ 176,763	$ 167,786	$ 150,234	$ 133,012	$ 129,310
Net pension liability as a percentage of covered payroll	117.90%	112.80%	147.39%	192.09%	151.94%	204.98%	249.51%	191.25%

** Differences due to rounding exist.

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.

AC TRANSIT
EMPLOYEES' RETIREMENT PLAN
Schedule of Employer Contributions
(Unaudited – See Accompanying Independent Auditor's Report)
December 31, 2021
(in thousands)

Schedule of Employer Contributions	FYE 2021	FYE 2020	FYE 2019	FYE 2018	FYE 2017	FYE 2016	FYE 2015	FYE 2014	FYE 2013	FYE 2012
Actuarially Determined Contribution	$ 59,830	$ 60,989	$ 56,863	$ 54,723	$ 52,369	$ 48,479	$ 42,274	$ 40,384	$ 39,151	$ 38,374
Contributions in Relation to the Actuarially Determined Contribution	59,830	60,989	56,863	54,723	52,369	48,479	42,274	40,384	39,151	38,374
Contribution Deficiency/(Excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Covered Payroll*	$177,734	$193,938	$183,248	$176,763	$167,786	$150,234	$133,012	$129,310	$130,592	$126,239
Contributions as a Percentage of Covered Payroll	33.66%	31.45%	31.03%	30.96%	31.21%	32.27%	31.78%	31.23%	29.98%	30.40%

Amounts in Thousands

* Payroll amounts prior to 2014 are based on projected pensionable payroll from the actuarial valuation reports. Payroll for 2014-2021 is based on the payroll used to determine the employer contribution amount, and is provided by the Plan. This complies with the recent guidance issued by GASB under Statement No. 82.

Notes to Schedule

Valuation Date	1/1/2021 (used to determine 7/1/2021-6/30/2022 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 (7 years remaining as of 1/1/2021) with separate periods for Extraordinary Actuarial Gains or Losses (18 years for 2008 extraordinary loss as of 1/1/2021), 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. The impact of the January 1, 2021 economic assumption change on the UAL is being phased-in over a period of three years, followed by 17 years of payments as a level of percentage of payroll.
Discount rate	6.75%, 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 2021 can be found in the January 1, 2020 and January 1, 2021 actuarial valuation reports.

AC TRANSIT
EMPLOYEES' RETIREMENT PLAN
Schedule of Investment Returns
(Unaudited – See Accompanying Independent Auditor's Report)
December 31, 2021

Schedule III: Schedule of Investment Returns

	2021	2020	2019	2018	2017	2016	2015	2014	2013
Annual Money- Weighted Rate of Return, Net of Investment Expense	9.20%	12.60%	17.20%	-5.10%	14.80%	8.40%	-0.50%	4.50%	15.10%

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.