

Capital Metropolitan Transportation Authority Retirement Plan for Administrative Employees

Financial Report
December 31, 2020

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Independent Auditor's Report

The Pension Plan Committee of
Capital Metropolitan Transportation Authority
Capital Metropolitan Transportation Authority
Retirement Plan for Administrative Employees

Report on the Financial Statements

We have audited the accompanying financial statement of Capital Metropolitan Transportation Authority Retirement Plan for Administrative Employees (the Plan), which comprise the statement of fiduciary net position as of December 31, 2020, the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan as of December 31, 2020, and the changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1, the financial statements present only the financial position of the Capital Metropolitan Transportation Authority Retirement Plan for Administrative Employees and do not purport to, and do not, present the financial position of Capital Metropolitan Transportation Authority as of December 31, 2020, and the changes in financial position for the year then ended. Our opinion is not modified with respect to this matter.

Other Matters—Required Supplementary Information

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

RSM US LLP

Austin, Texas
September 30, 2021

Capital Metropolitan Transportation Authority Retirement Plan for Administrative Employees

Management's Discussion and Analysis

This section of the financial statements of Capital Metropolitan Transportation Authority Retirement Plan for Administrative Employees (the Plan) offers a narrative overview and analysis of the financial activities for the year ended December 31, 2020. The reader of this statement should take time to read and evaluate all sections of this report, including the notes and other supplementary information that is provided in addition to this management's discussion and analysis (MD&A).

Financial Highlights and Analysis

- Net position restricted for pension is available for payment of monthly retirement benefits and other qualified distributions to the Plan's participants. Net position restricted for pensions increased by approximately \$7,721,000 or 20.4% in 2020. All changes primarily correlate with excess contributions over benefits paid and gain from investments.

Employer contributions increased by approximately \$215,000 or 7.1% in 2020. Employer contribution was based on actuary recommendations.

- The amount of benefits paid to participants increased by approximately \$275,000 or 24.5% during 2020 during 2020. This is a primary result of an increase in the number of retirees.
- The Plan's rate of return on investments for the year ended December 31, 2020, was 15.3% compared to a return of 20.2% in 2019. Since the Plan uses a smoothing method, this return was not entirely reflected in the actuarial value of the Plan assets. The actuarial assumed rate of return is 6.75%.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Plan's financial statements. The financial statements are comprised of: (1) financial statements, (2) notes to the financial statements and (3) required supplementary information.

The statement of fiduciary net position reports the Plan's assets and liabilities, with the difference between the two reported as net position. This is a measure of financial position, which can indicate financial condition improvement or deterioration from year to year.

The statement of changes in fiduciary net position presents information showing how the Plan's net position changed during the fiscal year. It reflects contributions by the employer and investment income, along with deductions for benefits paid to participants and administrative expenses.

The notes to the financial statements provide additional information necessary to fully understand the data provided in the financial statements.

Capital Metropolitan Transportation Authority Retirement Plan for Administrative Employees

Management's Discussion and Analysis

The required supplementary information includes the MD&A, schedule of changes in net pension liability and related ratios, schedule of contributions and schedule of investment returns and is supplementary information required by the Governmental Accounting Standards Board.

Condensed Financial Information

	2020	2019	Percentage Change
Assets:			
Cash held by trustee	\$ 134,378	\$ 62,815	113.93%
Receivables	-	95,720	(100.00%)
Investments	45,446,738	37,754,182	20.38%
Total assets	45,581,116	37,912,717	20.23%
Liabilities:			
Accrued expenses	44,225	96,542	(54.19%)
Net position restricted for pension	\$ 45,536,891	\$ 37,816,175	20.42%
Additions:			
Employer contributions	\$ 3,261,230	\$ 3,046,377	7.05%
Net investment income (loss)	5,926,916	6,188,626	(4.23%)
Total additions	9,188,146	9,235,003	(0.51%)
Deductions:			
Benefits paid to participants	1,391,785	1,117,525	24.54%
Administrative expenses	75,645	72,269	4.67%
Total deductions	1,467,430	1,189,794	23.33%
Net increase (decrease) in net position	\$ 7,720,716	\$ 8,045,209	(4.03%)

Analysis of Changes in Condensed Financial Information

Investments increased by \$7,693,000 or 20.4% in 2020 due primarily to net investment income earned in the year.

Net investment income was \$5,929,000 in 2020 compared to \$6,189,000 in 2019 due to continued growth in the equity and fixed income markets. The Plan earned a 15.3% return in 2020 compared to 20.2% in 2019.

Employer contributions increased by \$215,000 or 7.1% from 2019 to 2020. The Plan's actuary prepares an annual valuation. As part of this valuation, the Plan actuary calculates the Annual Required Contribution and the Plan sponsor contributes in accordance with this calculation.

Current Environment

The Plan has 722 participants as of December 31, 2020, compared with 696 participants as of December 31, 2019.

Capital Metropolitan Transportation Authority Retirement Plan for Administrative Employees

Management's Discussion and Analysis

Future Outlook and Currently Known Facts

The Plan's actuary has developed a recommended contribution for fiscal year 2021 of \$3,605,170. There are no other currently known facts, decisions or conditions known to management.

Request for Information

This financial report is designed to provide the Plan's patrons and other interested parties with a general overview of the finances to demonstrate the Plan's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact Capital Metropolitan Transportation Authority, Finance Department, 2910 East 5th Street, Austin, Texas 78702.

Capital Metropolitan Transportation Authority Retirement Plan for Administrative Employees

Statement of Fiduciary Net Position December 31, 2020

Assets:	
Cash held by trustee	<u>\$ 134,378</u>
Investments:	
Domestic equity mutual funds	23,243,915
Fixed income mutual funds	11,849,890
International equity mutual funds	6,901,657
Group fixed annuity	<u>3,451,276</u>
Total investments	<u>45,446,738</u>
Total assets	<u>45,581,116</u>
Liabilities:	
Payables:	
Due to broker for investments purchased	16,535
Plan fees payable	<u>27,690</u>
Total liabilities	<u>44,225</u>
Net position restricted for pension	<u><u>\$ 45,536,891</u></u>

See notes to financial statements.

Capital Metropolitan Transportation Authority Retirement Plan for Administrative Employees

Statement of Changes in Fiduciary Net Position Year Ended December 31, 2020

<hr/> Additions:	
Employer contributions	<u>\$ 3,261,230</u>
Investment income (loss):	
Net appreciation in fair value of investments	4,597,017
Interest and dividends	1,373,270
Less investment expense	<u>(43,371)</u>
Total investment income, net	<u>5,926,916</u>
Total additions	<u>9,188,146</u>
Deductions:	
Benefits paid to participants	1,391,785
Administrative expenses	<u>75,645</u>
Total deductions	<u>1,467,430</u>
Net increase	7,720,716
Net position restricted for pension at beginning of year	<u>37,816,175</u>
Net position restricted for pension at end of year	<u><u>\$ 45,536,891</u></u>

See notes to financial statements.

Capital Metropolitan Transportation Authority Retirement Plan for Administrative Employees

Notes to Financial Statements

Note 1. Description of Plan

The following brief description of Capital Metropolitan Transportation Authority Retirement Plan for Administrative Employees (the Plan) is provided for general information purposes only. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

Reporting entity: The Plan is sponsored by Capital Metropolitan Transportation Authority (the Authority). The Plan does not purport and does not present the financial position or changes in financial position of the Authority as of any time or for any period.

General: Effective January 1, 2005, the Authority established a pension plan (Capital Metropolitan Transportation Authority Retirement Plan for Administrative Employees). The Plan is a noncontributory single-employer defined benefit plan. Subject to eligibility requirements, all full-time administrative employees are eligible for participation in the Plan, except for employees covered by a collective bargaining agreement and leased employees, as defined by the Plan. An employee is eligible to become a participant following the first day of the month coincident with or following his or her date of hire. The Plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The Authority's Board of Directors (the Board) governs the Authority, under which benefit and contribution terms are established or amended.

Management of the Plan is vested in the Authority's Board and advised by the Pension Plan Committee (the Committee), whose members are appointed by the Authority's Board. The 2009 Texas Legislature changed the composition of the Authority's Board to eight members with three-year staggered terms. Once the population of the City of Austin is less than 65% of the total service area population, Capital Area Metropolitan Planning Organization (CAMPO) is allowed to appoint two additional members. The eight members include:

- Three members appointed by CAMPO, of whom:
 - One must be an elected official,
 - One must have at least 10 years of experience as a financial or accounting professional,
 - One must have at least 10 years of experience in an executive-level position, and
 - Requires two of the three CAMPO representatives to be qualified voters residing in Austin.
- Two members appointed by the City of Austin, of whom one must be an elected official.
- One member appointed by Travis County and one member appointed by Williamson County. The two county representatives are not required to work in the service area, but within the county that appointed them or be qualified voters within the county that appointed them.
- One member, who must be an elected official, appointed by all small city mayors (excludes the City of Austin)

The Committee has overall responsibility for the operation and administration of the Plan. The Committee determines the appropriateness of the Plan's investment offerings and monitors investment performance. The assets of the Plan are held in a trust. Benefit Trust serves as trustee on behalf of the Plan and carries out an investment policy established by the Committee, consistent with the purposes of the Plan and the requirements of applicable laws and regulations.

Capital Metropolitan Transportation Authority Retirement Plan for Administrative Employees

Notes to Financial Statements

Note 1. Description of Plan (Continued)

The following table summarizes membership of the Plan at December 31, 2020:

Inactive Plan members or beneficiaries currently receiving benefits	136
Inactive Plan members entitled to, but not yet receiving benefits	272
Active Plan members	314
	<hr/>
	722
	<hr/>

Vesting: Participants become 20% vested upon completion of each year, until five years of service, when participants are 100% vested. Vesting service includes periods prior to the effective date of the Plan computed as if the Plan had been in effect. The Plan also allows for participants to recognize prior service (limited to five years) with a governmental entity or other entity related to the provision of public transportation services. For vesting purposes, service shall be credited based on elapsed time.

Pension benefits: Plan participants are eligible for their Plan benefits after terminating employment with vested rights. The participants are eligible for normal retirement on the first day of the month following age 65. The Plan permits early retirement from ages 55 to 64, provided an employee has completed five years of vesting service. The amount of pension payable is computed in the same manner as for normal retirement, except that it is reduced by a reduction factor, which is graduated to reflect the number of years by which early retirement precedes age 65. Participants should refer to the Plan document for a more complete description of the Plan's reduction factors. Normal retirement benefits are paid to unmarried participants in the form of a single life annuity and to married participants in the form of a joint and 50% survivor annuity. Married participants may elect other payment options with notarized spousal consent. Lump-sum benefits are only available if the actuarial value of the benefit is less than \$5,000. Participants may elect to receive reduced benefits in the form of a joint annuity option. Retirement benefits are payable in equal monthly installments. The Plan does not have any automatic postemployment benefit change provisions.

Participants are entitled to annual pension benefits at normal retirement (age 65) equal to: (i) 1.5% of average earnings, as defined, plus (ii) 0.5% of earnings in excess of covered compensation, as defined, multiplied by (iii) the number of years of credited service, as defined.

Death benefits: If an active employee dies before reaching age 65, the surviving spouse or a designated beneficiary shall receive for his or her lifetime a deferred monthly benefit equal to the amount that the participant would have received based on service to the participant's date of death had the participant elected a 50% joint and survivor annuity option and died the next day.

A participant may elect not to be covered by the deferred joint and survivor annuity option or may no longer be married when pension payments are to begin. In such instances, a single life annuity will be received by the participant.

Disability benefits: Disability benefits may be elected at age 55 up to normal retirement age, at which time disabled participants will receive the normal retirement benefit computed as though they had been employed to age 55 or up to normal retirement age with their annual compensation, as defined, remaining the same as at the time they became disabled.

Capital Metropolitan Transportation Authority Retirement Plan for Administrative Employees

Notes to Financial Statements

Note 1. Description of Plan (Continued)

Contributions: Per the Plan document, contribution requirements of active Plan members are established and may be amended by the Authority's Board. Currently, Plan members are not required to contribute. The Authority is required to contribute an amount at its sole discretion from time to time, based on advice of its actuary and consistent with the funding policy for the Plan. The Plan has an actuarial valuation performed annually for funding and financial reporting purposes in accordance with Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans, an Amendment of GASB Statement No. 25*. The most recent actuarial valuation was performed as of December 31, 2020.

Note 2. Summary of Significant Accounting Policies

Basis of accounting: The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America for local governmental units as prescribed by GASB. The financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized as revenues in the period in which employee services are performed. Benefits are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when incurred.

Cash and cash equivalents: Cash and cash equivalents include demand deposit accounts and money market accounts.

Investment valuation and income recognition: Investments are reported at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is based upon quoted market prices, or when quoted market prices are not readily determinable, estimated using observable inputs, including quoted prices for similar securities, interest rates and a fixed income pricing model that uses available market rates. Shares of registered investment companies (mutual funds) are reported at fair value based on the quoted price per share of the fund.

The Lincoln Stable Value Fund is a group fixed annuity contract and is valued at the guaranteed minimum rate of \$1. The Lincoln Stable Value Fund is an investment in a nonparticipating contract with redemption terms that do not consider market rates and is reflected at amortized cost.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan's gains and losses on investments bought and sold, as well as held during the year.

Use of estimates: The preparation of these financial statements in accordance with accounting principles generally accepted in the United States of America requires the Plan Administrator to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying footnotes. Actual results could differ from those estimates. The Plan uses an actuary to determine the total pension liability. A change in the actuarial assumptions used could significantly change the amount of the total pension liability reported in the accompanying footnotes to the financial statements.

Risk and uncertainties: The Plan may invest in various types of investment securities. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the account balances of the Plan and the amounts reported in the statement of fiduciary net position.

Capital Metropolitan Transportation Authority Retirement Plan for Administrative Employees

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Plan contributions are made and the total pension liability is reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions processes, it is at least reasonably possible that changes in these estimates and assumptions in the near term could be material to the net pension liability.

Payment of benefits: Benefit payments are recognized as expenses when due and payable in accordance with the terms of the Plan.

Administrative expenses: All administrative expenses, unless paid by the Authority at its discretion, are paid by the Plan. Certain expenses incurred in connection with the general administration of the Plan that are paid by the Plan are recorded as deductions in the accompanying statement of changes in fiduciary net position. In addition, certain investment-related expenses are included in net depreciation in fair value of investments presented in the accompanying statement of changes in fiduciary net position.

Related-party transactions: The Plan Administrator pays the Plan through the revenue-sharing agreement. For the year ended December 31, 2020, income from revenue sharing was approximately \$6,600. This was used to pay Plan expenses.

Note 3. Investments

The Plan uses various methods to measure the fair value of investment on a recurring basis. GASB Statement No. 72, *Fair Value Measurement and Application*, establishes a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are as follows.

Level 1: Inputs are unadjusted quoted prices in active markets for identical assets and liabilities that the Plan has the ability to access.

Level 2: Inputs, other than quoted prices included in Level 1, are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument in an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3: Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, represent the Plan's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

Hierarchy: The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

Capital Metropolitan Transportation Authority Retirement Plan for Administrative Employees

Notes to Financial Statements

Note 3. Investments (Continued)

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

Except for the Lincoln Stable Value Fund, a group fixed annuity contract valued at amortized cost, the investments of the Plan are valued at fair value based on quoted market prices.

Investment as of December 31, 2020, are as follows:

Investment Type	Fair Value Hierarchy at December 31, 2020			
	Level 1	Level 2	Level 3	Fair Value
<i>Fixed income mutual fund securities:</i>				
Baird Funds Core Plus Bond Instl.	\$ 3,976,597	\$ -	\$ -	\$ 3,976,597
Lord Abbett Invt Tr Shrt Duratn	3,046,408	-	-	3,046,408
Nuveen Funds Preferred Securities Instl	1,595,473	-	-	1,595,473
Vanguard Group Bond Index Admiral Class	1,706,716	-	-	1,706,716
Vanguard Group Inflation Protected Security	1,524,696	-	-	1,524,696
Total fixed income mutual fund securities	11,849,890	-	-	11,849,890
<i>Domestic equity mutual fund securities:</i>				
Invesco Equally-Wtd. S&P 500 R6	1,693,107	-	-	1,693,107
AMG Managers Silvercrest SM CAP	2,693,218	-	-	2,693,218
Conestoga Funds Small Cap	2,699,688	-	-	2,699,688
Diamond Hill Large Cap Fund Y	4,450,814	-	-	4,450,814
Harbor Funds Capital Appreciation	4,600,737	-	-	4,600,737
Vanguard Group Index 500 Admiral Class	4,994,119	-	-	4,994,119
Western Asset Macro Opportunities I	2,112,232	-	-	2,112,232
Total domestic equity mutual fund securities	23,243,915	-	-	23,243,915
<i>International equity mutual fund securities:</i>				
American Funds Europacific Growth R-6	2,386,549	-	-	2,386,549
Harding Loevner International Eq. Instl.	2,266,633	-	-	2,266,633
Hartford Schrodgers Intl Multi-CP VAL SDR	2,248,475	-	-	2,248,475
Total international equity mutual fund securities	6,901,657	-	-	6,901,657
Lincoln Stable Value Account				3,451,276
Total investments at amortized cost				3,451,276
Total investments				\$ 45,446,738

Investment policy: The Committee determines the Plan's valuation policies, utilizing information provided by its investment advisers. The general investment objective is consistent with the Plan's primary purpose of long-term investing for retirement, with a focus on minimizing the risk of large losses and maximizing risk-adjusted returns. The investment policy states the equity holdings in any one company should not exceed 10% of the market value of the Plan's equity portfolio for domestic and international equities. In addition, mutual funds should not have any one investment in excess of 10% of the total fund. Performance and risk statistics are provided quarterly and evaluated over three- and five-year rolling periods of time, allowing the Committee to evaluate long-term performance.

Capital Metropolitan Transportation Authority Retirement Plan for Administrative Employees

Notes to Financial Statements

Note 3. Investments (Continued)

Asset allocation: The Plan's asset allocation policy as of December 31, 2020, adopted by the Committee, is as follows. There were no significant modifications to the investment policy during 2019.

Domestic equities	45%
International equities	15%
Domestic fixed income	25%
Alternative	10%
Cash equivalents	5%
	<u>100%</u>

Rate of return: For the year ended December 31, 2020, the annual money-weighted rate of return for the Plan's investments, net of pension plan investment expense, was 15.3%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Custodial credit risk: The Plan's investment policy does not specifically address custodial credit risk. Custodial credit risk is the risk that in the event of bank or investment failure, the Plan's deposits or investments may not be returned. However, all of the Plan's investments and deposits are held in open-ended mutual funds and the Lincoln Stable Value Account, which are not subject to custodial credit risk.

Interest rate risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Plan does not have a formal policy regarding interest rate risk. The Plan monitors credit exposure using segmented time distribution. The following is a listing of the Plan's fixed income investments and related maturity schedule (in years) as of December 31, 2020. The maturity schedule is based on the average maturity of the fund, as noted by the fund manager:

	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	11-15 Years
Baird Funds Core Plus Bond Instl	\$ 3,976,597	\$ -	\$ -	\$ 3,976,597	\$ -
Lord Abbett Invnt TR Shrt Duration R6	3,046,408	-	3,046,408	-	-
Nuveen Preferred Securities	1,595,473	1,595,473	-	-	-
Vanguard Group Inflation Protected Security	1,524,696	-	-	1,524,696	-
Vangard Total Bond Index Admiral Class	1,706,716	-	-	1,706,716	-
	<u>\$ 11,849,890</u>	<u>\$ 1,595,473</u>	<u>\$ 3,046,408</u>	<u>\$ 7,208,009</u>	<u>\$ -</u>

Credit risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Plan. The Plan's investment policy does not specifically address the quality rating of the investments. The Committee is responsible for determining the risks and commensurate returns of its portfolio. The Plan's investments are held in mutual funds and in the Lincoln Stable Value, which are not rated.

Concentration risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the Plan's investments in a single issuer. The Plan's investment policy does not specifically address concentration risk. Investments in mutual funds and other pooled investments are excluded from this requirement.

Capital Metropolitan Transportation Authority Retirement Plan for Administrative Employees

Notes to Financial Statements

Note 3. Investments (Continued)

Foreign currency risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Plan's investment policy does not specifically address foreign currency risk. The Plan's diversified selection of mutual funds encourages the investment advisors to employ diversification, asset allocation and quality strategies to minimize risks. Each participant is responsible for determining the risks and commensurate returns of their portfolio. The Plan's investment in international mutual funds does not require disclosure of the individual investment within the fund and such fund balances are denominated in U.S. dollars.

Note 4. Net Pension Liability

The net pension liability is measured as the total pension liability, less the amount of the Plan's fiduciary net position as of December 31, 2020. In actuarial terms, this will be the accrued liability less the market value of assets. The components of the Plan's net pension liability as of December 31, 2020, are as follows:

Total pension liability	\$ 64,917,298
Plan fiduciary net position	45,554,310
Net pension liability	<u>\$ 19,362,988</u>

Plan fiduciary net position as a percentage of the total pension liability	70.17%
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The schedule of net pension liability presents multi-year trend information, beginning with 2015, to illustrate changes in the plan fiduciary net position over time. In addition to the above, this information is presented in the required supplementary information.

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of December 31, 2020, using the following actuarial assumptions, applied to all periods included in the measurement.

Methods and assumptions used to determine contribution rates are as follows:

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Inflation rate	-
Salary increases	3.50%
Investment rate of return	6.75%
Retirement age	Age 60-61 is 5.00%, Age 62-64 is 10.00%, Age 65 is 50.00%, Age 66-69 is 15.00% and Age 70 is 100.00%
Mortality	Pri-2012 White Collar Dataset Amount-Weighted Mortality Projected with Scale MP-2020 with separate rates for employees, retirees and contingent survivors

Capital Metropolitan Transportation Authority Retirement Plan for Administrative Employees

Notes to Financial Statements

Note 4. Net Pension Liability (Continued)

Discount rate: The discount rate used to measure the total pension liability at December 31, 2020 was 5.39%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members until 2064. Therefore, the long-term expected rate of return of 6.75% was applied to all periods of projected benefits payment to determine the total pension liability until 2064. Subsequent to 2064, the 20-year municipal bond rate of 1.73% was utilized.

The long-term expected rate of return on Plan investments was determined using best estimate ranges of expected future real rate of return for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected information. The long-term expected geometric real rates of return for 2020 are as follows:

Asset Class	Asset Allocation	Long-Term Expected Geometric Rate of Return
Domestic equities:	51.1%	
U.S. broad equity		7.15%
Large cap		7.00%
Small/mid cap		7.25%
Domestic fixed income	26.1%	2.75%
International equities:	15.2%	
Global ex-U.S. equity		7.25%
International equity		6.99%
Emerging markets equity		7.25%
Alternative:		
High yield		4.65%
Real estate		6.25%
Volatility hedge		5.00%
Private equity		8.50%
Inflation		2.25%
Cash equivalents	7.6%	2.25%
	<u>100.0%</u>	

Capital Metropolitan Transportation Authority Retirement Plan for Administrative Employees

Notes to Financial Statements

Note 4. 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 Plan, calculated using the discount rate of 5.39%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.39%) or 1-percentage point higher (6.39%) than the current rate:

	1.00% Decrease to 4.39%	Current Single Rate Assumption of 5.39%	1.00% Increase to 6.39%
2020	\$ 29,423,556	\$ 19,362,988	\$ 11,073,994

Note 5. Plan Termination

Although it has not expressed any intention to do so, the Authority has the right to discontinue its contributions at any time and to terminate the Plan subject to the provisions set forth in Articles X and XI of the Plan. In the event the Plan terminates, the net position of the Plan will be allocated in the following order:

- (a) To provide the portion of the retirement benefits which have accrued to the account of each retired participant, beneficiary or contingent annuitant of a retired participant.
- (b) To provide that additional portion of the retirement benefits that have accrued to the account of each participant and which are not provided above.
- (c) To return to the employer any balance that shall remain after all liabilities under the Plan with respect to the participants have been fully satisfied, as provided above.
- (d) All nonvested benefits under the Plan.

In the event the assets are not sufficient to carry out any of the foregoing purposes in full, the allocations to the accounts of individuals thereunder shall be made in the proportion that the assets available bear to the assets required to carry out the purpose in full.

In the event the assets are not sufficient to provide all the benefits under one of the paragraphs above, Plan assets shall be allocated among participants and beneficiaries under such paragraph in proportion that the assets available bear to assets required for full allocation.

Note 6. Tax Status

On July 21, 2006, the Internal Revenue Service (IRS) issued a determination letter stating that the Plan, as then designed, was in compliance with section 401(a) of the Internal Revenue Code of 1986, as amended (the Code) and was, therefore, exempt from federal income taxes under section 501(a). The Plan Administrator received an updated determination letter utilizing the amended and restated plan effective January 1, 2010, which was accepted by the IRS on March 7, 2013, and expiring January 31, 2014. The Plan filed a determination letter, extending the expiration date of the current determination letter to January 31, 2016. This application was acknowledged by the IRS on March 28, 2016, and it was approved. The Plan Administrator believes the Plan is designed and is currently being operated in compliance with the applicable requirements of the Code.

Capital Metropolitan Transportation Authority Retirement Plan for Administrative Employees

Notes to Financial Statements

Note 7. Subsequent Events

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. The COVID-19 pandemic and resulting global disruptions have caused significant economic uncertainty and volatility in financial markets. As a result, the Plan's various investment securities could incur volatility in fair value in the future. The impact of COVID-19 continues to evolve rapidly and the Authority is not able at this time to estimate its full impact on the Plan's financial statements. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and that such changes could materially affect the amounts reported in the statements of net assets available for benefits. The current economic environment has increased the degree of uncertainty.

The Plan has evaluated subsequent events through September 30, 2021, the date the financial statements were available to be issued.

Required Supplementary Information

Capital Metropolitan Transportation Authority Retirement Plan for Administrative Employees
Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios
Years Ended December 31, 2020, 2019, 2018, 2017, 2016 and 2015

	2020	2019	2018	2017	2016	2015
Total pension liability:						
Service cost	\$ 3,545,963	\$ 2,938,855	\$ 2,793,032	\$ 2,964,773	\$ 2,087,251	\$ 2,225,673
Interest	3,061,945	2,694,810	2,445,407	2,235,084	1,863,897	1,573,679
Changes of benefit terms	-	-	-	-	2,054,914	-
Differences between expected and actual experience	2,513,864	1,231,398	720,052	(288,769)	(86,781)	1,984,816
Changes of assumptions	(3,616,413)	5,792,670	(920,415)	3,035,050	209,630	(1,415,858)
Benefit payments, including refunds of member contributions	(1,391,896)	(1,117,525)	(932,072)	(916,317)	(892,937)	(833,716)
Net change in total pension liability	4,113,463	11,540,208	4,106,004	7,029,821	5,235,974	3,534,594
Total pension liability at beginning of year	60,803,835	49,263,627	45,157,623	38,127,802	32,891,828	29,357,234
Total pension liability at end of year (a)	\$ 64,917,298	\$ 60,803,835	\$ 49,263,627	\$ 45,157,623	\$ 38,127,802	\$ 32,891,828
Plan fiduciary net position:						
Contributions—employer	\$ 3,261,231	\$ 3,046,377	\$ 2,692,422	\$ 3,106,829	\$ 1,974,973	\$ 1,882,377
Contributions—employee	-	-	-	-	-	-
Net investment income (loss)	5,928,766	6,195,576	(1,941,101)	4,081,936	1,795,013	(11,187)
Benefit payments, including refunds of member contributions	(1,391,896)	(1,117,525)	(932,072)	(916,317)	(892,937)	(833,716)
Administrative expense	(62,527)	(76,658)	(58,478)	(74,118)	(58,222)	(63,645)
Other	-	-	-	-	-	-
Net change in plan fiduciary net position	7,735,574	8,047,770	(239,229)	6,198,330	2,818,827	973,829
Plan fiduciary net position at beginning of year	37,818,736	29,770,966	30,010,195	23,811,865	20,993,038	20,219,209
Plan fiduciary net position at end of year (b)	\$ 45,554,310	\$ 37,818,736	\$ 29,770,966	\$ 30,010,195	\$ 23,811,865	\$ 21,193,038
Net pension liability at end of year (a) - (b)	\$ 19,362,988	\$ 22,985,099	\$ 19,492,661	\$ 15,147,428	\$ 14,315,937	\$ 11,698,790
Plan fiduciary net position as a percentage of the total pension liability	70.17%	62.20%	60.43%	66.46%	62.45%	64.43%
Covered payroll	\$ 28,185,358	\$ 26,490,906	\$ 22,758,461	\$ 23,551,457	\$ 23,116,717	\$ 18,663,437
Net pension liability as a percentage of covered payroll	68.70%	86.77%	85.65%	64.32%	61.93%	62.68%

Notes to Schedule

1. No significant factors to disclose.
2. The mortality rates were updated to reflect the most recent table which is reflected above.
3. Schedule will be built out to 10 years.

See independent auditor's report.

Capital Metropolitan Transportation Authority Retirement Plan for Administrative Employees Required Supplementary Information

Schedule of Contributions Last 10 Fiscal Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contributions	\$ 3,261,230	\$ 3,046,676	\$ 2,692,422	\$ 3,106,831	\$ 1,974,970	\$ 1,894,044	\$ 1,588,278	\$ 1,393,056	\$ 1,659,488	\$ 1,453,308
Contributions in relation to the actuarially determined contribution	3,261,231	3,046,377	2,692,422	3,106,829	1,974,973	1,882,377	1,600,159	1,393,490	1,704,070	1,448,542
Contribution deficiency (excess)	\$ (1)	\$ 299	\$ -	\$ 2	\$ (3)	\$ 11,667	\$ (11,881)	\$ (434)	\$ (44,582)	\$ 4,766
Covered payroll	\$ 28,185,358	\$ 26,490,906	\$ 22,758,461	\$ 23,551,457	\$ 23,116,717	\$ 18,663,437	\$ 16,183,596	\$ 15,021,918	\$ 18,347,486	\$ 16,565,032
Contributions as a percentage of covered payroll	11.57%	11.50%	11.83%	13.19%	8.54%	10.09%	9.89%	9.28%	9.29%	8.74%

Notes to Schedule

Actuarially determined contribution rates are calculated annually for the year of contribution.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Remaining amortization period	20 years
Asset valuation method	Deferred recognition with phase-in over 5 years
Inflation rate	-
Salary increases	3.50%
Investment rate of return	6.75%
Retirement age	Age 60-61 is 5.00%, Age 62-64 is 10%.00, Age 65 is 50.00%, Age 66-69 is 15.00% and Age 70 is 100.00%
Mortality	Pri-2012 White Collar Dataset Amount-Weighted Mortality Projected with Scale MP-2020 with separate rates for employees, retirees and contingent survivors

**Capital Metropolitan Transportation Authority Retirement Plan for Administrative Employees
Required Supplementary Information**

Schedule of Investment Returns

Years Ended December 31, 2020, 2019, 2018, 2017, and 2016

	2020	2019	2018	2017	2016
Annual money-weighted rate of return, net of investment expense	15.30%	20.20%	(6.32%)	16.68%	8.36%

Notes to Schedule

1. No significant factors to disclose.
2. No significant methods or assumptions to disclose.
3. Schedule will be built out to 10 years.