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**METROPOLITAN ATLANTA  
RAPID TRANSIT AUTHORITY**

**NON-REPRESENTED PENSION PLAN**

**Financial Statements  
For the Years Ended December 31, 2018 and 2017  
Together with Independent Auditors' Report**

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# METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

## Non-Represented Pension Plan

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To the Management Pension Committee  
Metropolitan Atlanta Rapid Transit Authority  
Non-Represented Pension Plan  
Atlanta, Georgia 30324

## **Independent Auditors' Report**

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Metropolitan Atlanta Rapid Transit Authority (MARTA) Non-Represented Pension Plan (the "Plan") as of December 31, 2018 and 2017, which comprise the statements of fiduciary net position and the related statements of changes in fiduciary net position for the years then ended and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Plan management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Management Pension Committee  
Metropolitan Atlanta Rapid Transit Authority  
Non-Represented Pension Plan

## **Independent Auditors' Report (continued)**

### ***Auditor's Responsibility (continued)***

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 financial position of the MARTA Non-Represented Pension Plan as of December 31, 2018 and 2017 and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Report on Supplemental Information***

Our audits were made primarily for the purpose of formulating the opinion stated in the preceding paragraph. The ten year schedule of Plan contributions and the schedules of administrative expenses and payments to participants are presented as supplementary information and have been subjected to the audit procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The ten year schedule of changes in the Plan's net pension liability, the notes to the schedule and the schedule of investment returns, although not a part of the basic financial statements, are required supplementary information. 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.

August 1, 2019

**MARTA NON-REPRESENTED PENSION PLAN**  
 Statements of Fiduciary Net Position  
 December 31, 2018 and 2017

	2018	2017
<b>Assets:</b>		
Investments at Fair Value:		
Equities	\$ 210,649,593	\$310,826,834
Fixed Income	140,827,353	77,204,192
Real Estate Funds	21,660,306	20,816,784
Short-term Investments	10,411,116	9,541,568
Total Investments	383,548,368	418,389,378
Receivables:		
Accrued Investment Income	736,387	637,051
Employer and Plan Participant Contributions	312,922	386,153
Due from Brokers	11,832,182	517,830
Total Receivables	12,881,491	1,541,034
Prepaid Expenses	-	31,150
<b>Total Assets</b>	<b>396,429,859</b>	<b>419,961,562</b>
Liabilities:		
Accounts Payable and Other Liabilities	\$ 303,338	\$ 291,395
Due to Brokers	16,712,723	1,991,607
<b>Total Liabilities</b>	<b>17,016,061</b>	<b>2,283,002</b>
<b>NET POSITION RESTRICTED FOR PENSION BENEFITS</b>	<b>\$ 379,413,798</b>	<b>\$417,678,560</b>

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

**MARTA NON-REPRESENTED PENSION PLAN**  
**Statements of Changes in Fiduciary Net Position**  
**For the Years Ended December 31, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Additions:</b>		
Investment Income:		
Dividends and Interest	\$ 5,813,657	\$ 5,053,521
Real Estate Income	886,715	906,169
Net Increase (Decrease) in Fair Value of Investments	(27,737,090)	58,958,609
 <b>Less Investment Expenses Other Than</b>		
<b>Securities Lending:</b>		
Direct Investment Expenses	(1,130,454)	(1,449,451)
Investment Consultants	(160,725)	(142,212)
 <b>Net Investment Income</b>		
<b>Other than Securities Lending</b>	(22,327,897)	63,326,636
Securities Lending Income	124,414	86,068
Less Securities Lending Expense	(43,507)	(30,084)
<b>Net Securities Lending Income</b>	80,907	55,984
 Contributions:		
Employer	19,434,388	13,539,866
Plan Participants	2,444,720	2,581,821
	21,879,108	16,121,687
Other Income	8,975	930
<b>Total Additions</b>	(358,907)	79,505,237
 <b>Deductions:</b>		
Payments to Participants	37,643,011	36,647,472
Administrative Expenses	262,844	275,050
Total Deductions	37,905,855	36,922,522
<b>Net Increase (Decrease)</b>	(38,264,762)	42,582,715
 Net Position Restricted for Pension Benefits:		
Beginning of Year	417,678,560	375,095,845
<b>END OF YEAR</b>	\$ 379,413,798	\$ 417,678,560

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

**MARTA NON-REPRESENTED PENSION PLAN**  
Notes to the Financial Statements  
For the Years Ended December 31, 2018 and 2017

**Note 1 - Description of the Plan**

*Plan Administration*

The MARTA Plan was created as a successor to the Atlanta Transit System, Non-Union Pension Plan under an agreement dated January 1, 1958. The Plan originally covered all employees who were not active participants in the MARTA Union Employees Retirement Plan. The Plan was closed January 1, 2005 to all employees hired after that date, other than Union Plan transfers hired before January 1, 2005 and all Transit Police. The Plan has been subsequently closed to all Transit Police hired after December 31, 2014. MARTA is granted the authority to establish and amend the benefit terms.

The Plan is administered by a Pension Committee ("Committee") composed of not more than seven members appointed by the Board of Directors of MARTA. The Committee may consist of directors, officers, employees of MARTA, or Plan participants. Administrative functions are performed by MARTA personnel. Northern Trust is trustee for the Plan and custodian of its assets.

*Plan Membership*

The following schedule (derived from the most recent actuarial valuation report) reflects membership for the Plan as of December 31, 2018 and 2017.

	<b>2018</b>	<b>2017</b>
Inactive Plan members or beneficiaries currently receiving benefits	1,313	1,296
Inactive Plan members entitled to but not yet receiving benefits	158	137
DROP participants	64	66
Active Plan members	467	544
<b>Total</b>	<b>2,002</b>	<b>2,043</b>

*Contributions*

The Committee establishes contributions based on an annual actuarially determined dollar amount recommended by an independent actuary. This dollar amount is the estimated costs of benefits earned by participants during the year, with an additional amount to fund the unfunded accrued liability. MARTA is required to contribute the difference between the actuarially determined amount and total contributions made by Plan participants. Based on the required contribution amounts, MARTA determines an annual employer contribution rate. For the year ended December 31, 2018, MARTA contributed \$19,434,388 and Plan participants contributed \$2,444,720.



## Notes to the Financial Statements, *Continued*

### Note 1 - Description of the Plan, Continued

The employee contribution rates as a percent of pensionable earnings for December 31, 2018 and 2017 were as follows:

- **Employees/Non-Police**  
7.00% (Effective July 1, 2017)  
6.00% (Effective January 1, 2013)
  
- **Employees/Police**  
8.50% (Effective July 1, 2017)  
7.50% (Effective January 1, 2013)

#### *Retirement Benefits*

Normal Retirement Date under the Plan is the last day of the month in which the participant both attains age 62 and completes five (5) years of credited service. All employees become fully vested after 5 years of credited service. The normal retirement benefits are based on a participant's average monthly compensation for the 3 plan years out of the last 8 plan years which produce the highest average times the benefit accrual rate for each year of credited service (the rate is 2% for each year of credited service, provided that for all Non-Police participants terminating service on or after January 1, 2001, the benefit accrual rate is increased for all credited service to 2.05% per year for retirees with at least 20 but less than 30 years of credited service and 2.10% for each year of credited service for retirees with 30 or more years of credited service; provided further that for Transit Police terminating service on or after January 1, 2001, the benefit accrual rate is increased to 2.25% for each year of credited service after January 1, 2000).

Accumulated sick leave is included in the service calculation.

Compensation is the participant's base salary paid by the employer, excluding automobile allowance and excess life insurance taxable income, and including Section 125 and Section 457 deferred compensation and pre-tax medical plan contributions, for the Plan year for which determined. Prior to January 1, 2013, overtime and PTO sales are included.

The minimum benefit is \$32.50 per year of service up to 30 years.

Early retirement is available if the participant's age plus credited service is 60 or more points with completion of at least 5 years of credited service. The benefit payable immediately is the accrued retirement benefit reduced by 3% for each point less than 80 for participants less than age 55 (this provision does not apply to Transit Police). In this situation, the minimum benefit is also reduced. For Non-Police participants between the age of 55 and 62, the accrued benefit is reduced by 3% for each year under age 62, if more favorable. In this situation, the minimum benefit is not reduced.

## Notes to the Financial Statements, *Continued*

### Note 1 - Description of the Plan, *continued*

A participant who is receiving workman's compensation or totally and permanently disabled as determined by the Committee will receive his normal retirement benefit. For purposes of determining the normal retirement benefit, credited service will include the period of time the participant has been disabled to normal retirement date, and assuming that compensation paid during the year prior to disability continues until normal retirement date. Benefits commence at the normal retirement date.

The continuation of retirement benefits to the participants' designated beneficiaries is also provided in the Plan.

#### *Termination Benefits*

Terminated vested participants with ten or more years of credited service or age 62 with five years of credited service, who elect to receive refunds of their employee contributions will continue to be vested in at least 50% of their accrued benefit.

The minimum pension benefit will be increased for terminated vested participants each time it is increased for current retirees.

Terminated non-vested participants are entitled to a lump-sum refund of their total contributions with interest compounded annually at a rate of 5 percent.

Terminated non-police employees are entitled to a lump sum refund based on the Enhanced Refund Option within forty five (45) days of termination. The multiplier from 0-5 years of service ranges from 100%-200% of the employee's contributions plus interest based on the years of service (except Transit Police). Vested employees forfeit future benefits by accepting the enhanced refund.

Participants are 100% vested after five (5) years of credited service.

#### *Special Provisions for Transit Police*

Normal Retirement Date is the last day of the month in which the Participant attains age 55 and completes five years of credited service.

Early Retirement eligibility from age 50 with a 1.5% reduction for each year prior to age 55.

Transit Police are not covered by the rule of 80.

Transit Police contributed 5.0% of compensation annually from November 1, 1996, 6.5% from July 1, 2004 up to December 31, 2012 and 7.5% from January 1, 2013 up to June 30, 2017. Effective July 1, 2017, Transit Police contribute 8.5% of compensation.

For years of service from January 1, 2000, the benefit accrual percentage is 2.25%.

Transit Police participants are not eligible for the DROP program.

## Notes to the Financial Statements, *Continued*

### Note 1 - Description of the Plan, *continued*

#### *Deferred Retirement Option Plan (DROP)*

The Plan was amended January 1, 2001 to include a Deferred Retirement Option Plan (DROP). The DROP provisions include the following:

It provides a mechanism for active participants who meet participation criteria (i.e. age 62 and five (5) years of credited service, 30 years of service and/or 80 points) to continue to work and accumulate funds that may be withdrawn at retirement.

Employee contributions plus interest are placed in the DROP at entry if elected.

The participant's calculated retirement benefit as of the date of participation in the DROP is used in determining the monthly deposit to the DROP account.

Investment yields: 5% annually, reduced to 1% effective January 1, 2013 for new DROP participants.

No additional credit is given for years of service or compensation changes.

Participation may range from one (1) year to five (5) years. The Participant elects the period of participation at the outset.

Percentage cost of living increases granted during DROP period..

Upon retirement, participants receive their retirement annuity plus the balance in their DROP account including interest.

#### *Portability*

Effective November 23, 1992, a participant with prior service at a public organization will be eligible to purchase credited service if certain conditions as outlined in the Plan Agreement, are met. If such conditions are met, the participant may elect to purchase up to ten (10) years of prior service. The purchased service cannot exceed the participant's MARTA service. Effective October, 1, 1993, current non-represented participants may receive credit for prior Union service under these same terms and conditions.

The additional benefit awarded shall be 1% times purchased service (up to ten years) times Average Monthly Plan Compensation.

Under the amended portability provisions, effective January 1, 2003, certain participants who occupy specific key senior management positions selected by the General Manager/Chief Executive Officer of MARTA will be eligible to purchase additional credited service if certain conditions, as outlined in the Plan Agreement are met. If such conditions are met, the participant may elect to purchase up to five (5) years of prior service.

This additional benefit awarded shall be 1% times purchased service (up to five years) times Average Monthly Plan Compensation. This benefit shall be in addition to any other service purchased under this section.

## Notes to the Financial Statements, *Continued*

### Note 1 - Description of the Plan, *continued*

#### *Plan Termination*

In the event the Plan terminates or upon complete discontinuance of contributions by the employer, the net assets of the Plan will be allocated to provide the following benefits in the order indicated:

- a. All Participants' contributions with interest payable under the Plan to the date of termination of the Plan.
- b. All Participants who, prior to termination of the Plan, have retired or died and who (or their beneficiaries) are already receiving or are qualified to receive benefits, and all participants who are continuing employment under the Delayed Retirement provisions.
- c. All Participants who, prior to termination of the Plan, were eligible for Early or Normal but not Delayed Retirement Benefits.
- d. All Participants who, prior to termination of the Plan, were 100% vested in their benefits.
- e. All remaining Participants with Accrued Retirement Benefits.

#### *Exempt Status*

The Internal Revenue has ruled that the Plan qualifies under Section 401(a) of the Internal Revenue Code and is, therefore, not subject to tax under present income tax laws.

#### *Cost of Living Adjustments*

Pensioners received an automatic annual 1% cost of living increase up until March 2, 2017. On March 2, 2017 and effective January 1, 2018, the automatic 1% annual cost of living increase was discontinued.

### Note 2 - Summary of Significant Accounting Policies

#### *Valuation of Investments*

Quoted market prices are used to value all investments in stocks, U.S. Government notes and corporate bonds and debentures. U.S. Government and agency guaranteed bonds are valued at an estimated fair value. Northern Trust serves as the trustee for the Plan's investments.

#### *Aggregate Bond Index Fund*

Northern Trust manages a significant portion of the Plan's fixed income investments through its Northern Trust Global Investments Daily Aggregate Bond Index Fund ("DABIF"). The DABIF's primary objective is to hold a portfolio representative of the United States bond and debt market. Through the Funds' use of quantitative techniques, the Fund seeks to provide the desired exposure while avoiding illiquid securities and excessive transaction costs. The Fund may participate in securities lending.

## Notes to the Financial Statements, *Continued*

### **Note 2 - Summary of Significant Accounting Policies, Continued**

#### *Basis of Accounting*

The Plan records income and expenses related to investment activities on the accrual basis. Contributions, which are based on payrolls for time worked through December 31, each year, are also accrued at year-end. Payments to retired employees are recorded on the cash basis in accordance with the terms of the Plan. Net financial position available for benefits is not segregated between vested benefits of retired employee and vested and future benefits of active employees, however, cumulative contributions of active employees, which would be refundable, are separated within the accounting records. Upon retirement of the employees, an individual's cumulative contributions are transferred from the refundable members' contributions account and become a part of the funds used for retirement benefits.

#### *Reclassifications*

Certain 2017 amounts have been reclassified to conform to the 2018 presentation.

### **Note 3 - Investments**

All Plan investments are held by a trust fund administered by Northern Trust.

Georgia Statutes allow the Plan to invest in corporations or obligations of corporations organized under the laws of the United States or under the laws of Canada, US Government obligations, US Government Agency obligations, obligations of any instrumentality of the US Government, or in repurchase agreements collateralized by any of the aforesaid securities, deposits insured by the FDIC, State of Georgia obligations, corporations or obligations of foreign corporations, or other instruments as allowed by Georgia law.

#### *Investment Policy*

The Plan's policy for the allocation of invested assets is established by a majority vote of the Committee. It pursues an investment strategy that mitigates overall expected portfolio risk (volatility) and maximizes expected return through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The policy discourages the use of cash equivalents, except for liquidity purposes, and refrains from dramatically shifting asset class allocations over short time spans.

## Notes to the Financial Statements, *Continued*

### Note 3 – Investments, *continued*

The following was the Committee's target asset allocation as of December 31, 2018:

<b>Asset Class</b>	<b>Allocation Percentage</b>
Large Cap Equity	24.0%
Small Cap Equity	9.0%
International Equity	24.0%
Domestic Fixed Income	30.5%
International Fixed Income	7.5%
Real Estate	5.0%
Cash Account	0%
	<u>100%</u>

#### *Rate of Return*

The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested each month. For the year ended December 31, 2018 and 2017, the net money-weighted return was (5.34)% and 17.25% , respectively. This reflects the changing amounts actually involved.

#### *GASB 67 and GASB 40 Investment Disclosures*

Information about the Plan's investments is also disclosed in accordance with Governmental Accounting Standards Board GASB Statements 67, "Financial Reporting for Pension Plans" and No. 40, "Deposit and Investment Risk Disclosures", an amendment of GASB Statement No. 3 as follows:

*Interest Rate Risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of financial instruments or cash flows. The Plan's investments in fixed income investments (not including the Northern Trust Bond Index Fund and Short Term Investment Fund) had a weighted average maturity of ten (10) years at December 31, 2018 and ten (10) years at December 31, 2017.

*Custodial Credit Risk* - custodial credit risk for deposits exists when in the event of the failure of a depository financial institution, a government may be unable to recover deposits, or recover collateral securities that are in the possession of an outside party. Custodial credit risk for investments exists when, in the event of the failure of the counterparty to a transaction, a

## Notes to the Financial Statements, *Continued*

### Note 3 – Investments, *continued*

Government may be unable to recover the value of investment or collateral securities that are in the possession of an outside party. Exposed investments are investments that are uninsured and unregistered, held by the counterparties or its trust department or agent but not in the Plan's name.

At December 31, 2018 and 2017, none of the Plan's investments were exposed to custodial credit risk.

*Concentration of Credit Risk* - Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issuer.

Investments in a single issuer at December 31, 2018 and 2017 that represent 5% or more of net position at the beginning of the respective years are as follows (in thousands):

#### **2018:**

	<u>Market</u>	<u>Cost</u>
Harding Loevner	\$ 45,874	\$ 52,049
Northern Trust Corporation	44,896	35,796
Brandywine	29,171	28,471
CF AQR- Saga International Equity FD	45,316	49,657
Rreef American Reit II Corp.	21,660	18,958
Government of the United States	23,228	22,793

#### **2017:**

	<u>Market</u>	<u>Cost</u>
Harding Loevner	\$ 53,190	\$ 52,049
Northern Trust Corporation	21,872	13,115
Brandywine	29,110	27,471
CF AQR- Saga International Equity FD	53,602	49,657
Rreef American Reit II Corp.	20,817	18,943

*Credit Risk* - Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. GASB 40 requires disclosure of credit quality ratings for investments in external investment pools, money market funds, bond mutual funds, and other pooled investments of debt securities as well as investments in fixed-income securities and convertible corporate bonds. Credit ratings disclosures do not apply to debt securities of US Government Agencies that are explicitly guaranteed by the US Government.

**Notes to the Financial Statements, *Continued***

**Note 3 – Investments, *continued***

Credit risk associated with the Plan's investments at December 31, 2018 was as follows (in thousands):

<u>Investment Type</u> <u>Total Market Value</u> <u>for Category</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>B</u>	<u>Not Rated/ Rating Not Available</u>
<u>Corporate Bonds</u>						
\$15,682	\$ -	\$ -	\$ 3,236	\$ 12,190	\$ 256	\$ -
<u>Government Bonds</u>						
\$22,357	22,357(1)	-	-	-	-	-
<u>Government Mortgage Backed</u>						
\$13,820	13,820(1)	-	-	-	-	-
<u>Non Government Backed</u>						
873	36	-	-	-	-	837
<u>Commercial Mortgage Backed</u>						
\$933	-	-	58	188	-	687
<u>Asset Backed</u>						
\$2,180	246	-	-	165	-	1,769
<u>Convertible Bonds</u>						
\$10,916	198	-	3,463	5,616	124	1,515
<u>Fixed Income Bond Funds</u>						
\$29,170	-	-	-	-	-	29,170
<u>Other Fixed Income</u>						
\$44,896	-	-	-	-	-	44,896
<u>Short-Term Investments</u>						
\$10,411	-	-	-	-	-	10,411
<b>Total Market Value</b>						
<b>By Rating</b>						
<b>\$151,238</b>	<b>\$ 36,657</b>	<b>\$ -</b>	<b>\$ 6,757</b>	<b>\$ 18,159</b>	<b>\$ 380</b>	<b>\$ 89,285</b>

(1) US Government Guaranteed.

Investment ratings were provided by Standard and Poor's.



**Notes to the Financial Statements, *Continued***

**Note 3 - Investments, *continued***

*Foreign Currency Risk* - Foreign currency risk exists when there is a possibility that changes in exchange rates could adversely affect an investment's or deposit's fair value. GASB 40 requires disclosures of value in U.S. dollars by foreign currency denomination and by investment type for investments denominated in foreign currencies.

Foreign currency exposure by investment category at December 31, 2018 was as follows (in thousands):

<u>Investment Type</u>	<u>Country</u>	<u>Market Value (in U.S. Dollars)</u>	<u>Unrealized Gain (Loss) on Translation</u>
Equities:	International Region	\$ 45,874	\$ -
	United States	164,776	-
		<hr/>	<hr/>
Total Equities		210,650	-
		<hr/>	<hr/>
Fixed Income:	Belgium	186	-
	Taiwan	257	-
	Canada	136	-
	Norway	429	-
	Netherlands	423	-
	Switzerland	197	-
	United Kingdom	573	-
	United States	138,626	-
		<hr/>	<hr/>
Total Fixed Income		140,827	-
		<hr/>	<hr/>
Real Estate Funds:	United States	21,660	-
		<hr/>	<hr/>
Short Term Investments:	United States	10,411	-
		<hr/>	<hr/>
<b>Total Investments</b>		<b>\$ 383,548</b>	<b>\$ -</b>
		<hr/> <hr/>	<hr/> <hr/>

*Securities Lending Transactions* - State statutes and Plan investment policies permit the Plan to use investments of the Plan to enter into securities lending transactions – loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. Northern Trust serves as agent in lending securities for the Plan.

## Notes to the Financial Statements, *Continued*

### Note 3 - Investments, *continued*

The cash collateral received from borrowers is invested in one or more pooled investment funds. At year end, the Plan has no credit risk exposure to borrowers because the amounts the Plan owes the borrowers exceed the amounts the borrowers owe the Plan. Contracts with the lending agent require them to indemnify the Plan if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the Plan for income distributions by the securities' issuers while the securities are on loan. All security loans can be terminated on demand by either the Plan or the borrower.

The balances of securities lending transactions as of December 31, 2018 were as follows:

<u>Security Type</u>	<u>Market Value of Loaned Securities</u>	<u>Cash Collateral</u>	<u>Non-Cash Collateral</u>	<u>Total Collateral</u>
US Fixed	\$ 3,267,979	\$ 398,996	\$ 2,947,310	\$ 3,346,306
US Equities	12,116,655	2,899,159	9,612,058	12,511,217
	<b>\$ 15,384,634</b>	<b>\$ 3,298,155</b>	<b>\$ 12,559,368</b>	<b>\$ 15,857,523</b>

### Note 4 - Transfers from (to) Union Employees Retirement Plan

Prior to the Plan year ended December 31, 1983, benefits attributable to participants having service in both the Union and Non-Represented Plans were accumulated in the respective plan where the service was rendered. Upon retirement, these employees received benefit payments from both plans based on the retirement benefit calculated under each. Beginning with the 1983 Plan year and continuing through Plan year ended December 31, 2004, accumulated assets attributable to participants transferring between the two plans were transferred to the Plan representing the current job classification of the participants (Union or Non-Represented). Upon retirement, the participants would then receive benefit payments only from the last plan where service was rendered.

Beginning with the 2005 Plan year, the Union and Non-Represented Plans discontinued the transfer of assets between plans. Participants transferring after December 31, 2004 will again receive benefit payments from both plans based on the retirement benefit calculated under each. Any participant hired after December 31, 2004 transferring from the Union Plan will transfer to the MARTA Non-Represented Defined Contribution Plan.

Effective January 1, 2018, the Plan is closed to all future transfers from the Union Plan. A new transfer agreement, effective January 1, 2018, allows Union Plan participants to remain in the Union Plan and accept a Non-represented position with MARTA, or become a participant of the Non Represented Defined Contribution Plan.

Effective January 1, 2018, participants who transfer from the Union Plan between January 1, 2005 and December 31, 2017 and subsequently retire on or after January 1, 2020, will be entitled to a minimum benefit computed as if all service were earned in the Union Plan.

**Notes to the Financial Statements, *Continued***

**Note 5 – Reserves**

On December 31, 2016, the Plan's reserves of \$20,813,026 to cover any potential MARTA contribution shortfalls (or excesses) were moved to the Fund to reduce the Plan's unfunded liability.

**Note 6 - Deferred Retirement Option Program (DROP) Balances**

Provisions of the Plan's DROP are discussed in Note 1. The aggregate participant DROP balances as of December 31, 2018 and 2017 were \$7,536,533 and \$8,907,954, respectively.

**Note 7 – Net Pension Liability**

The components of the net pension liability of the Plan as of December 31, 2018 and 2017 were as follows:

	2018	2017
Total Pension Liability	\$ 494,438,347	\$ 497,060,738
Plan Fiduciary Net Position	(379,413,798)	(417,678,560)
<b>Plan Net Pension Liability</b>	<b>\$ 115,024,549</b>	<b>\$ 79,382,178</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>76.74%</b>	<b>84.03%</b>

*Actuarial assumptions*

The actuarial assumptions used in the January 1, 2018, valuation were based on the results of an actuarial experience study for the period January 1, 2013 – January 1, 2018:

Inflation	2.5%
Annual Salary Increases	3.0% (3.5% Police) for inflation and productivity, plus seniority increases averaging under 1%
Net Investment Yield	6.0%, including inflation
Mortality Basis	RP-2014 Employee and Healthy Annuitant Mortality Table, separate by sex, with adjustments for mortality improvements based on MP-2016 from 2007, fully generational.

## Notes to the Financial Statements, *Continued*

### Note 7 – Net Pension Liability, *continued*

#### *Expected Real Rate of Return*

The expected arithmetic real rates of return were determined for each major asset class. These are combined to produce the 6.0 percent expected rate of return, or discount rate, by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (diversification and volatility also impact this):

Asset Class	Long-Term Expected Real Rate of Return (gross less 2.25% inflation)
Large Cap Equity	4.90%
Small Cap Equity	4.90%
Global Ex-US Equity	5.00%
International Equity	4.75%
Domestic Fixed Income	1.50%
Domestic Convertibles	3.95%
International Fixed Income	(0.85%)
Real Estate	4.00%

#### *Discount rate*

The projection of cash flows used to determine the 6.0 percent discount rate assumed that contributions will continue at the current rates. The fiduciary net position was projected to cover all future benefit payments of current plan participants.

#### *Sensitivity of the Net Pension Liability to Changes in the Discount Rate:*

	1% Decrease (5.0%)	Current Discount Rate (6.0%)	1% Increase (7.0%)
MARTA's Net Pension Liability	\$ 170,000,000	\$ 115,000,000	\$ 69,000,000

### Note 8 – Plan Amendments

- Effective July 1, 2017, the employee contribution rates increased to 7.0% for Non-Police and 8.5% for Transit Police.
- Effective January 1, 2018, the automatic 1% pensioner COLA will be discontinued.
- Effective January 1, 2018, this Plan is closed to all future transfers from the Union Plan. A new transfer agreement, effective January 1, 2018, allows Union Plan participants to remain in the Union Plan and accept a Non-represented position with MARTA, or become a participant of the Non Represented Defined Contribution Plan. Effective January 1, 2018, participants who transfer from the Union Plan between January 1, 2005 and December 31, 2017 and subsequently retire on or after January 1, 2020, will be entitled to a minimum benefit computed as if all service were earned in the Union Plan.

## **REQUIRED SUPPLEMENTARY SCHEDULES**

**METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY**  
**NON-REPRESENTED PENSION PLAN**  
Schedule of Changes in Net Pension Liability and Related Ratios  
Last 10 Plan Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>					
Service Cost (BOY)	\$ 5,135,757	\$ 4,747,378	\$ 5,656,354	\$ 6,050,922	\$ 5,602,324
Interest	29,002,499	30,291,818	32,429,561	31,568,974	31,474,967
Changes of benefit terms	1,000,000	2,800,000	(37,000,000)	-	-
Difference between expected and actual experience	(117,636)	4,409,026	1,986,731	9,180,855	4,158,277
Changes of assumptions	-	26,063,990	15,000,000	-	15,913,775
Benefit payments, including refunds of member contributions	(37,643,011)	(36,647,472)	(33,469,613)	(34,382,956)	(34,023,368)
<b>Net Change in Total Pension Liability</b>	(2,622,391)	31,664,740	(15,396,967)	12,417,795	23,125,975
<b>Total Pension Liability Beginning</b>	497,060,738	465,395,998	480,792,965	468,375,170	445,249,195
<b>Total Pension Liability Ending (a)</b>	<u><u>\$ 494,438,347</u></u>	<u><u>\$ 497,060,738</u></u>	<u><u>\$ 465,395,998</u></u>	<u><u>\$ 480,792,965</u></u>	<u><u>\$ 468,375,170</u></u>
<b>Plan Fiduciary Net Position</b>					
Contributions Employer	\$ 19,434,388	\$ 13,539,866	\$ 26,338,819	\$ 20,114,201	\$ 20,623,400
Contributions Employees	2,424,472	2,533,358	2,625,561	2,817,941	2,901,714
Member Buybacks--(portability, reemployment, transfers)	20,248	48,463	54,576	81,592	44,474
Net investment income	(22,246,990)	63,382,620	22,568,207	(2,993,731)	19,772,328
Benefit payments, including refunds of member contributions	(37,643,011)	(36,647,472)	(33,469,613)	(34,382,956)	(34,023,368)
Administrative expenses	(262,844)	(275,050)	(231,370)	(244,556)	(226,870)
Other	8,975	930	133,427	9,179	9,996
<b>Net Change in Plan Fiduciary Net Position</b>	(38,264,762)	42,582,715	18,019,607	(14,598,330)	9,101,674
<b>Plan Fiduciary Net Position Beginning</b>	417,678,560	375,095,845	357,076,238	371,674,568	362,572,894
<b>Plan Fiduciary Net Position Ending</b>	379,413,798	417,678,560	375,095,845	357,076,238	371,674,568
<b>Total Plan Fiduciary Net Position less Reserves</b>	-	-	-	(19,264,430)	(19,697,427)
<b>Total Plan Fiduciary Net Position Ending (b)</b>	<u><u>\$ 379,413,798</u></u>	<u><u>\$ 417,678,560</u></u>	<u><u>\$ 375,095,845</u></u>	<u><u>\$ 337,811,808</u></u>	<u><u>\$ 351,977,141</u></u>
<b>MARTA's Net Pension Liability Ending (a)-(b)</b>	<u><u>\$ 115,024,549</u></u>	<u><u>\$ 79,382,178</u></u>	<u><u>\$ 90,300,153</u></u>	<u><u>\$ 142,981,157</u></u>	<u><u>\$ 116,398,029</u></u>
<b>Plan Fiduciary Net Position as a Percentage of the total Pension Liability</b>	76.74%	84.03%	80.60%	70.26%	75.15%
<b>Covered - Employee Payroll</b>	\$ 31,144,524	\$ 34,570,533	\$ 38,965,707	\$ 42,300,642	\$ 45,099,368
<b>MARTA's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	369.33%	229.62%	231.74%	338.01%	258.09%

**METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY**  
**NON-REPRESENTED PENSION PLAN**  
Schedule of Changes in Net Pension Liability and Related Ratios  
Last 10 Plan Years

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Total Pension Liability</b>					
Service Cost (BOY)	\$ 5,994,159	\$ 7,358,027	\$ 7,123,868	\$ 7,043,256	\$ 7,978,311
Interest	30,517,434	31,877,811	30,053,752	28,593,241	28,402,472
Changes of benefit terms	-	(26,142,611)	-	-	-
Difference between expected and actual experience	(1,032,275)	2,451,624	9,121,262	10,085,686	(9,538,595)
Changes of assumptions	10,647,945	11,227,777	5,540,290	-	-
Benefit payments, including refunds of member contributions	(31,084,213)	(27,985,947)	(27,527,412)	(25,173,767)	(21,617,625)
<b>Net Change in Total Pension Liability</b>	15,043,050	(1,213,319)	24,311,760	20,548,416	5,224,563
<b>Total Pension Liability Beginning</b>	430,206,145	431,419,464	407,107,704	386,559,288	381,334,725
<b>Total Pension Liability Ending (a)</b>	<u><u>\$ 445,249,195</u></u>	<u><u>\$ 430,206,145</u></u>	<u><u>\$ 431,419,464</u></u>	<u><u>\$ 407,107,704</u></u>	<u><u>\$ 386,559,288</u></u>
<b>Plan Fiduciary Net Position</b>					
Contributions - Employer	\$ 21,619,156	\$ 24,035,761	\$ 21,824,994	\$ 20,542,964	\$ 17,323,663
Contributions - Employees	3,388,561	3,415,861	3,365,722	3,225,401	3,410,560
Member Buybacks--(portability, reemployment, transfers)	89,506	30,974	21,495	33,070	120,935
Net investment income	66,697,753	32,102,078	3,039,982	27,698,059	36,953,093
Benefit payments, including refunds of member contributions	(31,084,213)	(27,985,947)	(27,527,412)	(25,173,767)	(21,617,625)
Administrative expenses	(250,028)	(223,372)	(232,461)	(220,165)	(192,068)
Other	340,690	415,070	242,361	135,747	172,425
<b>Net Change in Plan Fiduciary Net Position</b>	60,801,425	31,790,425	734,681	26,241,309	36,170,983
<b>Plan Fiduciary Net Position Beginning</b>	301,771,469	269,981,044	269,246,363	243,005,054	206,834,071
<b>Plan Fiduciary Net Position Ending</b>	362,572,894	301,771,469	269,981,044	269,246,363	243,005,054
<b>Total Plan Fiduciary Net Position less Reserves</b>	(14,367,761)	(11,232,400)	(10,730,232)	(10,638,138)	(8,446,717)
<b>Total Plan Fiduciary Net Position Ending (b)</b>	<u><u>\$ 348,205,133</u></u>	<u><u>\$ 290,539,069</u></u>	<u><u>\$ 259,250,812</u></u>	<u><u>\$ 258,608,225</u></u>	<u><u>\$ 234,558,337</u></u>
<b>MARTA's Net Pension Liability Ending (a)-(b)</b>	<u><u>\$ 97,044,062</u></u>	<u><u>\$ 139,667,076</u></u>	<u><u>\$ 172,168,652</u></u>	<u><u>\$ 148,499,479</u></u>	<u><u>\$ 152,000,951</u></u>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	78.20%	67.53%	60.09%	63.52%	60.68%
<b>Covered Employee Payroll</b>	\$ 45,668,014	\$ 49,338,475	\$ 58,224,734	\$ 58,139,764	\$ 58,614,242
<b>MARTA's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	212.50%	283.08%	295.70%	255.42%	259.32%

**MARTA NON-REPRESENTED PENSION PLAN**  
Schedule of Contributions  
Last 10 Plan Years

Year Ended December 31,	Actual and Actuarially Required MARTA Contribution (a)	Employee Contributions (b)	Total Required Contribution (a)+(b)=(c)	Covered Payroll (d)	Required Contribution as a Percentage of Covered Payroll (c)/(d)
2018	\$19,434,388	\$2,424,472	\$21,858,860	\$31,144,524	70.19%
2017	13,539,866	2,581,821	16,121,687	34,570,833	46.53%
2016*	46,847,696	2,625,561	49,473,247	38,965,707	126.97%
2015	20,386,799	2,817,941	23,204,740	42,300,642	54.86%
2014	16,025,479	2,901,714	19,107,193	45,099,368	42.37%
2013	21,087,045	3,388,561	24,475,606	45,668,014	53.59%
2012	24,806,039	3,415,861	28,221,900	49,338,475	57.20%
2011	21,891,970	3,365,722	25,257,692	58,224,734	43.38%
2010	19,414,817	3,225,401	22,640,218	58,139,764	38.94%
2009	20,193,356	3,410,560	23,603,916	58,614,242	40.27%

\*- Includes reserves of \$20,813,026 moved to the Fund as of December 31, 2016 (See Note 5).



**MARTA NON-REPRESENTED PENSION PLAN**  
Notes to the Schedule  
For the Years Ended December 31, 2018 and 2017

*Valuation Date*

Actuarially determined contribution rates are calculated as of January 1 of the Plan Year in which contributions are reported.

*Actuarial Assumptions*

Actuarial valuations were performed as of January 1, 2019 and 2018. The cost method and significant actuarial assumptions used in the latest valuation were as follows:

Cost Method	Individual Entry Age
Net Investment Yield	6.0% Compounded Annually
Liability Load	7.0% of Active Liabilities for transfer minimum benefit, remaining 3 years OT and data corrections adjustments
Expense Load	Assumed to be the same as actual expenses in the prior year
Amortization Method	Fixed Dollar; Closed
Remaining Amortization Period	13 Years
Asset Valuation Method	Market Value
Annual Salary Increases	3.0% (3.5% Police) for inflation and productivity, plus seniority increases
Mortality Basis	RP-2014 Employee and Healthy Annuitant Mortality Table, separate by sex, with adjustments for mortality improvements based on MP-2016 from 2007, fully generational.
Retirement	Moderate retirement rates commencing at age 40 with all Non-Police employees retiring by age 70. Separate rates are assumed for Transit Police. The rates begin at age 50, with all officers retiring by age 62. These rates produce an average retirement age of 57.3 for Non- Police employees and 53.5 for Transit Police.

**MARTA NON-REPRESENTED PENSION PLAN**  
Schedule of Investment Returns  
For the Years Ended December 31, 2018 and 2017

**Investment Returns**

<u>Year Ended December 31</u>	<u>Net Return</u>
2018	-5.34%
2017	17.25% (1)
2017	6.41% (1)
2015	-0.82% (1)
2014	5.51% (1)
2013	22.62% (2)
2012	12.46% (2)
2011	1.65% (2)
2010	11.93% (2)
2009	18.35% (2)

- (1) Money-weighted rate, net of investment expenses computed in accordance with GASB 67.
- (2) Rate of return, net of investment expenses computed in accordance with previous accounting standards.
- (3) Ten(10) year arithmetic average is 9.0%.

## **Other Schedules**

**MARTA NON-REPRESENTED PENSION PLAN**  
Schedules of Administrative Expenses  
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Actuary Fees	\$ 100,000	\$ 96,134
Legal Fees	65,752	60,064
Audit Fees	14,500	13,800
Trustee and Custodial Fees	51,920	64,060
Insurance	24,751	33,982
Conferences, Training and Memberships	5,702	5,120
Other	219	1,890
	<u>                    </u>	<u>                    </u>
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>\$ 262,844</b>	<b>\$ 275,050</b>
	<u>                    </u>	<u>                    </u>

**MARTA NON-REPRESENTED PENSION PLAN**  
Schedules of Payments to Participants  
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Periodic Benefit Payments	\$ 30,356,819	\$ 29,576,284
Lump Sum Payments	<u>7,286,192</u>	<u>7,071,188</u>
<b>TOTAL PAYMENTS TO PARTICIPANTS</b>	<b><u>\$ 37,643,011</u></b>	<b><u>\$ 36,647,472</u></b>