

MARYLAND TRANSIT ADMINISTRATION PENSION PLAN

**Financial Statements and Supplemental Schedules
Together with Independent Auditors' Report**

For the Fiscal Year Ended June 30, 2021

TABLE OF CONTENTS

June 30, 2021

Independent Auditors' Report	1
Management's Discussion and Analysis	3
Financial Statements	
Statement of Fiduciary Net Position	7
Statement of Changes in Fiduciary Net Position	8
Notes to the Financial Statements	9
Required Supplementary Information	
Schedule of Changes in Net Pension Liability and Related Ratios	23
Schedule of Employer Contributions	24
Schedule of Investment Returns	25



INDEPENDENT AUDITORS' REPORT

Plan Administrator and Deputy Administrator, Finance and Administration
Maryland Transit Administration Pension Plan
Baltimore, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the Maryland Transit Administration Pension Plan (the Plan), a fiduciary fund of the Maryland Department of Transportation, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 auditors' 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.

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios, schedule of employer contributions, and schedule of investment returns 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.



CliftonLarsonAllen LLP

Baltimore, Maryland
December 14, 2021

MARYLAND TRANSIT ADMINISTRATION PENSION PLAN

Management's Discussion and Analysis As of June 30, 2021

This discussion and analysis of the Maryland Transit Administration's (MTA) Pension Plan's (the Plan) financial performance provides an overview of the Plan's financial activities for the years ended June 30, 2021 and 2020. Please read this discussion and analysis in conjunction with the Plan's financial statements, which follow this section.

Financial Highlights

- The Plan's net position increased by \$111.5 million during the year from \$335.9 million as of June 30, 2020, to \$447.4 million as of June 30, 2021. The increase in the Plan's net position is due primarily to increased net investment income and contributions exceeding benefit payments which were comparable to the prior year.
- The Plan had net investment income and changes in market value of \$93.2 million for the year ended June 30, 2021, compared to \$12.8 million for the year ended June 30, 2020, an increase of \$80.4 million. Employer contributions were \$59.2 million for the year ended June 30, 2021, compared to \$43.2 million for the year ended June 30, 2020, an increase of \$16.0 million. The increase is primarily due to fully funding the actuarially determined contribution, compared to partial funding in the prior year. Employee contributions also increased by \$2.7 million primarily due to increased contribution rates. Benefit payments increased \$0.3 million.

Overview of the Financial Statements

This financial report consists of the statement of net position held in trust for pension benefits and the statement of changes in the Plan net position for the Plan benefits. These statements provide information about the financial position and activities of the Plan as a whole. These amounts are included in the statement of fiduciary net position in the Maryland Department of Transportation's financial statements, available at <https://mdot.maryland.gov/tso/pages/Index.aspx?PageId=53>

Notes to the Financial Statements

The accompanying notes to the financial statements provide additional information that is essential for a comprehensive understanding of the Plan's financial condition and financial performance. The notes to the financial statements can be found on pages 9-21 of this report.

Other Information

In addition to the basic financial statements and the accompanying notes, this report also presents certain required supplementary information concerning the Plan's net pension liability as well as contributions required and made to the Plan as of and for the year ended June 30, 2021. Required supplementary information can be found on pages 23-25 of this report.

MARYLAND TRANSIT ADMINISTRATION PENSION PLAN

Management's Discussion and Analysis As of June 30, 2021

Analysis of Financial Position and Financial Performance

The Plan's overall funding objective is to accumulate sufficient assets over time to meet its long-term benefit obligations as they become due. Accordingly, collecting employer and employee contributions as well as earning an adequate long-term rate of return on its investments are essential components of the Plan for accumulating the funds needed to finance future retirement benefits.

Fiscal Year 2021 Compared to 2020

Cash and cash equivalents and investments, at fair value, comprised 99% of the total assets held in trust available for benefits as of both June 30, 2021 and 2020.

The following schedule depicts the balances of the Plan's investments and the change from 2020 to 2021. The \$51.2 million increase in the alternative investment pool was primarily due to a shift in the investment structure as well as increases in the alternative investment markets during the fiscal year ended June 30, 2021.

	Dollar Amounts in Thousands			
	As of June 30,			
	2021	2020	Variance	% Change
Assets				
Cash and cash equivalents	\$ 12,991	\$ 7,865	\$ 5,126	65%
U.S. Government obligations	47,557	40,688	\$ 6,869	17%
Domestic corporate obligations	29,964	26,379	\$ 3,585	14%
International obligations	17,140	13,514	\$ 3,627	27%
Domestic stocks	70,949	54,280	\$ 16,669	31%
International stocks	89,587	67,251	\$ 22,336	33%
Mortgages and mortgage related securities	8,217	7,128	\$ 1,089	15%
Alternative investments	174,580	123,356	\$ 51,223	42%
Total cash, cash equivalents and investments	\$ 450,985	\$ 340,461	\$110,524	32%

MARYLAND TRANSIT ADMINISTRATION PENSION PLAN

Management's Discussion and Analysis As of June 30, 2021

Fiscal Year 2021 Compared to 2020 (continued)

As depicted in the schedule below, employer and employee contributions increased by \$18.7 million which included an increase in employer contributions of \$16.0 million. The employer contributions were increased consistent with full funding of the actuarially determined contribution calculated by the plan's actuary. The increase in employee contributions was primarily due to the increase in contribution rate for Local 1300 from 3% to 4% effective July 1, 2020. Income from the change in fair market value increased significantly during the year ended June 30, 2021, due to market performance. Administrative expenses increased by 36% primarily due to incentive fees associated with the fund's outperformance.

	Dollar Amounts in Thousands			
	For the Years Ended June 30,			
	2021	2020	Variance	% Change
Additions				
Investment income	\$ 44,440	\$ 20,125	\$ 24,315	121%
Change in fair market value	48,773	(7,293)	56,066	769%
Employer contributions	59,280	43,250	16,030	37%
Employee contributions	7,311	4,610	2,701	59%
Total Additions	159,804	60,692	99,112	163%
Deductions				
Benefit payments	44,736	44,432	304	1%
Administrative expenses	3,602	2,652	950	36%
Total Deductions	48,338	47,084	1,254	3%
Net Increase in Plan Net Position	\$ 111,466	\$ 13,608	\$ 97,858	719%

MARYLAND TRANSIT ADMINISTRATION PENSION PLAN

Management's Discussion and Analysis As of June 30, 2021

Requests for Information

The MTA Benefits Division and senior management are fiduciaries of the pension trust fund and, as such, are charged with the responsibility of ensuring that the Plan's assets are used exclusively for the benefit of the Plan's participants and their beneficiaries. This financial report is designed to provide an overview of the Plan's finances and to demonstrate accountability for the resources entrusted to the Plan for the benefit of all the Plan's stockholders. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Maryland Transit Administration Pension Plan
Attention: Plan Administrator
6 St. Paul Street
Baltimore, Maryland 21202-1614

MARYLAND TRANSIT ADMINISTRATION PENSION PLAN

Statement of Fiduciary Net Position As of June 30, 2021 (Amounts in Thousands)

	<u>2021</u>
ASSETS	
Cash and cash equivalents	<u>\$ 12,991</u>
Investments:	
U.S. Government obligation	47,557
Domestic corporate obligations	29,964
International obligations	17,140
Domestic stocks	70,949
International stocks	89,587
Mortgages and mortgage related securities	8,217
Alternative investments	<u>174,580</u>
Total investments	<u>437,994</u>
Receivables:	
Accrued investment income	2,995
Investment sales proceeds	<u>2,052</u>
Total receivables	<u>5,047</u>
Total Assets	<u>456,032</u>
LIABILITIES	
Investment purchases payable	<u>8,654</u>
Net Position Held in Trust for Pension Benefits	<u>\$ 447,378</u>

The accompanying notes are an integral part of this financial statement.

MARYLAND TRANSIT ADMINISTRATION PENSION PLAN

Statement of Changes in Fiduciary Net Position For the Year Ended June 30, 2021 (Amounts in Thousands)

(in 000's)

2021

ADDITIONS

Investment income:

Interest income	\$ 44,440
Net appreciation in fair value of investments	48,773
Total investment income	<u>93,213</u>

Contributions:

Employer	59,280
Employee	7,311
Total contributions	<u>66,591</u>
Total Additions	<u>159,804</u>

DEDUCTIONS

Benefit payments	44,736
Administrative expenses	3,602
Total Deductions	<u>48,338</u>

Net increase	111,466
Net position held in trust for pension benefits, beginning of year	<u>335,912</u>
Net Position Held in Trust for Pension Benefits, End of Year	<u>\$ 447,378</u>

The accompanying notes are an integral part of this financial statement.

MARYLAND TRANSIT ADMINISTRATION PENSION PLAN

Notes to the Financial Statements

June 30, 2021

1. DESCRIPTION OF THE PLAN

The Maryland Transit Administration Benefits Division and senior management are fiduciaries of the pension trust fund and, as such, are charged with the responsibility of ensuring that the Plan's assets are used exclusively for the benefit of the Plan's participants and their beneficiaries.

The following description of the Maryland Transit Administration Pension Plan (the Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General

The Plan is a contributory defined benefit pension plan established by the Maryland Transit Administration (MTA or Plan Sponsor) of the Maryland Department of Transportation (MDOT), under the State Personnel and Pensions Article of the Annotated Code of Maryland. The Plan is a single employer public employee retirement plan covering all employees of MTA who are covered by one of two collective bargaining agreements and those management employees who transferred from positions covered by one of the collective bargaining agreements. Membership in the Plan consisted of the following as of June 30, 2021:

Retirees and beneficiaries receiving payments (includes QDRO participants)	2,033
Terminated vested plan members	525
Active members	<u>2,532</u>
Total Membership	<u><u>5,090</u></u>

Vesting

The following table summarizes the vesting requirements for each bargaining unit:

Years of Service	Local 1300 & Management	Local 2	Police Local 1859
5	Hired before 5/18/2013	Hired before 7/1/2012	Hired before 1/1/2012
7	Hired on or after 5/18/2013 and before 7/1/2016	Hired on or after 7/1/2012 and before 7/1/2016	Hired on or after 1/1/2012 and before 10/27/2017
10	Hired on or after 7/1/2016	Hired on or after 7/1/2016	Hired on or after 10/27/2017

Participants are considered 100% vested upon the attainment of early or normal retirement eligibility.

MARYLAND TRANSIT ADMINISTRATION PENSION PLAN

Notes to the Financial Statements

June 30, 2021

1. DESCRIPTION OF THE PLAN (continued)

Contributions

The Plan Sponsor contributes to the Plan on an annual basis. For the fiscal year ended June 30, 2021, the Plan Sponsor's contribution was based on the actuarially determined contribution by the plan's actuary. Effective July 1, 2016 for Local 2 and Local 1300 and effective October 27, 2017 for Local 1859, employees started contributing to the Plan via payroll deductions. Local 2 and Local 1859 employees contributed 2% of pensionable earnings to the Plan. Local 1300 employee contributions increased to 4% effective July 1, 2020. Local 2 employee contributions increased to 3% effective July 1, 2021. Contributions shall continue until such time as the Plan's actuary certifies that the market value funded ratio equals or exceeds 100%.

Pension Benefits

The Plan provides for early, normal and late retirement benefits. Normal retirement is at age 65 with five years of credited service or age 52 with 30 years of credited service. Early retirement may occur at age 55 if the total of the participant's age and credited years of service are equal to at least 85. Effective September 8, 2002 for Local 1300 and February 25, 2004 for Local 2 and Local 1859, credited service includes up to four years of active military service prior to employment by the MTA. A participant may retire after the established normal retirement date. Under late retirement, the monthly benefit is adjusted to reflect the additional years of service. The normal form of payment is paid over the life of the participant. The Plan also provides benefits for disability and to surviving spouses or other named beneficiaries on the death of participants receiving benefits.

Plan Termination

In the event of termination of the Plan, the Plan administrator will determine the share of the Plan's assets allocable to each participant based upon their actuarially determined liability to the total liabilities.

MARYLAND TRANSIT ADMINISTRATION PENSION PLAN

Notes to the Financial Statements

June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus and Basis of Accounting

The Plan's financial statements are prepared using the economic resource measurement focus and on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, investment purchases and sales are recorded as of their respective trade dates. Employer and employee contributions are recognized in the period when due, pursuant to statutory or contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Interest and dividend income is recognized when earned. Capital gains and losses are recognized on trade date basis.

Investments and Valuation

The investments of the Plan are held and invested on behalf of the Plan by the Maryland State Retirement and Pension System (MSRPS). The investments are limited to those allowed for by the MSRPS. The State Personnel and Pensions Article of the Annotated Code of Maryland authorizes the MSRPS to invest the Plan assets in stocks, bonds, notes, certificates of indebtedness, mortgage notes, real estate, debentures or other obligations, subject to the terms, conditions, limitations and restrictions imposed by the Board of Trustees of the MSRPS. Additional information on the investment activity of the MSRPS can be found in their annual comprehensive financial report, available at <https://sra.maryland.gov/annual-financial-reports>.

Administrative and Investment Expenses

The Plan incurs administrative and investment expenses in proportion to its share of each investment pool for which it is involved. The Plan's investment expenses are funded from investment income. The administrative expenses are assessed by MSRPS. The MTA absorbs all internal administration costs related to the Plan.

MARYLAND TRANSIT ADMINISTRATION PENSION PLAN

Notes to the Financial Statements

June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, disclosures of contingent assets and liabilities, and the actuarial present value of accumulated plan benefits as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Tax Status

The Plan is established by and under the laws of the State of Maryland. As such, it is not subject to Internal Revenue Service or regulations outlined in the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 (ERISA).

MARYLAND TRANSIT ADMINISTRATION PENSION PLAN

Notes to the Financial Statements

June 30, 2021

3. NET PENSION LIABILITY

Net Pension Liability of the Maryland Transit Administration

The components of the net pension liability of the Plan as of June 30, 2021, were as follows (amounts in thousands):

Total Pension Liability	\$ 1,577,613
Plan Fiduciary Net Position	<u>447,378</u>
Net Pension Liability	<u>\$ 1,130,235</u>

The Plan's fiduciary net position as a percentage of the total pension liability is 28.36%.

MARYLAND TRANSIT ADMINISTRATION PENSION PLAN

Notes to the Financial Statements

June 30, 2021

3. NET PENSION LIABILITY (continued)

Significant assumptions underlying the actuarial valuation in determining the total pension liability as of June 30, 2021, were as follows:

Methods and assumptions used to determine the total pension liability:

Actuarial cost method	Entry-Age - Level Dollar Normal Cost
Amortization method	Level Dollar, closed
Inflation	2.75%
Salary increases	2.75% to 8.75% including inflation
Investment rate of return	6.80%
Municipal bond rate	1.92%
Single discount rate	3.26%
Retirement age	Rates vary by participant age
Mortality	<ul style="list-style-type: none"> • Pre-retirement: RP-2014 Blue Collar Employee mortality table, sex distinct, with generational mortality improvements from 2006 using scale MP-2018. • Post-retirement Healthy lives: RP-2014 Blue Collar Healthy Retiree mortality table, sex distinct, with generational mortality improvements from 2006 using scale MP-2018. • Post-retirement Disabled lives: RP-2014 Disabled Retiree mortality table, sex distinct, with generational mortality improvements from 2006 using scale MP-2018.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. For each major asset class that is included in the target asset allocation as of June 30, 2021, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	37%	4.7%
Private Equity	13%	6.5%
Rate Sensitive	19%	-0.4%
Credit Opportunity	9%	2.6%
Real Assets	14%	4.2%
Absolute Return	8%	2.0%
Total	<u>100%</u>	

The above was the Board of MSRPS adopted asset allocation policy and best estimate of geometric real rates of return for each major asset class as of June 30, 2021.

MARYLAND TRANSIT ADMINISTRATION PENSION PLAN

Notes to the Financial Statements

June 30, 2021

3. NET PENSION LIABILITY (continued)

Long-term Expected Rate of Return (continued)

For the year ended June 30, 2021, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 26.69%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

The single discount rate used to measure the total pension liability was 3.26%. The Plan's long-term expected net rate of investment return of 6.8% has been blended with the 1.92% yield corresponding to the 20-year maturity on a municipal general obligation AA bond yield curve published on Fidelity's Fixed Income Market Data webpage as of June 30, 2021. The accounting standards require that the Plan first allocate these contributions to the normal cost for future hires. Based on these assumptions, the Plan is expected to become insolvent in 2048. The Plan has determined the present value of payments through 2048 using the expected rate of return of assets 6.80% as the discount rate, and present value of benefit payments after 2048 using the June 30, 2021 bond rate of 1.92% as a discount rate. The equivalent single rate is 3.26%.

The projected benefits for purposes of this report include expected Cost-of-Living Adjustments (COLAs) to benefits for pensioners and beneficiaries of 2.0% per year. Although there is not a firm promise to provide COLAs, there is a pattern of providing annual increases and, as such, they have been included as part of the substantive plan.

The foregoing actuarial assumptions are based on the presumption that the Plan will continue. If the Plan were to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated Plan benefits.

Sensitivity of the Net Pension Liability

Changes in the discount rate affect the measurement of the total pension liability (TPL). Lower discount rates produce a higher TPL and higher discount rates produce a lower TPL. Because the discount rate does not affect the measurement of assets, the percentage change in the net pension liability (NPL) can be very significant for a relatively small change in the discount rate. The following presents the net pension liability, calculated using the discount rate of 3.26%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.26%) or 1-percentage-point higher (4.26%) than the current rate.

	Dollar Amounts in Thousands		
	1% Decrease 2.26%	Discount Rate 3.26%	1% Increase 4.26%
Net Pension Liability	\$ 1,385,533	\$ 1,130,235	\$ 922,445

MARYLAND TRANSIT ADMINISTRATION PENSION PLAN

Notes to the Financial Statements

June 30, 2021

4. CASH DEPOSITS AND INVESTMENTS

The cash deposits and investments of the Plan are commingled with MSRPS cash deposits. MSRPS indicated that they do not have any funds or deposits that are not covered by depository insurance, which are either uncollateralized, collateralized with securities held by the pledging financial institution's trust department or agent, but not in MSRPS' name. Nor does the MSRPS have any investments that are not registered in their name and are either held by the counterparty or the counterparty's trust department or agent but are not in MSRPS' name.

The investments included in the investment pools by MSRPS included U.S. government obligations, domestic corporate obligations, mortgage-related securities, domestic stocks, international obligations and international stocks. For a complete summary of the investments risk disclosure refer to the MSRPS' separately issued financial statements.

Fair Value Measurement

Governmental Accounting Standards Board Statement Number 72 (GASB 72), *Fair Value Measurements and Application*, clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosures about the use of fair value measurements. GASB 72 established a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 – observable market inputs that are unadjusted quoted prices for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2 – inputs-other than quoted prices included within Level 1 – that are observable for the asset or liability, either directly or indirectly (For example, quoted prices for similar assets or liabilities in active markets).

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The system categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

MARYLAND TRANSIT ADMINISTRATION PENSION PLAN

Notes to the Financial Statements

June 30, 2021

4. CASH DEPOSITS AND INVESTMENTS (continued)

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a combination of prevailing market prices and interest payments that are discounted at prevailing interest rates for similar instruments. Commercial and residential mortgage-backed securities classified in Level 3 are valued using discounted cash flow techniques. Collateralized debt obligations classified in Level 3 are valued using consensus pricing.

Derivative instruments classified in Level 2 of the fair value hierarchy are valued using a market approach that considers benchmark interest rates and foreign exchange rates.

As of June 30, 2021, the Plan had the following recurring fair value measurements:

MARYLAND TRANSIT ADMINISTRATION PENSION PLAN

Notes to the Financial Statements

June 30, 2021

4. CASH DEPOSITS AND INVESTMENTS (continued)

		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level (expressed in millions)				
Debt Securities				
U.S. Government obligations	\$ 47	\$ 47	\$ -	\$ -
Domestic corporate obligations	30	-	30	-
International obligations	17	-	17	-
Mortgages & mortgage related securities	8	-	-	8
Total debt securities	102	47	47	8
Equity Securities				
Domestic stocks (including REITs)	71	71	-	-
International stocks (including REITs)	90	90	-	-
Total equity securities	161	161	-	-
Alternative Investment	2	2	-	-
Total alternative investments	2	2	-	-
Total investment by fair value level	265	\$ 210	\$ 47	\$ 8
Investment measured at the net asset value (NAV)				
Equity Open-End Fund	\$ 39			
Private Funds (includes equity, real estate, credit, energy, infrastructure and timber)	82			
Real Estate-open ended	17			
Multi-asset	1			
Hedge Funds				
Equity long/short	5			
Event-driven	7			
Global macro	7			
Relative value	12			
Opportunistic	3			
Total investment measured at the NAV	173			
Total	\$ 438			

MARYLAND TRANSIT ADMINISTRATION PENSION PLAN

Notes to the Financial Statements

June 30, 2021

4. CASH DEPOSITS AND INVESTMENTS (continued)

The valuation method for investments measured at net asset value (NAV) per share (or its equivalent) is presented on the following table.

Investments measured at net asset value (NAV)

\$ in Millions

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private Funds (includes equity, real estate, energy, infrastructure and timber) (1)	\$ 82	\$ 48		
Real Estate-open ended (3)	17		Quarterly	45 - 90 days
Equity open-end fund (2)	22		Daily	1 day
	12		Monthly	7-30 days
	4		Triennially	150 days
Multi-asset (9)	1		Monthly	5 days
Hedge Funds				
Equity long/short (5)	4		Monthly	30 - 45 days
	1		Quarterly	60 days
Event-driven (6)	3		Monthly	15 days
	1		Quarterly	60 - 65 days
	1		Quarterly	90 days
	1		Quarterly	120 days +
	1		N/A	Liquidating
Global macro (3)	1		Weekly	3 days
	2		Monthly	5 - 30 days
	2		Monthly	60 days
	2		Quarterly	60 - 90 days
Relative value (7)	1		Monthly	30 days
	2		Quarterly	30 days
	9		Quarterly	60 - 90 days
Opportunistic (8)	2		Quarterly	90 days
	1		Semi-annual	90 - 120 days
Total	\$ 172	\$ 48		

MARYLAND TRANSIT ADMINISTRATION PENSION PLAN

Notes to the Financial Statements

June 30, 2021

4. CASH DEPOSITS AND INVESTMENTS (continued)

1. Private funds (includes equity, real estate, credit, energy, infrastructure and timber): This type includes 299 Global private funds, which cannot be redeemed. Instead, distributions are received through the liquidation of the underlying assets of the fund. These funds are valued based on individual, audited financial statements and assumptions used by fund managers.
2. Equity Open-End Fund: This type includes investments in institutional investment funds, which invest in two domestic and nine emerging market equities. The fair values of the funds within this type have been determined using the NAV per share, which has been valued by the fund based on the characteristics of the underlying assets. The four funds have a 7 to 30 days liquidity structure and one fund is redeemable in five months with triennial redemption restrictions.
3. Real estate-open ended: This type includes eight domestic open-ended real estate funds, which can be liquidated. The fair values of the funds within this type have been determined using the NAV per share, which has been valued by the fund based on the characteristics of the underlying assets.
4. Global macro: This category includes six hedge funds that invest in over 100 financial markets. The funds are diversified and take long, short and spread positions. The fair values of the funds within this type have been determined using the NAV per share, which has been valued by the fund based on the characteristics of the underlying assets. These assets have a liquidity structure which ranges from 2 to 90 days.
5. Equity long/short: This type includes investments in three hedge funds that invest both long and short primarily in U.S. and China common stocks. Management of each hedge fund has the ability to shift investment from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position. The fair values of the funds within this type have been determined using the NAV per share, which has been valued by the fund based on the characteristics of the underlying assets. Two funds have a two-year hard lockup and the other one has a one-year soft lock-up and requires a 30-day to 60-day notice.
6. Event-driven: This type includes five investments, two of which are credit hedge funds. These funds invest in equities and bonds of companies and governments at risk of or in the process of reorganizing to profit from economic, political, corporate and government-driven events. The other three funds are focused on merger arbitrage and assets across the capital structure. The fair values of the funds within this type have been determined using the NAV per share, which has been valued by the fund based on the characteristics of the underlying assets. The other funds have a 15 to 90-day liquidity structure.

MARYLAND TRANSIT ADMINISTRATION PENSION PLAN

Notes to the Financial Statements

June 30, 2021

7. Relative value: This category includes seven hedge funds with a liquidity structure between 30 and 90 days. These funds invest in a wide range of strategies. The fair values of the funds within this type have been determined using the NAV per share, which has been valued by the fund based on the characteristics of the underlying assets.
8. Opportunistic: Currently there are three hedge funds in this category, which invests in re-insurance for catastrophe risk (mostly hurricane and earthquake). Two funds have a quarterly redemption with a 90-day notice and the other has a semi-annual redemption with a 90-day notice. The fair value of these funds has been determined using the NAV per share, which has been valued by the fund based on the characteristics of the underlying assets.
9. Multi-asset: This category includes one diversified Hedge fund of funds. The fair value of the fund within this type has been determined using the NAV per share, which has been valued by the fund based on the characteristics of the underlying assets.

The Plan's cash deposits and investments are commingled with MSRPS. MSRPS does not separately trust or manage the Plan's cash and investments. The Plan does not own an individual interest in specific assets. For full disclosure on the risks over cash deposits and investments. MSRPS's audited financial statements and cash and investment footnote can be found on sra.maryland.gov.

5. BENEFITS PAYABLE

Benefits payable consist of the amounts currently due to pensioners as of June 30, 2021.

MARYLAND TRANSIT ADMINISTRATION PENSION PLAN

Notes to the Financial Statements

June 30, 2021

6. RISKS AND UNCERTAINTIES

The Plan may invest in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in the values of investment securities may occur in the near term, and that such changes could materially affect the amounts reported in the statement of net assets held in trust available for plan benefits.

The Plan's contributions are made, and the actuarial present value of accumulated plan benefits are reported, based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. It is at least reasonably possible that changes in these assumptions in the near term could materially affect the amounts reported and disclosed in the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

MARYLAND TRANSIT ADMINISTRATION PENSION PLAN

Schedule of Changes in Net Pension Liability and Related Ratios Last Eight Fiscal Years (Amounts in Thousands)

Fiscal year ending June 30,	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service Cost	\$ 43,826,625	\$ 42,307,645	\$ 36,026,872	\$ 37,194,586	\$ 36,333,940	\$ 48,498,923	\$ 24,718,074	\$ 19,438,000
Interest on the Total Pension Liability	56,405,792	55,831,451	56,518,997	54,904,314	57,880,638	31,181,033	39,236,563	43,472,000
Benefit Changes	-	208,455	(202,648)	3,105,575	2,132,647	82,510,189	-	-
Difference between Expected and Actual Experience	(11,808,688)	(17,140,142)	(8,527,580)	17,384,864	(20,741,099)	(15,023,996)	(19,621,279)	4,025,000
Assumption Changes	140,734,720	101,716,323	(58,175,626)	(36,902,711)	(162,605,699)	338,949,559	53,480,106	38,643,000
Benefit Payments, including refunds of contributions	(44,735,513)	(44,432,068)	(42,723,850)	(37,203,253)	(39,062,347)	(35,283,202)	(30,636,207)	(32,598,000)
Net Change in Total Pension Liability	184,422,936	138,491,664	(17,083,835)	38,483,375	(126,061,920)	450,832,506	67,177,257	72,980,000
Total Pension Liability - Beginning	1,393,190,047	1,254,698,383	1,271,782,218	1,233,298,843	1,359,360,763	908,528,257	841,351,000	768,371,000
Total Pension Liability - Ending (a)	\$ 1,577,612,983	\$ 1,393,190,047	\$ 1,254,698,383	\$ 1,271,782,218	\$ 1,233,298,843	\$ 1,359,360,763	\$ 908,528,257	\$ 841,351,000
Plan Fiduciary Net Position								
Employer Contributions	\$ 59,279,675	\$ 43,249,926	\$ 41,597,059	\$ 40,997,059	\$ 40,997,059	\$ 40,997,059	\$ 35,400,000	\$ 39,749,000
Employee Contributions	7,311,254	4,609,744	3,005,759	3,315,683	3,094,029	-	-	-
Pension Plan Net Investment Income	93,212,724	12,831,812	31,023,630	20,550,290	27,740,945	12,767,932	14,044,525	15,783,000
Benefit Payments, including refunds of contributions	(44,735,513)	(44,432,068)	(42,723,850)	(37,203,253)	(39,062,347)	(35,283,202)	(30,636,207)	(32,598,000)
Pension Plan Administrative Expense	(3,602,429)	(2,651,571)	(2,325,372)	(2,213,277)	(1,914,322)	(1,967,196)	(1,850,637)	(1,587,000)
Other	-	-	(6,719,636)	-	(2,630,692)	-	-	-
Net Change in Plan Fiduciary Net Position	111,465,711	13,607,843	23,857,590	25,446,502	28,224,672	16,514,593	16,957,681	21,347,000
Plan Fiduciary Net Position - Beginning	335,912,260	322,304,417	298,446,827	273,000,325	244,775,653	228,261,060	211,303,379	189,957,000
Plan Fiduciary Net Position - Ending (b)	\$ 447,377,971	\$ 335,912,260	\$ 322,304,417	\$ 298,446,827	\$ 273,000,325	\$ 244,775,653	\$ 228,261,060	\$ 211,303,000
Net Pension Liability - Ending (a) - (b)	1,130,235,012	1,057,277,787	932,393,966	973,335,391	960,298,518	1,114,585,110	680,267,197	630,048,000
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	28.36 %	24.11 %	25.69 %	23.47 %	22.14 %	18.01 %	25.12 %	25.11 %
Covered Employee Payroll *	\$ 164,552,701	\$ 149,767,952	\$ 148,444,632	\$ 145,833,561	\$ 137,153,770	\$ 137,427,168	\$ 135,544,813	\$ 137,596,326
Net Pension Liability as a Percentage of Covered Employee Payroll *	686.85 %	705.94 %	628.11 %	667.43 %	700.16 %	811.04 %	501.88 %	457.90 %

Notes:

Changes of assumptions: FY21 reflects a decrease to the effective discount rate from 4.05% to 3.26%. Also, based on an experience study completed August 16, 2019, the decrement assumptions for mortality, termination, retirement, and disability were updated, as well as the salary scale, payroll growth, and inflation assumptions. Additionally, the existing amortization bases were consolidated to a 25 year base and all future experience and assumption changes will be amortized over 20 years.

Employee Contribution changes: FY21 reflects that all Local 1300 were contributing 4% of earnings to the Plan as of July 1, 2020. All Local 2 were contributing 3% in FY21.

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which the information is available.

MARYLAND TRANSIT ADMINISTRATION PENSION PLAN

Schedule of Employer Contributions Last Eight Fiscal Years (Amounts in Thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 58,842	\$ 55,213	\$ 64,649	\$ 66,495	\$ 62,217	\$ 44,736	\$ 40,807	\$ 39,749
Contributions in relation of the actuarially determined contribution	<u>59,280</u>	<u>43,250</u>	<u>41,597</u>	<u>41,597</u>	<u>40,997</u>	<u>40,997</u>	<u>35,400</u>	<u>39,749</u>
Contribution Deficiency (Excess)	<u><u>\$ (438)</u></u>	<u><u>\$ 11,963</u></u>	<u><u>\$ 23,052</u></u>	<u><u>\$ 24,898</u></u>	<u><u>\$ 21,220</u></u>	<u><u>\$ 3,739</u></u>	<u><u>\$ 5,407</u></u>	<u><u>\$ -</u></u>
Covered-employee Payroll	164,553	149,768	148,445	145,834	137,154	137,427	135,545	137,596
Contributions as a Percentage of Covered-Employee Payroll	36.02%	28.88%	28.02%	28.52%	29.89%	29.83%	26.12%	28.89%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complied, pension plans should present information for those years for which the information is available.

MARYLAND TRANSIT ADMINISTRATION PENSION PLAN

Schedule of Investment Returns

Last Eight Fiscal Years (Amounts in Thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expenses	26.69%	3.50%	6.44%	8.08%	10.02%	1.46%	3.70%	14.38%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complied, pension plans should present information for those years for which the information is available.