Metropolitan Transportation Authority Retiree Welfare Benefits Plan (“Other Postemployment Benefits Plan” or “OPEB Plan”)

Financial Statements as of and for the
Years Ended December 31, 2017 and 2016
Supplemental Schedules, and
Independent Auditors’ Report

METROPOLITAN TRANSPORTATION AUTHORITY
OTHER POST EMPLOYMENT BENEFITS PLAN

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INDEPENDENT AUDITORS' REPORT

To the Board of Managers of the
Metropolitan Transportation Authority Retiree Welfare Benefits Plan

Report on the Financial Statements

We have audited the accompanying statements of plan net position of the Metropolitan Transportation Authority Retiree Welfare Benefits Plan (the "Plan") as of December 31, 2017 and 2016, and the related statements of changes in plan net position for the years then ended, 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 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 audits 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 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.

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 Plan net position as of December 31, 2017 and 2016, and the respective changes in Plan net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3, in 2017 the Plan adopted Government Accounting Standards Board ("GASB") Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans – an amendent of GASB Statement No. 45. 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 that the Management's Discussion and Analysis on pages 3 through 8, the Schedule of Changes in Employers' Net OPEB Liability and Related Ratios on page 28, the Schedule of Employer Contriburtions on page 29 and the Schedule of Investment Returns on page 30 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.

Deloitte & Touche LLP

January 22, 2019

The purpose of the Metropolitan Transportation Authority ("MTA") Retiree Welfare Benefits Plan ("Other Postemployment Benefits Plan" or "OPEB Plan" or the "Plan") and the related Trust Fund is to provide a vehicle for the MTA organization to set aside funds to assist it in providing health and other welfare benefits to eligible retirees and their beneficiaries. The Plan and the Trust Agreement are exempt from federal income taxation under Section 115(1) of the Code. The MTA is not required by law or contractual agreement to provide funding for the Plan, other than the "pay-as-you-go" cost of providing current benefits to current eligible retirees, spouses and dependents ("Pay-Go").

This management's discussion and analysis of the Plan's financial performance provides an overview of the Plan's financial activities for the years ended December 31, 2017 and 2016. It is meant to assist the reader in understanding the Plan's financial statements by providing an overall review of the financial activities during the year and the effects of significant changes. This discussion and analysis may contain opinions, assumptions, or conclusions by the MTA's management that should not be considered a replacement for, and is intended to be read in conjunction with, the Plan's financial statements which begin on page 10.

Overview of Basic Financial Statements

The following discussion and analysis is intended to serve as an introduction to the financial statements. The basic financial statements are:

- **The Statements of Plan Net Position** — presents the financial position of the Plan at year end. It provides information about the nature and amounts of resources with present service capacity that the Plan presently controls (assets), consumption of net assets by the Plan that is applicable to a future reporting period (deferred outflow of resources), present obligations to sacrifice resources that the Plan has little or no discretion to avoid (liabilities), and acquisition of net assets by the Plan that is applicable to a future reporting period (deferred inflow of resources) with the difference between assets/deferred outflow of resources and liabilities/deferred inflow of resources being reported as net position. Investments are shown at fair value. All other assets and liabilities are determined on an accrual basis.

- **The Statements of Changes in Plan Net Position** — present the results of activities during the year. All changes affecting the assets and liabilities of the Plan are reflected on an accrual basis when the activity occurred regardless of the timing of the related cash flows. In that regard, changes in the fair values of investments are included in the year's activity as net appreciation/(depreciation) in fair value of investments.

- **The Notes to Financial Statements** — provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes present information about the Plan's accounting policies, significant account balances and activities, material risks, obligations, contingencies, and subsequent events, if any.

- Required Supplementary Information as required by the Governmental Accounting Standards Board ("GASB") is presented after the management discussion and analysis, the statement of Plan net position, the statement of changes in Plan net position and the notes to the combined financial statements.

The accompanying financial statements of the Plan are presented in conformity with accounting principles generally accepted in the United States of America as prescribed by the GASB.

Financial Highlights

Plan Net Position
December 31, 2017, 2016, and 2015
(Dollars in thousands)

				Amount of Change		Percentage Change	
	2017	2016	2015	(2017 - 2016)	(2016 - 2015)	(2017 - 2016)	(2016 - 2015)
ASSETS:							
Investments	$ 370,596	$ 323,199	$ 297,783	$ 47,397	$ 25,416	14.7%	8.5%
Receivables and other assets	7	3	1	4	2	166.7	200.0
TOTAL ASSETS	370,603	323,202	297,784	47,401	25,418	14.7	8.5
LIABILITIES:							
Benefits payable and accrued expenses	251	220	236	31	(16)	14.1	(6.8)
TOTAL LIABILITIES	251	220	236	31	(16)	14.1	(6.8)
PLAN NET POSITION HELD IN TRUST FOR OTHER POSTEMPLOYMENT BENEFITS	$ 370,352	$ 322,982	$ 297,548	$47,370	$25,434	14.7%	8.5%

Plan net position is held in trust for the payment of future benefits to members and beneficiaries. The assets of the Plan exceeded its liabilities by $370.4 million, $323.0 million, and $297.5 million as of December 31, 2017, 2016, and 2015, respectively. The increase in 2017 and 2016 is primarily a result of net appreciation on fair value of investments held offset by investment fees charged to the Plan.

For the Years Ended December 31, 2017, 2016, and 2015
(Dollars in thousands)

				Amount of Change		Percentage Change	
	2017	**2016**	**2015**	**(2017 - 2016)**	**(2016 - 2015)**	**(2017 - 2016)**	**(2016 - 2015)**
ADDITIONS:							
Total investment income/(loss)	$ 49,231	$ 27,177	$ (4,758)	$ 22,054	$ 31,935	81.1 %	(671.2)%
Less:							
Investment expenses	1,861	1,743	883	118	860	6.8	97.4
Net investment income/(loss)	47,370	25,434	(5,641)	21,936	31,075	86.2	550.9
Add:							
Employer contributions	579,893	551,013	503,371	28,880	47,642	5.2	9.5
Implicit rate subsidy contribution	71,101	-	-	71,101	-	100.0	-
Total additions	698,364	576,447	497,730	121,917	78,717	21.1	9.6
DEDUCTIONS							
Benefit payments	579,893	551,013	503,371	28,880	47,642	5.2	9.5
Implicit rate subsidy payments	71,101	-	-	71,101	-	100.0	-
Total deductions	650,994	551,013	503,371	99,981	47,642	18.1	9.5
Net increase/(decrease) in Plan net position	47,370	25,434	(5,641)	21,936	31,075	86.2	550.9
PLAN NET POSITION HELD IN TRUST FOR OTHER POSTEMPLOYEMENT BENEFITS							
Beginning of year	322,982	297,548	303,189	25,434	(5,641)	8.5	(1.9)
End of year	$ 370,352	$ 322,982	$ 297,548	$ 47,370	$ 25,434	14.7 %	8.5 %

The Plan's net position held in trust increased by $47.4 million during 2017, and $25.4 million during 2016. In 2017 and 2016, the Plan's net appreciation in fair market values were $49.2 million and $27.2 million and the investment fees were $1.9 million and $1.7 million respectively.

Investments

The table below summarizes the Plan's investment measured at fair value – net sset values.

December 31, 2017 (Dollars in thousands)	Fair Value	Allocation
Type of Investments		
Investment measured at the NAV	$ 370,595	100.00 %
	$ 370,595	100.00 %

December 31, 2016 (Dollars in thousands)	Fair Value	Allocation
Type of Investments		
Investment measured at the NAV	$ 323,199	100.00 %
	$ 323,199	100.00 %

Economic Factors

Market Overview and Outlook – 2017

The equity markets continued to outperform in 2017, with foreign equities finally joining the decade-long success enjoyed by United States ("U.S.") markets. Arriving at new highs, the S&P 500 Index generated positive performance for the ninth straight year and has posted 14 consecutive months of gains with only one of the last 20 quarters in negative territory. Outside the U.S., developed market equities were up 25% in 2017, according to the Morgan Stanley Country Index Europe Australasia Far East. And after a somewhat disappointing stretch over the past 5 years, it was emerging market equities that really outperformed last year, with returns of 38%. Not to be left out, high-yield debt and dollar-denominated emerging market bonds outperformed within credit investment space. Thus, transcending that risk-taking remained a rewarding proposition for investors.

2017 was another banner year for global equities amid optimism that U.S. corporate tax cuts would spur further fundamental performance in corporate America and that the acceleration and synchronization of global economic growth would continue unabated. Investors would be well reminded that eventually the Bull markets end and that investors have not completely abandoned the caution and vigilance necessary to survive the next downturn, whenever it may occur.

Macro Themes

- Headwinds in Emerging Markets
- Rising interest rates
- Trade uncertainty
- High valuations and increasing leverage

The macro picture was framed by higher global growth in 2017. Developed and emerging markets all saw an uptick in growth for the year. Developed markets remained mired in relatively weak growth, with Gross Domestic Product ("GDP") growth posting its highest level (+2.5%) since 2010. This may indicate a peak level of growth as the International Monetary Fund ("IMF") forecasts lower economic performance over the coming five years. Emerging markets posted their best GDP performance since 2013, with +4.9% growth for the year. Unlike developed markets, the IMF expects growth in emerging markets to remain buoyant through the next five years. Inflation remains subdued across the developed markets while currency depreciation and devaluations in emerging markets have led to spikes in inflation.

In 2017, a continued rise in populism globally led to a continued backlash against globalization and the liberal economic tenets that underpinned the global economy since World War II. Discontent over economic policies that produced an uneven economic recovery led to a continued questioning of the viability of the institutions of the European Union and the euro. The political stability that Europe has largely enjoyed since World War II has been eroded by elections in key countries where populist parties, on both the right and the left, have gained influence at the expense of the established broad, centrist political parties. The global trade and political regime seems to have shifted from one of cooperation and coordination to one of confrontation and competition. Large scale trade agreements, such as Trans-Pacifis Partnership and North American Free Trade Agreement, will be replaced by bi-lateral agreements, raising the risk of weak implementation, confusion, and non-compliance.

The U.S. is now entering its ninth year of economic expansion following the financial crisis. Measured gains in GDP and robust job growth provided strong underpinnings for domestic equities. The U.S. economy will likely continue to grow, supported by accommodative financial conditions, including tax cuts and regulatory changes. At the same time, the excess economic capacity will provide fuel to the ongoing expansion. There is no doubt that the U.S. Federal Bank Reserve ("Fed's") slow pace of raising interest rates has bolstered easy financial conditions. The Fed's will likely remain relatively accommodative, barring surprises in inflation or the labor market. The moderate unwinding of the Fed's balance sheet and the untested impact on capital markets will continue to influence investors' calculus of risk and reward.

Outside the United Sates, gradualism is the policy of choice for other major central banks: The European Central Bank's quantitative easing program continues to expand (now at a slower rate), while the Bank of Japan is carrying on its accommodative monetary policy. Europe continues to be impacted by high levels of public debt, fractious politics and low economic growth. Like emerging markets, a significant portion of Europe's export engine is tied to Chinese demand and growth. Lower growth in China will place pressures on Europe, in particular net exporters, such as Germany. Debt levels have not yet moderated post-financial crisis and flare-ups in periphery countries, such as in Greece, Portugal, Italy, and Spain, are likely to continue as growth remains challenged and reforms and austerity lose support. Banks will continue their deleveraging cycle should new rules (Basel III) on risk capital are implemented. In Japan, where banks are in better health, high public debt, low growth, a weakening regional economic picture, and aging demographics will challenge the government in delivering their growth and inflation targets.

Emerging markets posted solid returns in 2017 as the impact of capital flows due to the U.S. interest rate increases were much lower than expected. All eyes will continue to be on China. So far, China's move towards an economy emphasizing services and innovation over manufacturing has taken place with minimal disruptions. We expect the country's careful restraint over its monetary and fiscal policies to offer a smooth path for China's massive economic evolution. That said, the world's second largest economy remains at risk to world markets due to its sizable contribution to global growth.

United States

Markets in the U.S. were strong for the year and were amongst the best performers in 2017. U.S. equities outperformed in 2017 achieving new highs, the S&P 500 Index spent its ninth straight year in the black. The flagship U.S. index has posted 14 consecutive months of gains with only one of the last 20 quarters in negative territory.

Large Cap stocks were strongly positive, with the S&P 500 and Russell 1000 indices posting returns of (+21.8%) and (+21.7%), respectively. Small Cap and Mid Cap indices underperformed large cap. Small Cap, as measured by the Russell 2000 Index, returned (+14.6%). The Russell Mid Cap Index lagged but still posted a (+18.5%) return. Of note, growth oriented investments outperformed the value counterpart with the Russell 1000 Growth (+30.2%) outpacing the Russell 1000 Value (+13.6%).

Fixed income markets took the three rate hikes by the Fed's in stride in 2017. Treasuries returned (+2.3%) for the year, with the assets strongest quarter coming in second quarter of 2017. Credit outperformed Treasuries for the year, with (+6.2%), posting positive returns for four straight quarters. Following strong results in 2016, high yield high yield continued its upward trend and performing well in 2017, returning (+7.5%).

International Developed

International equity markets posted strong results in 2017 and outpaced U.S. equity markets for the first time since 2012. In U.S. dollars, both Europe and Japan equities posted positive performance in 2017 with MSCI Europe returning (+25.5%) and MSCI Japan returning (+24.0%). Strong returns in Europe were driven by positive market performance and a weakening US dollar. The small cap portion of international developed markets posted even stronger returns in 2017, (+33.0%).

Fixed income markets in Europe and Japan are largely centered on government bonds, with corporate and asset-backed issuance making up a fraction of the overall markets. Global Treasuries were positive in 2017, following a slightly positive year in 2016.

Emerging Markets

Emerging markets posted strong performance in 2017 and outpaced both U.S. and international developed markets across equity and debt. The broad emerging markets index returned (+37.3%) for the year. China, a significant exposure within the emerging market index, was a strong performer, returning (+54.3%) for the year. Performance of the bond markets of emerging markets was encouraging. Both hard currency and local currency bond posted solid years in performance. Hard currency bonds, which are predominately issued in U.S. dollar, returned (+10.3%) in 2017. Local currency bonds, which are issued in the local currency, returned (+15.2%) for the year.

Commodities

Commodities posted positive performance in 2017, with the broad Bloomberg Commodity Index up (+1.7%). Industrial metals and precious metals posted strong performance for the year while agriculture was negative. Oil continued its positive rebound from 2016 with another positive year in 2017.

Contact Information

This financial report is designed to provide a general overview of the Metropolitan Transportation Authority Other Postemployment Benefits Plan's finances. Questions concerning any data provided in this report or requests for additional information should be directed to the Comptroller, Metropolitan Transportation Authority, 2 Broadway, 16th Floor, New York, NY 10004.

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METROPOLITAN TRANSPORTATION AUTHORITY
OTHER POSTEMPLOYMENT BENEFITS PLAN

STATEMENTS OF PLAN NET POSITION
AS OF DECEMBER 31, 2017 AND 2016
(In thousands)

	2017	2016
ASSETS:		
Investments measured at fair value - net asset value	$ 370,596	$ 323,199
Interest receivable	7	3
Total assets	370,603	323,202
LIABILITIES:		
Benefits payable and accrued expenses	251	220
Total liabilities	251	220
PLAN NET POSITION HELD IN TRUST FOR OTHER POSTEMPLOYMENT BENEFITS	$ 370,352	$ 322,982

See notes to financial statements.

METROPOLITAN TRANSPORTATION AUTHORITY
OTHER POSTEMPLOYMENT BENEFITS PLAN

STATEMENTS OF CHANGES IN PLAN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In thousands)

	2017	2016
ADDITIONS:		
Net realized and unrealized gains	$ 42,470	$ 22,802
Dividends	6,697	4,347
Interest	64	28
Total investment income	49,231	27,177
Less:		
Investment expenses	1,861	1,743
Net investment income	47,370	25,434
Add:		
Employer contributions	579,893	551,013
Implicit rate subsidy contribution	71,101	-
Total additions	698,364	576,447
DEDUCTIONS:		
Benefit Payments	579,893	551,013
Implicit rate subsidy payments	71,101	-
Total deductions	650,994	551,013
Net increase in Plan net position	47,370	25,434
PLAN NET POSITION HELD IN TRUST FOR OTHER POSTEMPLOYMENT BENEFITS:		
Beginning of year	322,982	297,548
End of year	$ 370,352	$ 322,982

See notes to financial statements.

1. BACKGROUND AND ORGANIZATION

The Metropolitan Transportation Authority ("MTA") Retiree Welfare Benefits Plan ("Other Postemployment Benefits Plan" or "OPEB Plan" or the ("Plan") and the related Trust Fund was established effective January 1, 2009 for the exclusive benefit of The MTA Group's retired employees and their eligible spouses and dependents, to fund some of the OPEB benefits provided in accordance with the MTA's Group's various collective bargaining agreements and MTA policies. The MTA Group is comprised of the following current and former agencies:

- MTA New York City Transit
- MTA Long Island Rail Road
- MTA Metro-North Railroad
- MTA Bridges and Tunnels
- MTA Headquarters ("MTAHQ")
- MTA Long Island Bus
- MTA Staten Island Railway
- MTA Bus Company
- MTA Capital Construction

The Trust is tax exempt in accordance with Section 115 of the Internal Revenue Code. The Plan is classified as a single employer plan for Governmental Accounting Standards Board ("GASB") Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* ("GASB 74") purposes.

The MTA is not required by law or contractual agreement to provide funding for the Plan, other than the "pay-as-you-go" amount necessary to provide the current benefits to current eligible retirees, spouses and dependents (Pay-Go).

GASB 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* prescribes uniform financial reporting standards for other postemployment benefits ("OPEB") plans of all state and local governments. OPEB refers to postemployment benefits other than pension benefits and includes postemployment healthcare benefits which are covered under The MTA OPEB plan.

Plan Administration – The Other Postretirement Plan is administered by the Board of Managers, which is comprised of:

(a) the persons holding the following positions:
   (i) the Chairman of the MTA;
   (ii) the MTA Chief Financial Officer; and
   (iii) the MTA Director of Labor Relations;

(b) Designation of Others – Any member of the Board of Managers, serving as such by virtue of holding a position described in (a) of this section, may, by written authorization filed with the Secretary, designate another individual, not then a member, to serve in that member's stead, in accordance with procedures established with the approval of the Executive Director of the MTA. Any such authorization may be revoked by the designating member at any time in writing filed in the same manner.

Postemployment benefits are part of an exchange of salaries and benefits for employee services rendered. Most OPEB have been funded on a pay-as-you-go basis and have been reported in financial statements when the promised benefits are paid.

OPEB Funding - During 2012, MTA funded $250 million into a Trust allocated between Headquarters and New York City Transit and funded an additional $50 million during 2013 allocated between Long Island Railroad and Metro-North Railroad. There have been no further contributions made to the Trust. Since the amount of benefits paid during 2017 exceed the current market value of assets, a depletion date is assumed to occur immediately. Therefore, the discount rate is set equal to the municipal bond index. MTA elected the Bond Buyer 20-Bond GO Index. As a result, the discount rates as of December 31, 2016 and December 31, 2017 are 3.78% and 3.44%, respectively.

Blended and Age-adjusted Premium
(in thousands)

	Retirees
Total blended premiums	579,893
Employment payment for retiree healthcare	71,101
Retiree Contributions	-
Net Payments	650,994

The $71,101 employer payment for retiree healthcare shown in the preceding table is a cash payment in the current period. It is part of the employer's payment for active-employee healthcare benefits; however, this payment is overstated by $71,101. The $71,101, therefore, is not a payment for active-employee benefits; rather, it is the benefit payment for healthcare coverage for the current year for retirees.

Significant Changes - This valuation reflects changes to the plan provisions that were adopted during the measurement period. Represented members of Metro-North who retire on or after ratification dates in 2017 and 2018 (varies by union) will be eligible for a $100 per month supplemental benefit upon becoming eligible for Medicare.

2. PLAN DESCRIPTION, ELIGIBILITY AND MEMBERSHIP INFORMATION

The benefits provided by the MTA Group include medical, pharmacy, dental, vision, life insurance and a Medicare supplemental plan. The different types of benefits provided vary by MTA agency and relevant collective bargaining agreements. Certain benefits are provided upon retirement. "Retirement" is defined by the applicable pension plan. Certain agencies provide benefits to certain former employees if separated from service within 5 years of attaining retirement eligibility.

Employees of the MTA Group are members of the following pension plans: the MTA Defined Benefit Pension Plan ("MTADBPP"), the MTA Long Island Rail Road Plan for Additional Pensions, the Metro-North Cash Balance Plan, , the Manhattan and Bronx Surface Transit Operating Authority ("MaBSTOA") Pension Plan, the New York City Employees' Retirement System ("NYCERS") and the New York State and Local Employees' Retirement System ("NYSLERS"). "). Certain represented employees of Metro-North Railroad participate in the Thrift Plan for Employees of MTA, its Subsidiaries and Affiliates ("401(k) Plan"). Eligible employees of the MTA Group may elect to join the New York State Voluntary Defined Contribution Plan ("VDC").

The MTA Group participates in the New York State Health Insurance Program ("NYSHIP"), and provides medical and prescription drug benefits, including Medicare Part B reimbursements, to many of its retirees. NYSHIP offers a Preferred Provider Organization ("PPO") plan and several Health Maintenance Organization ("HMO") plans. However, represented MTA New York City Transit employees, other MTA New York City Transit former employees who retired prior to January 1, 1996 or January 1, 2001, Staten Islaind Railway represented employees as of March 1, 2010, June 1, 2010 or January 1, 2013 depending on the union and MTA Bus Company represented employees do not participate in NYSHIP. These benefits are provided through a self-insured health plan, a fully insured health plan or an HMO.

The MTA is a participating employer in NYSHIP. The NYSHIP financial report can be obtained by writing to NYS Department of Civil Service, Employee Benefits Division, Alfred E. Smith Office Building, 805 Swan Street, Albany, NY 12239.

GASB 74 requires employers to perform periodic actuarial valuations to determine annual accounting costs, and to keep a running tally of the extent to which these amounts are over or under funded. The valuation must be performed at least biennially. The most recent biennial valuation was performed with a valuation date of January 1, 2016. The total number of plan participants as of January 1, 2016 receiving retirement benefits was approximately 46 thousand.

Plan Eligibility — Generally, to qualify for benefits under the Plan, a former employee of The MTA must:

- have retired, be receiving a pension (except in the case of the 401(k) Plan), and have at least 10 years of credited service as a member of NYCERS, NYSLERS, the MTADBPP, the MaBSTOA Pension Plan, the 401(k) Plan or the VDC and have attained a minimum age requirement (unless within 5 years of commencing retirement for certain members); provided, however, a represented retired employee may be eligible only pursuant to the relevant collective bargaining agreement.

- Surviving Spouse and Other Dependents:

    (i) Lifetime coverage is provided to the surviving spouse (not remarried) or domestic partner and surviving dependent children to age 26 of retired managers and certain non-represented retired employees.

    (ii) Represented retired employees must follow the guidelines of their collective bargaining agreements regarding continued health coverage for a surviving spouse or domestic partner and surviving dependents. For represented employees of New York City Transit and Staten Island Railway retiring on or after May 21, 2014 for TWU Local 100, September 24, 2014 for ATU Local 726, October 29, 2014 for ATU Local 1056, March, 2015 for TCU and December 16, 2015 for UTU and ATDA, surviving spouse coverage continues until spouse is eligible for Medicare.

(iii) Lifetime coverage is provided to the surviving spouse (not remarried) or domestic partner and surviving dependents of retired uniform members of the MTA Police Department.

(iv) Lifetime coverage is provided to the surviving spouse (not remarried) or domestic partner and surviving dependent children to age 26 of uniformed members of the MTA Police Department whose death was sustained while in performance of duty.

Benfits are established and amended by the MTA, except to the extent that they have been established by collective bargaining agreement.

Plan Membership — As permitted under GASB 74, the Plan has elected to use January 1, 2016, as the valuation date of the OPEB actuarial valuation. The Plan's combined membership consisted of the following at January 1, 2016, the date of the most recent OPEB actuarial valuation:

	January 1, 2016	**January 1, 2014**
Active Plan members	70,070	67,516
Inactive Plan members currently receiving Plan benefit payments	46,064	44,644
Inactive Plan members entitled to but not yet receiving benefit payments	155	155
Total number of participating employees	116,289	112,315

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting — The Plan's financial statements are prepared on the accrual basis of accounting under which deductions are recorded when the liability is incurred and revenues are recognized in the accounting period in which they are earned. Employer contributions are recognized when paid in accordance with the terms of the Plan. Additions to the Plan consist of employer contributions and net investment income. Investment purchases and sales are recorded as of trade date.

The financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America, as prescribed by Government Accounting Standards Board ("GASB").

Recent Accounting Pronouncements — The Plan adopted GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* ("GASB 74"). GASB 74 establishes financial reporting standards of State and Local governmental OPEB plans. This statement replaces GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*.

The implementation of GASB Statement No. 74 did not have an impact the Plan Net Position held in Trust for Other Postemployment Benefits, however, certain changes were made to the note disclosures and required supplementary information to comply with the new standard. The Plan has determined that GASB Statement No. 74 did not have a material impact to restate the December 31, 2016 financial statements.

Recent Accounting Pronouncements — Not yet adopted

GASB Statement No.	GASB Accounting Standard	MTA Welfare Benefits Plan Required Year of Adoption
84	*Fiduciary Activities*	2019
85	*Omnibus 2017*	2018

Investments — The Plan's investments are those which are held in the Trust. Investments are reported on the statements of plan net position at fair value based on quoted market prices or Net Asset Value, which is determined to be a practical expedient for measuring fair value. Investment income, including changes in the fair value of investments, is reported on the Statements of changes in Plan net position during the reporting period.

Benefit Payments — The Plan Sponsor makes direct payments of insurance premiums for healthcare benefits to OPEB Plan members or beneficiaries. Payments made directly to the insurers by the Plan Sponsor which bypass the trust are treated as additions and deductions from the Plan's net position. Additionally, premium payments on behalf of retirees have been adjusted to reflect age-based claims cost. The amount of the implicit rate subsidy adjustment should be substracted from the healthcare costs attributable to active employees.

4. INVESTMENTS

Investment Policy – The Plan's policy statement is issued for the guidance of fiduciaries, including the members of the Board of Managers, in the course of investing the assets of the Trust. The investments of the Trust will be made for the exclusive benefit of the Plan participants and their beneficiaries. Policy guidelines may be amended by the Board of Managers upon consideration of the advice and recommendations of the investment professionals.

In order to have a reasonable probability of achieving the target return at an acceptable risk level, the Board has adopted the asset allocation policy outlined below. The actual asset allocation will be reviewed on, at least, annually. The following was the Board of Managers adopted asset allocation policy as at December 31, 2017.

Asset Class	Target Allocation (%)	Policy Benchark
Global Equity	**35.0**	MSCI ACWI
Fixed Income	**18.0**	Manager Specific
Global Asset Allocation*	**30.0**	50% World Equity/ 50% Citigroup WGBI unhedged
Absolute Return	**12.0**	Manager Specific
Real Assets	**5.0**	Manager Specific
Total	**100.0**	

* The Global Asset Allocation managers will invest across numerous liquid asset classes including: stocks, bonds, commodities, TIPS and REITs.

Investment Objective — The Plan's investments are those which are held in the Trust. The investment objective of the funds is to achieve consistent positive real returns and to maximize long-term total return within prudent levels of risk through a combination of income and capital appreciation.

Investment Guidelines — The Committee of the MTA Retiree Welfare Benefits Plan is in the process of creating investment guidelines with the Plan's investment advisor ("NEPC") that will address and execute investment management agreements with professional investment management firms to manage the assets of the Plan. However, the Committee of the MTA Retiree Welfare Benefits Plan allows the Plan to follow the Investment Guidelines established by the Board of Managers of Pensions for the MTA Defined Benefit Pension Plan.

Credit Risk — At December 31, 2017 and 2016 the following credit quality rating has been assigned by a nationally recognized rating organization:

	2017		2016	
Quality Rating	**Fair Value**	**Percentage of Fixed Income Portfolio**	**Fair Value**	**Percentage of Fixed Income Portfolio**
AAA	$ 12,784,627	7.08 %	$ 23,164,269	13.27 %
AA	15,820,019	8.77	5,276,145	3.02
A	29,348,972	16.27	14,044,929	8.05
BBB	22,960,712	12.73	24,789,389	14.20
BB	12,735,163	7.06	11,522,793	6.60
B	4,775,609	2.65	6,186,168	3.55
CCC	107,298	0.06	1,861,824	1.07
Not Rated	35,768,932	19.83	17,672,299	10.13
Credit risk debt securities	134,301,334	74.45	104,517,815	59.89
U.S. Government bonds	46,092,991	25.55	70,001,778	40.11
Total fixed income securities	180,394,325	100.00 %	174,519,593	100.00 %
Other securities not rated — equity, international funds and foreign corporate bonds	190,201,299		148,679,191	
Total investments	$ 370,595,624		$ 323,198,784	

Interest Rate Risk — Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of the investment. Duration is a measure of interest rate risk. The greater the duration of a bond or portfolio of bonds, the greater its price volatility will be in response to a change in interest rate risk and vice versa. Duration is an indicator of bond price's sensitivity to 100 basis point change in interest rates.

Investment Fund	2017 Fair Value	2017 Duration	2016 Fair Value	2016 Duration
Allianz Structured Alpha	$ 20,434,253	0.13	$ 18,611,047	0.13
Baird Aggregate Bond Fund	27,046,146	5.98	25,955,723	5.89
Bridgewater Alpha Pure Markets Fund	13,014,796	(5.78)	13,423,321	0.02
Bridgewater All Weather Fund	41,399,870	7.70	37,020,801	9.05
GAM Unconstrained Bond Fund	17,005,448	(0.17)	16,061,041	0.25
Pimco All Asset Fund	34,606,248	3.45	30,361,189	3.10
Wellington Diversified Inflation Hedge Fund	15,659,837	0.70	14,455,323	3.88
Wellington Blended Emerging Markets Debt Fund	16,663,943	5.70	14,576,069	11.80
Wellington Opportunistic Investment Fund	31,359,989	1.70	26,410,584	4.56
	217,190,532		196,875,098	
Portfolio modified duration		3.15		4.76
Investments with no duration reported	153,405,092		126,323,686	
Total investments	$ 370,595,624		$ 323,198,784	

Custodial Credit Risk — For investments, custodial credit risk is the risk that in the event of the failure of the Trustee Bank, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured and are not registered in the name of the Trust.

Concentration of Credit Risk — The Plan places no limit on the amount the Trust may invest in any one issuer of a single issue. Individual investments held by the Plan that represents 5.0% or more of the Plan's net assets available for benefits at December 31, 2017 and 2016 is as follows:

Issuer	2017 % of Total Investments	2017 of Total Investments	2016 % of Total Investments	2016 of Total Investments
Artisan Global Opportunities Fund	14 %	$ 53,435,866	13 %	$ 40,638,219
Dreyfus Global Stock Fund	13	46,709,730	12	37,555,562
Hexavest World Equity Fund	12	44,836,161	12	38,936,964
Bridgewater All Weather Fund	11	41,399,870	12	37,020,801
PIMCO All Asset Fund	9	34,606,248	10	30,361,189
Wellington Opportunities Investment Fund	9	31,359,989	8	26,410,584
Baird Aggregate Bond Fund	7	27,046,146	8	25,955,723
Allianz Structured Alpha	6	20,434,253	6	18,611,047
GAM Unconstrained Bond Fund	5	17,005,448	5	16,061,041
Wellington Divisified Inflation Hedge Fund	-		5	14,455,323
Wellington Blended Emerging Markets Debt Fund	5	16,663,943	5	14,576,069

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. Each investment manager, through the purchase of units in a commingled investment trust fund or international equity mutual fund establishes investments in international equities. In addition, the Plan has investments in foreign stocks and/or bonds denominated in foreign currencies. The Plan's foreign currency exposures as of December 31, 2017 and 2016 is as follows :

Foreign Currency Holdings in US $	**December 31, 2017**	**December 31, 2016**
Argentine Peso	$ 498,826	$ 71,309
Australian Dollar	5,571,875	4,410,531
Bermudian Dollar	122,304	-
Brazilian Cruzeiro Real	1,380,421	1,981,032
Canadian Dollar	1,905,487	3,347,574
Chilean Peso	837,601	385,209
Columbian Peso	823,287	901,326
Croatia Kuna	18,816	-
Chinese Yuan Renminbi	4,716,754	738,361
Czech Republic Koruna	302,465	494,705
Danish Krone	2,824,620	2,164,758
Egyptian Pound	542,807	27,547
Euro	26,033,881	19,083,383
Ghanaian Cedi	44,993	-
Great Britain Pound Sterling	17,228,009	13,023,840
Hong Kong Dollar	7,774,433	7,505,825
Hungarian Forint	315,702	319,816
Iceland Krona	746,368	79,232
Indian Rupee	4,660,494	3,152,040
Indonesia Rupiah	1,491,734	996,056
Israeli Shekel	234,820	191,321
Japanese Yen	17,870,874	13,256,388
Karakhstan Tenge	34,496	-
Malaysian Ringgit	1,524,929	767,425
Mauritian Rupee	87,808	66,026
Mexican New Peso	801,974	454,531
New Zealand Dollar	244,708	270,697
Norwegian Krone	542,156	168,072
Peruvian Nuevo Sol	523,413	475,744
Philippine Peso	71,797	84,279
Polish Zloty	1,336,209	1,141,372
Qatar Riyal	4,484	5,022
Romanian Leu	51,909	34,334
Russian Federation Rouble	1,099,840	788,754
Singapore Dollar	948,228	450,365
South African Rand	1,423,040	1,228,826
South Korean Won	3,004,232	1,740,291
Swedish Krona	4,378,202	1,195,094
Swiss Franc	7,424,175	5,645,730
Taiwanese New Dollar	1,987,086	3,054,654
Thai Baht	718,909	841,589
Turkish Lira	676,234	172,522
UAE Dirham	18,326	4,743
Uruguayan Peso	110,238	-
Other	(106,794)	(221,811)
Total	$ 122,852,172	$ 90,498,510

In year 2015, the MTA Retiree Welfare Benefits Plan adopted GASB Statement No. 72 ("GASB 72"), *Fair Value Measurement and Application*. GASB 72 was issued to address accounting and financial reporting issues related to fair value measurements. For the years ended December 31, 2017 and 2016, the Plan reported all of its investments at Net Asset Value ("NAV") and thus fair value leveling measurement was not required.

Investments measured at NAV

	December 31, 2017	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equity Securities:				
Commingled international equity funds	$ 44,836,161	$ -	Daily	None
International equity mutual funds	100,145,597	-	Daily, monthly	None
Total equity investments measured at the NAV	144,981,758	-		
Debt Securities				
Commingled debt funds	60,715,538		Daily, monthly, quarterly	None
Total debt investments measured at the NAV	60,715,538	-		
Absolute return:				
Directional	13,014,796	-	Monthly	3-60 days
Global macro	20,434,253	-	Monthly	3-30 days
Global tactical asset allocation	65,966,238	-	Daily, monthly	3-30 days
Risk parity	41,399,870	-	Monthly	3-30 days
Total absolute return measured at the NAV	140,815,157	-		
Real assets				
Commingled commodities fund	15,659,837	-	Not eligible	N/A
Total real assets measured at the NAV	15,659,837	-		
Short term investments measured at the NAV	8,423,334			
Total investments measured at the NAV	$ 370,595,624	$ -		

Investments measured at NAV

	December 31, 2016	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equity Securities:				
Commingled international equity funds	$ 38,936,964	$ -	Daily	None
International equity mutual funds	78,193,781	-	Daily, monthly	None
Total equity investments measured at the NAV	117,130,745	-		
Debt Securities				
Commingled debt funds	56,592,832		Daily, monthly, quarterly	None
Total debt investments measured at the NAV	56,592,832	-		
Absolute return:				
Directional	18,611,047	-	Monthly	3-60 days
Global macro	13,423,321	-	Monthly	3-30 days
Global tactical asset allocation	56,771,774	-	Daily, monthly	3-30 days
Risk parity	37,020,801	-	Monthly	3-30 days
Total absolute return measured at the NAV	125,826,943	-		
Real assets				
Commingled commodities fund	14,455,323	-	Not eligible	N/A
Total real assets measured at the NAV	14,455,323	-		
Short term investments measured at the NAV	9,192,941			
Total investments measured at the NAV	$ 323,198,784	$ -		

5. NET OPEB LIABILITY

The components of the net OPEB liability of the Plan at December 31, 2017 was as follows (in thousands):

		December 31, 2017
Total OPEB liability	$	21,379,903
Fiduciary net position		370,352
Net OPEB liability		21,009,551
Fiduciary net position as a percentage of the total OPEB liability		1.73%

The total OPEB liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. Any significant changes during this period have been reflected as prescribed by GASB Statement No.74. Covered payroll is based on salary information provided as of the valuation date.

Additional Important Actuarial Valuation Information

Valuation date	January 1, 2016
Measurement date	December 31, 2017
Reporting date	December 31, 2017
Actuarial cost method	Entry Age Normal
Normal cost increase factor	4.50%

Discount Rate

Discount rate	3.44%
Long-term expected rate of return, net of investment expense	6.50%
Bond Buyer General Obligation 20-Bond Municipal Bond Index	3.44%

The Plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total OPEB liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the Plans's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payments, to the extent that the Plan's fiduciary net position is not projected to be sufficient.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rate

The following presents the net OPEB liability of the Authority, calculated using the discount rate of 3.44 percent; as well as what the Authority's net OPEB would be if it were calculated using a discount rate that is 1-percentage point lower (2.44 percent) or 1-percentage point higher (4.44 percent) than the current rate:

2017
(in thousands)

	1% Decrease 2.44%	Current Discount Rate 3.44%	1% Increase 4.44%
Net OPEB liability	$24,111,362	$21,009,551	$18,464,564

The following presents the net OPEB liability of the Authority, calculated using the current healthcare cost trend rates as well as what the Authority's net OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates.

2017
(in thousands)

	1% Decrease	* Current Trend Rate	1% Increase
Net OPEB liability	$17,896,890	$21,009,551	$24,938,260

* See Health Care Cost Trend Rates table on page 25 of report.

Calculation on Money-Weighted Rate of Return

The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of plan investments by the proportion of time they are available to earn a return during that period. External cash flows are determined on a monthly basis and are assumed to occur at the beginning of each month. External cash inflows are netted with external cash outflows, resulting in a net external cash flow in each month. The money-weighted rate of return is calculated net of investment expenses.

2017 Schedule of Calculations of Money-Weighted Rate of Return

	Net External Cash Flows	Periods Invested	Period Weight	Net External Cash Flows With Interest
Beginning Value - January 1, 2017	$322,981,973	12.00	1.00	$370,352,332
Monthly net external cash flows:				
January	-	12.00	1.00	-
February	-	11.00	0.92	-
March	-	10.00	0.83	-
April	-	9.00	0.75	-
May	-	8.00	0.67	-
June	-	7.00	0.58	-
July	-	6.00	0.50	-
August	-	5.00	0.42	-
September	-	4.00	0.33	-
October	-	3.00	0.25	-
November	-	2.00	0.17	-
December	-	1.00	0.08	-
Ending Value - December 31, 2017				$370,352,332
Money-Weighted Rate of Return	14.67%			

6. OPEB ACTUARIAL COSTS AND ASSUMPTIONS

Projections of benefits for financial reporting purposes are based on the substantive OPEB plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The MTA may not be obligated to provide the same types or levels of benefits to retirees in the future.

Valuation Date — The valuation date is the date that all participant and other pertinent information is collected and liabilities are measured. This date may not be more than 24 months prior to the measurement date. The valuation date for this valuation is January 1, 2016, which is 24 months prior to the measurement date of December 31, 2017.

Inflation Rate — 2.5% per annum compounded annually.

Healthcare Reform — The results of this valuation reflect our understanding of the impact in future health costs due to the Affordable Care Act ("ACA") passed into law in March 2010. An excise tax for high cost health coverage or "Cadillac" health plans was included in ACA. The provision levies a 40% tax on the value of health plan costs that exceed certain thresholds for single coverage or family coverage. If, between 2010 and 2018, the cost of health care insurance rises more than 55%, the threshold for the excise tax will be adjusted. Legislative changes passed in December 2015 have delayed the effective date of the excise tax until 2020. However, the calculation of the threshold amounts remains unchanged. Also included in ACA are various fees (including, but not limited to, the Patient-Centered Outcomes Research Institute fee, Transitional Reinsurance Program fee, and the Health Insurer fee) associated with the initiation of health exchanges in 2014.

Actuarial valuation involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and that actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Per Capita Claim Costs — Use of a blended premium rate for active employees and retirees under age 65 is a common practice. Health costs generally increase with age, so the blended premium rate is higher than the true underlying cost for actives and the blended premium is lower than the true underlying cost for retirees. For retirees, this difference is called the implicit rate subsidy. Since GASB 74 only requires an actuarial valuation for retirees, it requires the plan sponsor to determine the costs of these benefits by removing the subsidy.

Effective with the January 1, 2016 valuation, age adjustments are required for valuing NYSHIP benefits due to a change in actuarial standards. Age adjustments reflect that health costs are typically higher for retirees under age 65 than an average active population and, upon reaching Medicare, health costs are reduced as NYSHIP becomes the secondary payer.

The medical and pharmacy benefits are self-insured for TWU Local 100, ATU 1056 and ATU 726 represented Transit members, other Transit members, some transit pre-NYSHIP members, represented MTA Bus Company members and represented SIRTOA members . For these benefits we developed per capita claims cost assumptions that vary by age, gender and benefit type. The per capita costs assumptions reflect medical and pharmacy claims information, including the EGWP plan for providing pharmacy benefits to Medicare-eligible retirees, for 2017 and 2016.

Health Care Cost Trend — The healthcare trend assumption is based on the Society of Actuaries-Getzen Model version 2017 utilizing the baseline assumptions included in the model, except inflation of 2.5% for medical and pharmacy benefits. Additional adjustments apply based on percentage of costs associated with administrative expenses, aging factors, potential excise taxes due to healthcare reform, and other healthcare reform provisions, separately for NYSHIP and self-insured benefits administered by MTA New York City Transit. The NYSHIP trends reflect actual increases in premiums to Participating Agencies through 2017. These assumptions are combined with long-term assumptions for dental and vision benefits (4%) plus Medicare Part B reimbursements (4.5%) but not more than projected medical trends excluding any excise tax adjustments. The self-insured trend is applied directly for represented employees of MTA New York City Transit, SIRTOA and MTA Bus Company. Note that for purposes of estimating the impact of the Excise Tax, the self-insured trends for MTA Bus and New York City Transit differ. The following lists illustrative rates for the NYSHIP and self-insured trend assumptions for MTA New York City Transit, SIRTOA and MTA Bus Company (amounts are in percentages).

Health Care Cost Trend Rates

Fiscal Year	NYSHIP		Transit and SIRTOA		MTA BUS COMPANY	
	< 65	>=65	< 65	>=65	< 65	>=65
2016	11.8	0.0	7.3	4.9	7.3	4.9
2017	6.7	6.4	7.1	4.9	7.1	4.9
2018	6.2	6.0	6.4	5.0	6.4	5.0
2019	6.3	5.5	9.5	5.0	9.2	5.0
2020	5.3	5.1	6.0	5.1	6.0	5.1
2025	6.0	5.1	5.9	5.1	5.9	5.1
2030	5.9	5.1	5.8	5.1	5.8	5.1
2035	5.9	5.2	5.8	5.2	5.8	5.2
2040	5.8	5.2	5.7	5.2	5.7	5.2
2050	5.4	5.8	5.3	5.0	5.3	5.0
2060	5.2	5.5	5.1	5.2	5.2	5.2
2070	4.6	4.7	4.6	4.6	4.6	4.9
Ultimate *	4.2	4.3	4.2	4.5	4.2	4.4

* Ultimate rate used for years prior to 2016 for Entry Age purposes

Participation — The table below summarizes the census data provided by each Agency utilized in the preparation of the actuarial valuation. The table shows the number of active and retired employees by Agency and provides a breakdown of the coverage elected and benefits offered to current retirees.

OPEB Participation By Agency as at January 1, 2016

	MTA New York City Transit	MTA Long Island Rail Road	MTA Metro-North Rail Road	MTA Bridges & Tunnels	MTAHQ	MTA Long Island Bus *	MTA Staten Island Railway	MTA Bus Company	Total
Active Members									
Number	49,174	7,141	6,506	1,475	1,720	-	297	3,757	70,070
Average Age	49.3	44.5	45.1	47.2	46.3	-	44.4	47.4	48.2
Average Service	13.8	12.2	12.7	14.1	12.9	-	11.9	11.7	13.4
Retirees									
Single Medical Coverage	12,818	662	452	622	193	88	27	616	15,478
Employee/Spouse Coverage	17,427	2,065	1,050	716	371	198	60	939	22,826
Employee/Child Coverage	1,085	107	77	45	29	21	4	47	1,415
No Medical Coverage	817	2,387	2,486	7	11	317	24	296	6,345
Total Number	32,147	5,221	4,065	1,390	604	624	115	1,898	46,064
Average Age of Retiree	72.0	68.5	74.5	69.7	65.9	66.1	64.8	70.6	71.5
Total Number with Dental	7,018	846	534	435	529	58	47	110	9,577
Total Number with Vision	27,843	846	534	435	529	58	93	1,562	31,900
Total No. with Supplement	26,448	1,957	-	955	-	462	22	1,454	31,298
Average Monthly Supplement Amount (Excluding Part B Premium)	$ 32	$ 229	$ -	$ 211	$ -	N/A	$ 238	$ 25	$ 50
Total No. with Life Insurance	7,163	4,751	2,536	380	519	509	92	232	16,182
Average Life Insurance Amount	$ 2,693	$23,515	$2,722	$5,605	$5,000	$9,715	$2,978	$5,409	$ 9,215

* No active members as of January 1, 2016. In addition, there are 155 vestees not included in these counts.

Coverage Election Rates — The majority of members participating in NYSHIP are assumed to elect coverage in the Empire PPO plan. For certain agencies (MTA New York City Transit, MTA Bridges and Tunnels and Staten Island Railway) a percentage of the membership is assumed to elect NYSHIP HIP plan and for the MTA Metro-North Railroad a percentage is assumed to elect ConnectiCare, an HMO plan.

Dependent Coverage - Spouses are assumed to be the same age as the employee/retiree. 80% of male and 45% of female eligible members participating in NYSHIP are assumed to elect family coverage upon retirement and 65% of male and 35% of female eligible members participating in self-insured programs administered by New York City Transit are assumed to cover a dependent. No children are assumed. Actual coverage elections for current retirees are used. If a current retiree's only dependent is a child, eligibility is assumed for an additional 7 years from the valuation date.

Demographic Assumptions:

Mortality — Preretirement and postretirement health annuitant rates are projected on a generational basis using Scale AA.

Preretirement — RP-2000 Employee Mortality Table for Males and Females with blue-collar adjustments. No blue-collar adjustments were used for management members of MTAHQ.

Postretirement Healthy Lives — 95% of the rates from the RP-2000 Healthy Annuitant mortality table for males with Blue Collar adjustments and 116% of the rates from the RP-2000 Healthy Annuitant mortality table for females. No blue-collar or percentage adjustments were used for management members of MTAHQ.

Postretirement Disabled Lives — RP-2014 Disabled mortality table for males and females.

Vestee Coverage — For members that participate in NYSHIP, Vestees (members who have terminated employment, but are not yet eligible to retire) are eligible for NYSHIP benefits provided by the Agency upon retirement, but must maintain NYSHIP coverage at their own expense from termination to retirement. Vestees are assumed to retire at first eligibility and would continue to maintain NYSHIP coverage based on the following percentages. This assumption is based on the Development of Recommended Actuarial Assumptions for New York State/SUNY GASB 45 Valuation report provided to Participating Employers of NYSHIP. These percentages were also applied to current vestees based on age at valuation date.

Age at Termination	Percent Electing
< 40	0 %
40–43	5
44	20
45–46	30
47–48	40
49	50
50–51	80
52+	100

7. TRUSTEE, CUSTODIAL, AND OTHER PROFESSIONAL SERVICES

The Plan and the Trust are administered by the MTA, including the day-to-day administration of the health insurance program. JP Morgan Chase, the trustee and custodian makes payments to health insurers and to welfare funds for retiree benefits, and reimbursements of retiree Medicare Part B premiums, as directed by the MTA. The MTA OPEB Committee is advised by NEPC with respect to the investment of Plan assets. Actuarial services were provided to the Plan by Milliman Inc.

8. SUBSEQUENT EVENTS

On August 2, 2018 GAM Investments announced suspension of all subscriptions and redemptions in its Unconstrained/Absolute Return Bond Funds ("ARBF") as at July 31, 2018 by the relevant fund boards of directors following high level of redemptions. This was related to the suspension of Tim Haywood, the Investment Director, Business Unit Head and leader of the Unconstrained Bond Fund portfolio management team after internal and external reviews of his failure to follow due diligence and adhere to risk controls and practices. Although the funds have the necessary liquidity to meet these redemption requests, GAM Investments felt that such actions would lead to a disproportional shift in their portfolio composition, which could compromise the interests of remaining investors.

On August 9, 2018, the Board of Managers approved the termination of the investment in the GAM Unconstrained Bond Fund. Since that time, GAM elected to formally close the fund and distribute the proceeds in an orderly manner. Sixty (60) percent of the Plan's investment in the ARBF was returned on September 6, 2018 and an additional five (5) percent was received on October 4, 2018. GAM has indicated that twenty-five (25) percent will be returned during the last quarter of 2018 or the first quarter of 2019. Ten (10) percent held in derivatives will be held back for some period, as the funds unwind.

* * * * * *

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE I

METROPOLITAN TRANSPORTATION AUTHORITY
OTHER POSTEMPLOYMENT BENEFITS PLAN

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF CHANGES IN THE EMPLOYERS' NET OPEB LIABILITY AND RELATED RATIOS
(in thousands)

		2017
Total OPEB liability:		
Service cost	$	876,723
Interest		757,860
Changes of benefit terms		24,446
Differences between expected and actual experience		(44,082)
Changes of assumptions		921,007
Benefit payments and withdrawals		(650,994)
Net change in total OPEB liability		1,884,960
Total OPEB liability – beginning		19,494,943
Total OPEB liability – ending (a)		21,379,903
Plan fiduciary net position:		
Employer contributions		650,994
Member contributions		-
Net investment income		47,370
Benefit payments and withdrawals		(650,994)
Administrative expenses & Transfer to investments		-
Net change in plan fiduciary net position		47,370
Plan fiduciary net position – beginning		322,982
Plan fiduciary net position – ending (b)		370,352
Employer’s net OPEB liability – ending (a)-(b)	$	21,009,551
Plan fiduciary net position as a percentage of the total OPEB liability		1.73%
Covered-employee payroll	$	5,041,030
Employer’s net OPEB liability as a percentage of covered-employee payroll		416.77%

In accordance with GASB No. 74, paragraph 39, such information was not readily available for periods prior to 2017.

METROPOLITAN TRANSPORTATION AUTHORITY OTHER POSTEMPLOYMENT EMPLOYMENT

SCHEDULE II

Required Supplementary Information (Unaudited)
Schedule of Employer Contributions
(in thousands)

Fiscal Year Ending December 31	Actuarially Determined Contribution	* Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of covered Payroll
2008	N/A	$ -	N/A	$ -	N/A
2009	N/A	-	N/A	-	N/A
2010	N/A	-	N/A	-	N/A
2011	N/A	-	N/A	-	N/A
2012	N/A	-	N/A	-	N/A
2013	N/A	-	N/A	-	N/A
2014	N/A	-	N/A	-	N/A
2015	N/A	-	N/A	-	N/A
2016	N/A	-	N/A	-	N/A
2017	N/A	650,994	N/A	** 5,041,030	12.91%

* Actual Employer Contribution includes the implicit rate of subsidy adjustment in the amount of $71,101.

** In accordance with GASB No. 74, paragraph 39, such information was not readily available for periods prior to 2017.

METROPOLITAN TRANSPORTATION AUTHORITY OTHER POSTEMPLOYMENT PLAN

SCHEDULE III

Required Supplementary Information (Unaudited)
Schedule of Investment Returns

The following table displays annual money-weighted rate of return, net of investment expense.

Fiscal Year Ending December 31	Net Money-Weighted Rate of Return
2008	N/A
2009	N/A
2010	N/A
2011	N/A
2012	N/A
2013	N/A
2014	N/A
2015	N/A
2016	N/A
2017	14.67%

In accordance with GASB No. 74, paragraph 39, such information was not readily available for periods prior to 2017.