The Long Island Rail Road Company Plan for Additional Pensions

Financial Statements as of and for the
Years Ended December 31, 2014 and 2013,
Supplemental Schedules and
Independent Auditors' Report

THE LONG ISLAND RAIL ROAD COMPANY PLAN FOR ADDITIONAL PENSIONS

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INDEPENDENT AUDITORS' REPORT

To the Participants and Administrator of
The Long Island Rail Road Company Plan
for Additional Pensions:

Report on the Financial Statements

We have audited the accompanying statements of plan net position of the The Long Island Rail Road Company Plan for Additional Pensions (the "Additional Plan") as of December 31, 2014 and 2013, 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 Additional 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Additional 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 Additional 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 Additional Plan's net position as of December 31, 2014 and 2013, and the 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 2, in 2014, the Plan adopted Governmental Accounting Standards Board ("GASB") Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB No. 25*. 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 13 and the Schedule of Changes in the Employers' Net Pension Liability and Related Ratios-Schedule I on page 36; Schedule of Employer Contributions-Schedule II on page 37; and Schedule of Investment Returns-Schedule III on page 38 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 25, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS

Introduction — This management's discussion and analysis ("MD&A") of The Long Island Rail Road Company Plan for Additional Pensions (the "Additional Plan") financial performance for the years ended December 31, 2014, 2013 and 2012, provides an overview of the Additional Plan's financial activities. It is meant to assist the reader in understanding the Additional Plan's financial statements by providing an overview of the financial activities and the effects of significant changes, as well as a comparison with the prior year's activities and results. This discussion and analysis is intended to be read in conjunction with the Additional Plan document as well as the Additional Plan's financial statements. Additionally, an analysis of major economic factors and industry decisions that have contributed to significant changes is provided. It should be noted that for purposes of the MD&A, summaries of the financial statements and the various exhibits presented are extracted from the Additional Plan's financial statements, which are prepared in accordance with accounting principles generally accepted in the United States of America.

Overview of Basic Financial Statements — The following discussion and analysis are intended to serve as an introduction to the Additional Plan's financial statements. The basic financial statements are:

- *The Statements of Plan Net Position* — Presents the financial position of the Additional Plan at year-end. It indicates the assets available for payment of future benefits and any current liabilities that are owed as of the statement date. Investments are shown at fair value. All other assets and liabilities are determined on an accrual basis.

- *The Statement of Changes in Plan Net Position* — Presents the results of activities during the year. All changes affecting the assets and liabilities of the Additional 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 Additional 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 Notes to the Financial Statements.

The financial statements are prepared in accordance with GASB Pronouncements.

Financial Highlights

December 31, 2014 versus December 31, 2013

The assets of the Additional Plan exceeded its liabilities by $783 million and $511 million as of December 31, 2014 and 2013, respectively. Plan net position is held in trust for the payment of future benefits to members and pensioners.

The Additional Plan's net position held in trust increased by $272 million during 2014, representing an increase of 53% over 2013. The increase in 2014 was primarily due to $295 million for additional employer contributions from the Company's parent company, Metropolitan Transportation Authority ("MTA") as an infusion towards improving the funding for the Plan's unfunded pension liability.

Investments at December 31, 2014, were $784 million representing an increase of $273 million from 2013. The increase is reflective of the additional contributions invested in the portfolio during 2014.

Payables for investments purchased at December 31, 2014, amounted to $31 million. Investments are purchased on a trade-date settlement basis and that generate timing differences in settlement dates, similar to receivables for investments sold discussed earlier.

December 31, 2013 versus December 31, 2012

The assets of the Additional Plan exceeded its liabilities by $511 million and $412 million as of December 31, 2013 and 2012, respectively. Plan net position is held in trust for the payment of future benefits to members and pensioners.

The Additional Plan's net position held in trust increased by $99 million during 2013, representing an increase of 24% over 2012. The increase in 2013 was primarily due to the receipt of a non-recurring $80 million from the MTA as an infusion towards improving the funding for the Plan's unfunded pension liability. The remaining increase is due to higher gains on investments and increased employer contributions, offset by increases of benefit payments to members and their beneficiaries. During 2013, the Additional Plan paid $157 million in benefit payments to members and their beneficiaries, an increase of $1 million or 1% over 2012. The increase was primarily due to the impact of higher benefits for recent retirees.

Investments at December 31, 2013, were $511 million representing an increase of $94 million from 2012. The increase was due to higher investment returns and additional contributions invested in the Additional Plan's portfolio. Receivables for securities sold, which are due from broker amounted to $8 million at December 31, 2013.

Payables for investments purchased at December 31, 2013, amounted to $12 million. Investments are purchased on a trade-date settlement basis and that generate timing differences in settlement dates, similar to receivables for investments sold discussed earlier.

Financial Analysis
Plan Net Position
As of December 31, 2014, 2013 and 2012
(amounts in thousands)

	2014	2013	2012	Amount of Change 2014-2013	Percentage Change 2014-2013	Amount of Change 2013-2012
Cash	$ 1,411	$ 3,670	$ 278	$ (2,259)	-62%	$ 3,392
Investments, at fair value	783,939	511,423	416,732	272,516	53%	94,691
Receivables	29,372	7,993	8,686	21,379	267%	(693)
Total assets	**814,722**	**523,086**	**425,696**	**291,636**	**56%**	**97,390**
Other liabilities	-	-	35	-	0%	(35)
Additional plan payable	578	578	-	-	0%	578
Due to broker for securities purchased	31,292	11,755	13,659	19,537	166%	(1,904)
Total liabilities	**31,870**	**12,333**	**13,694**	**19,537**	**158%**	**(1,361)**
Plan net position held in trust for pension benefits	**$ 782,852**	**$ 510,753**	**$ 412,002**	**$ 272,099**	**53%**	**$ 98,751**

CHANGES IN PLAN NET POSITION

December 31, 2014 versus December 31, 2013

At the end of 2014, the net investment income amounted to $21 million. This represents a decrease of 62% over the prior year, due mainly to the lower interest rates still prevailing in the market place, an increase in investment expenses and the depreciation in the investment portfolio in 2014.

Employer and employee contributions for the year ended December 31, 2014, totaled $409 million, which represents a 104% increase from 2013. This increase was the result of the additional $215 million in employer contributions the MTA infused into the plan in 2014, compared to the $80 million infused in 2013. Actual plan experience on key actuarial assumptions, which are not in line with the actuary’s expectations, may require a higher level of employer contributions or result in further under funding in future years.

Benefit payments for the year ended December 31, 2014, totaled $157 million, which was consistent with 2013.

December 31, 2013 versus December 31, 2012

At the end of 2013, the net investment income amounted to $56 million. This represents an increase of 24% over the prior year as a result of a relatively stable improvement in investment performance.

Employer and employee contributions for the year ended December 31, 2013, totaled $201 million, which represents a 71% increase from 2012. This increase was the result of the additional $80 million in employer contributions the MTA infused into the plan in 2013. Employer contributions are made on a statutory basis as a result of the actuarial valuations performed as of January 1, 2014 and 2013, respectively. Actual plan experience on key actuarial assumptions, which are not in line with the actuary’s expectations, may require a higher level of employer contributions or result in further under funding in future years.

Benefit payments for the year ended December 31, 2013, totaled $157 million; a $1 million or 1% increase over the prior year. This increase in benefits was primarily the result of the impact of higher benefits for current retirees.

Changes in Plan Net Position
For the Years Ended December 31, 2014, 2013 and 2012
(Amounts in thousands)

	2014	2013	2012	Amount of Change 2014-2013	Percentage Change 2014-2013	Amount of Change 2013-2012
Additions:						
Net investment gain	$ 21,231	$ 56,098	$ 45,303	$ (34,867)	-62%	$ 10,795
Employer contributions	407,513	199,336	116,011	208,177	104%	83,325
Employee contributions	1,304	1,243	1,559	61	5%	(316)
Total additions	**430,048**	**256,677**	**162,873**	**173,371**	**68%**	**93,804**
Deductions:						
Benefits paid directly to participants	156,974	157,464	156,196	(490)	0%	1,268
Administrative expenses	975	462	464	513	111%	(2)
Transfer to MTA Defined Benefit Pension	-	-	62	0	0%	(62)
Other	-	-	(1)	0	0%	1
Total deductions	157,949	157,926	156,721	23	0%	1,205
Net increase	**272,099**	**98,751**	**6,152**	**173,348**	**176%**	**92,599**
Net assets held in trust for pension benefits:						
Beginning of year	510,753	412,002	405,850			
End of year	**$ 782,852**	**$ 510,753**	**$ 412,002**			

Investments — The table below summarizes the Additional Plan's investment allocation:

Investment Summary
(Dollars in thousands)

Type of Investments	Fair Value	Allocation
December 31, 2014		
Commingled funds	$ 245,126	31.27%
Common Stock	127,190	16.22%
Strategic property fund	50,278	6.41%
Mutual funds	162,019	20.67%
Corporate bonds and debentures	15,715	2.00%
Collective short-term investments	58,092	7.41%
Limited partnership	115,192	14.69%
Mortgage backed securities	464	0.06%
Commercial mortgage backed securities	473	0.06%
U.S. government securities	3,670	0.47%
Foreign government bonds	1,704	0.22%
American Depositary Receipts	904	0.12%
Asset backed securities	257	0.03%
Collateralized mortgage obligations	861	0.11%
Real Estate Investment Trust	932	0.12%
Preferred stock	1,062	0.14%
Other	-	0.00%
	$ 783,939	100.00%
December 31, 2013		
Commingled funds	$ 177,349	34.68%
Common Stock	93,270	18.24%
Strategic property fund	43,634	8.53%
Mutual funds	52,374	10.24%
Corporate bonds and debentures	16,101	3.15%
Collective short-term investments	19,746	3.86%
Limited partnership	76,773	15.01%
Mortgage backed securities	8,917	1.74%
Commercial mortgage backed securities	1,135	0.22%
U.S. government securities	17,604	3.44%
Foreign government bonds	686	0.13%
American Depositary Receipts	1,520	0.30%
Assets backed securities	569	0.11%
Collateralized mortgage obligations	423	0.08%
Real Estate Investment Trust	663	0.13%
Preferred stock	656	0.13%
Other	3	0.00%
	$ 511,423	100.00%

The composite 2014 return for the fund was 3.9% as opposed to the 2013 return of 11.3%. The Additional Plan's investment assets were commingled for investment purposes into the MTA Master Trust and the MTA DB's Board of Managers of Pension oversee investment allocations and returns, effective October 2, 2006.

ECONOMIC FACTORS AND INDUSTRY DECISIONS

Market Overview 2014

Calendar year 2014 saw U.S. equities and bonds performed better than most analysts predicted in their 2014 investment outlook. The job market outperformed, consumer and business confidence improved and corporations aggressively put cash to work after years of staying on the side-lines. As a result, 2014 proved to be a good year for U.S. stocks, to this end, the S&P 500 returned 13.7% for the year, and the Russell 2000 gained 4.9%. These advances came amid a slump in the rest of the world with the Morgan Stanley Capital International Europe, Australia and Far East ("MSCI EAFE") Index falling 3.5% in December 2014. The drop was fueled by a 4.3% decline in European shares with investors even shrugging off intensifying expectations of additional monetary policy accommodation by the European Central Bank ("ECB"). Domestic fixed income indices, although mixed in December, ended the year on a strong note with the Barclays Aggregate Index up 6.0% for 2014. Domestic fixed income indices were bolstered through the year by narrowing Treasury yields, despite the market's anticipation of rates rising. The yield on the 10-year Treasury fell to 2.11% in December from 2.16% a month earlier. In contrast, the World Government Bond Index ("WGBI Index") declined by 0.7%, partially affected by currency depreciation in international markets. By contrast, emerging market equities returned -2.2% for 2014 after a very difficult year. The pattern of returns across asset classes over the year, and especially in the fourth quarter, drove home the impact that divergent global growth and by extension divergent monetary policy has had on asset markets.

The fourth quarter of 2014 was, in many regards, a perfect microcosm of the issues that had built in global markets over the course of the year. Three factors are notable, and persistent: i) the slow but inexorable U.S. economic recovery; ii) the contrasting sluggishness of the rest of the world economy, large parts of which remain heavily reliant on stimulus; and iii) the excess capacity that exists in parts of the global economy and is currently most visible in commodity markets. Both of the periods of market disruption in early October and early December last year were likely influenced by these factors as markets re-priced their impact.

Despite the pockets of market volatility during the fourth quarter, the Chicago Board Options Exchange Market Volatility Index ("VIX") averaged just 16 over the quarter, which was 2.5 points above the average of the prior three quarters, but still well below crisis levels. Indeed, the price action in key asset classes in the fourth quarter showed an extension of the full year trends. Global equities added 290 basis points ("bps"), global bonds added 340bps, and global credit added 160bps; meanwhile commodities, already down 7.5% at the end of the third quarter, fell a further 27.7% as oil slumped below $60/bbl.

The anatomies of the market shakeouts that occurred in October and December are worth noting. First, the relative speed with which equity markets, specifically U.S. equities regained their footing, reinforces the view that the underlying economy is gradually improving. Secondly, the failure of high yield credit markets to rebound strongly with equities may be explained in part by the impact of weaker oil prices on the U.S. mid and small cap energy sector, but is also likely to be a function of liquidity fears. Little wonder then that markets directly affected by liquidity stimulus notably Japan, rebounded very sharply from their lows, while markets where liquidity is scarce (high yield, emerging market debt) struggled to recover. Finally, the extreme moves in bond markets were only partly to do with capitulations of short positions. The weakness in commodity markets is very likely to precipitate a marked drop in global inflation. This global disinflationary impulse, together with ongoing demand for duration from central banks, is clearly holding yields down.

In retrospect, 2014 was a year of many themes that never materialized. With the 10-year Treasury at 3.03% at the end of 2013, markets were poised for lower returns amid expectations that a continued rise in rates, in conjunction with the tapering monetary policy, would negatively affect fixed income securities; instead, bond markets posted robust returns and rode rates all the way down to pre-taper levels. Furthermore, a rally in equities lasting nearly five years and a Gross Domestic Product ("GDP") contraction in the first quarter of 2014 were reason enough to express caution around U.S. markets. That said, successive quarters of stronger-than-expected growth quickly eased these fears and allowed U.S. equities to continue their winning streak. In June, oil prices rose to over $110 per barrel amid conflict in Ukraine and the Middle East, only to fall by more than half by year end. Even the Federal Reserve Bank's planned winding down of its bond purchases mostly went off without a hitch when the very idea of tapering caused havoc in markets only a year earlier.

As with any investment, there exists the possibility of a risk of loss. Those risks include the risk of changes in economic and market conditions, the concentration of investments within a portfolio, and the volatility of securities or the assets underlying the investment. With alternative investments, investors may be required to hold the investment for a certain time period before they can sell and there can be conditions when fund managers are not required to make distributions. Also, in the case of certain alternative investments, management and their investment advisors use assumptions and judgments to determine the estimated fair value for these investments as they are not always readily marketable. The actual results, ultimately realized, could differ from these estimates. Additionally, each of the above discussed factors could affect the ultimate fair value realized from an investment. The fair value that management has determined for financial statement presentation purposes may not be indicative of the amounts ultimately realized upon a sale of a security.

Investment Outlook 2015

Despite low returns across all major markets and asset classes, 2015 was an eventful year. Market performance was framed by an ever complicated macro environment. Europe was the focus in the first half of the year, as renewed concern about sovereign debt weighed on the common currency. Such concern ultimately led Switzerland to abandon its currency peg to the Euro. Greece continued to make headlines with its contested austerity program, posing an existential threat to the European common currency. In the second half, eyes turned toward a weakening Chinese economy, resulting in commodity markets continuing their steep decline and volatility rising across the equity and fixed income markets. Emerging markets, particularly those centered on commodities where demand is tied to Chinese growth, experienced sharp declines for the year.

Weak global growth and low inflation set the stage for divergent central bank monetary policies in developed markets. The year ended with the U.S. Federal Reserve raising interest rates for the first time in nearly 10 years. The European Central Bank and Bank of Japan took a different path, as they continued their quantitative easing programs in an effort to boost inflation and lagging growth in their economies. Perhaps the story for the year was what played out in China, emerging markets, and the commodity markets. As China's ability to generate the growth expected by the markets became more suspect, the impact was felt across commodity markets. Oil ended the year below $40/barrel, well off its price of just 18 months ago of approximately $120/barrel. Similarly, copper, iron ore, nickel and other industrial metals all are touching lows not seen in recent years. Emerging markets, many of which are tied to China's growth by supplying it with the raw materials necessary to fuel the economic engine, sold off as investors pulled their risk capital from the markets. Within this context, there were few places to invest to generate meaningful positive returns, while other areas experienced performance not seen since the Great Financial Crisis.

Macro Themes

- Weak global growth continuing into 2017
- Central Bank policy divergence, U.S. tightening while Europe and Japan eases
- China weakening; turmoil in emerging markets and commodities
- Volatile currency markets and sovereign debt stress

The macro picture was framed by tepid global growth in 2015, with the likelihood that sub-optimal economic performance would continue into 2016 and 2017. Developed markets look to remain weak, with GDP growth not breaking through the 3% level in the U.S., Europe, or Japan in 2016 or 2017 according to both the International Monetary Fund ("IMF") and World Bank. Inflation remains non-existent across the developed markets while currency depreciation in emerging markets have led to spikes in inflation. The U.S. is in an environment where interest rates will likely rise over the next two years; Europe and Japan are in a decidedly different place. Weak demand and low inflation in Europe and Japan have led to further central bank intervention and easing. In emerging markets, central banks have moved to increase interest rates in order to tame both inflation and capital outflows. Ultimately, U.S. interest rate increases will continue to result in a strengthening U.S. Dollar, potentially impacting the U.S. manufacturing and exporting sectors and likely restraining the Fed from increasing rates too quickly. Costs of a rising dollar and interest rates may be partially offset by cheaper natural resources and energy costs.

Europe continues to be impacted by high levels of public debt and low economic growth. Like many emerging markets, much of Europe's exports are tied to Chinese demand and growth. Lower growth in China will continue to place pressures on Europe, in particular Germany. Debt levels have not yet moderated post-financial crisis and flare-ups in the periphery, 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 as new rules 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 have seen their economic performance deteriorate over the past few years, coinciding with both a weaker global growth picture, sovereign debt concerns in developed markets, and a collapse in energy and mineral prices. The main emerging markets, as defined as the "BRICs" all face their own challenges. Brazil faces high inflation, high interest rates, low growth and a government beset by allegation of corruption. China, in attempting to shift from being manufacturing- oriented to a consumer-based economy, faces significant pressures to meet its growth target of 7% per year. Russia faces a deteriorating financial condition as lower energy prices and economic sanctions take their toll. Finally, India seems to continually disappoint in liberalizing its economy and implementing the structural reforms necessary to unleash its potential. No longer can an argument be made that emerging markets have de-coupled from the developed world.

United States

Markets in the U.S. were challenged for the year, but were among the best performers in 2015. Unlike other regions, the U.S. appears to be on relatively sound footing, with unemployment continuing to decline and the remaining hangovers from the 2008 financial crisis continuing to dissipate. The better economic picture provided the Federal Reserve enough leeway to raise interest rates in December for the first time in nearly ten years. The 25 basis point move is largely symbolic, as the frequency and velocity of future interest rate hikes will be determined by continued improvement in the economy.

Equity

- Worst year for U.S. Equities since 2008
- Valuations neither cheap nor expensive
- Risk Aversion – Large Cap outperformed small & mid cap. Growth outperformed Value
- Energy and Materials lagged the broader markets significantly
- Health Care and Consumer Sectors relatively strong
- Equity markets set for another low-return year

Large cap stocks were barely positive, with the S&P 500 and Russell 1000 posting returns of +1.4% and +0.9%, respectively. Small Cap and Mid Cap indices underperformed large cap. Small Cap, as measured by the Russell 2000 Index, returned -4.4%. The Russell Mid Cap Index performed better, at -2.4%, but still posting its first negative year since 2008. Digging deeper, there was significant performance dispersion across the sectors. Energy and materials performed remarkably poorly. Large cap energy stocks fell by 21.1% for the year while mid cap energy stocks fell by over 33%. Consumer areas performed reasonably well. Consumer Discretionary (+10.1%), Health Care (+6.9%) and Staples (+6.6%) were the leading performers in the S&P 500. With the potential for a new interest rate regime in the U.S., active management may finally start to deliver against passive investment options. Dispersion amongst sectors and stocks, as well as increased volatility from a cloudy global macro picture, should provide active managers an adequate environment to deliver value in relation to their fees.

Fixed Income

Unlike recent years where fixed income could be counted on to deliver performance in a weak year for equities, bonds disappointed across all asset classes. Treasuries returned 0.84% for the year, with long-dated bonds outperforming shorter-dated bonds. Importantly, Treasuries were among the best performing areas of the bond markets for 2015. And perhaps more significantly, most investors have been both underweight Treasuries and positioned toward the front end of the yield curve, in anticipation of rising interest rates. This shorter-duration strategy hurt investors in 2015 as the 7-10 Year Index outperformed the 1-3 Year Index by 100 bps for the year. The underweight to Treasuries further eroded performance for many investors in their bond portfolios.

- Intermediate Treasuries returned less than 2%
- Investment Grade Credit posted negative returns, driven by BBB-rated
- High Yield markets sold off in second half
- Declining liquidity in corporate bonds due to capital rules on dealer balance sheets
- Fixed income likely to continue to disappoint as interest rates creep higher

Volatility entered the fixed income markets significantly in the back half of the year. High Yield, which had seen strong inflows in recent years, sold off as investors became nervous of rising interest rates, illiquidity, and the impact from the decline in energy prices. Energy issuers comprise roughly 15% of the high yield market and are under significant pressure due to the decline in oil prices. High profile fund closures and liquidations in the fourth quarter added to the volatility in the high yield market. Investment grade was not immune to the volatility either as risk aversion was evident in the corporate bond markets. Lower-rated investment grade, defined as “BBB” by S&P, posted a -1.5% return for the year, underperforming “A” rated bond by nearly 200 bps. Investment in fixed income will remaining challenging in 2016. Potential interest rate increases should continue to dampen returns for Treasuries and risk-aversion in investment grade and high-yield will likely lead to further volatility. Nimbleness and patient deployment of capital in fixed income could offer opportunities to take advantage of periods of market stress. As we have likely entered the later stages of the credit cycle, prudent allocation of risk to the credit sectors will become ever more important.

International Developed

- Weak year in Developed Markets ($U.S. returns)
- Eurozone, United Kingdom, Australia, Canada all posting negative returns
- Japan, Italy, and Scandinavia only major markets positive for the year
- Equity valuations in developed markets appear relatively cheaper than the U.S.
- Low returns in fixed income in 2015 and expected through 2016

Europe muddled through 2015, never quite able to shake-off a steady procession of crises or concerns, whether the headlines were Greece, sovereign debt levels, weak growth, the viability of the Euro, or the influx of migrants. In $U.S., all major developed markets posted negative performance in 2015. Banks in Europe continue their deleveraging programs, selling off non-core holdings and impaired assets. Opportunities in Europe will continue to exist in taking advantage of the deleveraging cycle, although the space has become crowded with ever increasing amounts of capital seeking returns. Unlike the U.S., equity valuations appear a little more attractive in Europe and there may be a likelihood that investors will shift their focus from U.S. to European Equities. In Asia, most developed markets continue to experience very weak performance in $U.S. terms, with the one exception being Japan. Japan, which has embarked on aggressive policies to pull the country from two decades of stagnation, returned +9.6% in 2015. Whether the strong relative performance continues is an open question, particularly in light of the developments in China and whether the Yen can continue to depreciate against other currencies.

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. European Treasuries returned 1.7% in 2015, and with the latest round of quantitative measures employed by the European Central Bank, returns are likely to be similar in 2016.

Emerging Markets

- Terrible year in Emerging Markets (U.S.$ returns)
- Weighed by capital outflows and commodity sell-off
- Major markets of Indonesia, Brazil, South Africa, Turkey, Malaysia, Thailand at least 20% lower
- Only Hungary and Russia posted positive returns
- Local Currency Bonds significantly down; hard currency bonds modestly positive
- No end in sight for volatility and macro risks remain elevated

Emerging markets posted performance not seen since the financial crisis. The broad emerging markets index declined 14.9% for the year. Only two markets tracked by MSCI, Hungary and Russia, posted positive performance for the year, although Russia was largely a result of performance in the non-energy and basic materials sectors. China, which made significant news through the fall and into winter with the deterioration of its economy and clumsy financial controls implemented to arrest a steep decline in its equity markets, performed better than the broader emerging markets index, falling 7.8% for the year. The worst performance in emerging markets came from Latin America. The Emerging Markets ("EM") Latin America index fell by 31.0% in 2015, with the worst performance coming from the commodity-heavy economies of Brazil (-41.4%), Peru (-31.7%), and Columbia (-41.8%).

More troubling may be the performance of the bond markets of emerging markets. In local currency terms, most emerging markets fixed income indices posted positive performance in 2-5% range. In $U.S. terms, the declines in local currency bonds have been staggering. Brazil (-30.1%), South Africa (-28.2%), and Turkey (-20.9%) highlight the impact of currency on performance. Hard currency bonds, generally issued in $U.S., performed better in 2015, due to the strength of the dollar. The strong performance does not mask the risk due to currency mismatches in the hard currency market and the perennial risk of devaluation, default, and repudiation. Declining currencies, commodity price volatility, high debt levels, and high inflation will likely provide little respite in 2016 for emerging markets.

Commodities

- One of the worst years on record for commodities
- Slowing China growth, weak global demand, over supply interrelated factors
- Little expectation for a recovery in commodity prices in the near term

Commodities posted amongst the worst performance of any asset class in 2015. The Dow Jones Commodity Index fell by over 25% in 2015, with the energy components leading the downward spiral in prices. Only Cocoa and Cattle provided any positive returns in the index. The Brent Crude Index fell by 45.7% in 2015; Heating Oil fell by 41.4% and Natural Gas fell by 39.1%. While potentially a benefit to consumers, the collapse in energy prices has negative effects near (U.S. shale producers) and far (emerging markets sovereign debt and currencies). Industrial metals were also not immune to the sell-off. As China demand for industrial metals has declined, prices for industrial metals declined by 25% in 2015. The volatility in prices, as well as the impairment on company financials, has led to a significant amount of capital raised in the private equity space in seeking to take advantage of the environment. With little reason to believe that a recovery is near, performance will likely broadly disappoint.

Conclusion

Markets overall provided negligible returns for investors for the year, but did provide periods of increased volatility and high anxiety. The return of volatility, particularly in the U.S., coincides with the pull-back of intervention by the Federal Reserve and a decrease in liquidity in the markets due to new regulations on dealer balance sheets. Weak global growth in the developed markets and a further weakening in China will likely mute returns for 2016 across all major asset classes. Increased volatility, whether in the equity, bond, or currency markets, has the potential to frame investor behavior in the next year as investment decisions and allocations will be need to be re-tuned to a more difficult market environment. As the markets will remain challenged, portfolios will need to work more effectively and more efficiently in order to generate the required level of returns.

CONTACT INFORMATION

This financial report is designed to provide a general overview of the Long Island Rail Road Company for Additional Pensions' finances. Questions concerning any data provided in this report or requests for additional information should be directed to the Controller, Long Island Rail Road, 146-01 Archer Avenue, Jamaica, New York 11435-4380.

THE LONG ISLAND RAIL ROAD COMPANY PLAN FOR ADDITIONAL PENSIONS

STATEMENTS OF PLAN NET POSITION
AS OF DECEMBER 31, 2014 AND 2013
(Amounts in thousands)

	2014	2013
ASSETS:		
Cash	$ 1,411	$ 3,670
Investments — at fair value:		
Commingled funds	245,126	177,349
Common stock	127,190	93,270
Strategic property fund	50,278	43,634
Mutual funds	162,019	52,374
Corporate bonds and debentures	15,715	16,101
Collective short-term investments	58,092	19,746
Limited partnership	115,192	76,773
Mortgage backed securities	464	8,917
Commercial mortgage backed securities	473	1,135
U.S. government securities	3,670	17,604
Foreign government bonds	1,704	686
American Depository Receipts	904	1,520
Asset backed securities	257	569
Collateralized mortgage obligations	861	423
Real Estate Investment Trust	932	663
Preferred stock	1,062	656
Other	-	3
Total investments	783,939	511,423
Receivables:		
Participant and union contributions	258	114
Other Assets	9	706
Due from broker for securities sold	29,105	7,173
Total receivables	29,372	7,993
Total assets	814,722	523,086
LIABILITIES:		
Additional plan payable	578	578
Due to broker for securities purchased	31,292	11,755
Total liabilities	31,870	12,333
PLAN NET POSITION HELD IN TRUST FOR PENSION BENEFITS	$782,852	$510,753

See notes to financial statements.

THE LONG ISLAND RAIL ROAD COMPANY PLAN FOR ADDITIONAL PENSIONS

STATEMENTS OF CHANGES IN PLAN NET POSITION FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (Amounts in thousands)

	2014	2013
ADDITIONS:		
Investment income:		
Net appreciation in fair value of investments	$ 14,090	$ 51,667
Interest income	1,086	1,162
Dividend income	6,977	4,084
Other income	75	10
Total investment gain	22,228	56,923
Less investment expenses	(997)	(825)
Total net investment gain	21,231	56,098
Contributions:		
Employer	407,513	199,336
Participant and union	1,304	1,243
Total contributions	408,817	200,579
Total additions	430,048	256,677
DEDUCTIONS:		
Benefits paid to participants	156,974	157,464
Administrative expenses	975	462
Total deductions	157,949	157,926
NET INCREASE	272,099	98,751
PLAN NET POSITION HELD IN TRUST FOR PENSION BENEFITS:		
Beginning of year	510,753	412,002
End of year	$ 782,852	$ 510,753

See notes to financial statements.

(Dollars in thousands)

1. PLAN DESCRIPTION

The Long Island Rail Road Company Plan for Additional Pensions (the "Additional Plan") is a defined benefit plan administered by the Board of Pension Managers. The following brief description of the Additional Plan is provided for general information purposes only. Participants should refer to the Additional Plan document for more complete information.

General — Effective July 1, 1971, The Long Island Rail Road Company (the "Company") adopted two fully integrated defined benefit pension plans, The Long Island Rail Road Company Pension Plan (the "Plan") and the Additional Plan. These plans cover employees hired before January 1, 1988. Effective January 1, 1989, the Plan was amended to limit the accrual of credited service time and determination of average earnings through December 31, 1988. All pension plan benefits were frozen as of that date by virtue of a Plan amendment. All benefit accruals subsequent to that date are provided under the Additional Plan, which was amended to provide for accruals on and after January 1, 1989. The Additional Plan benefits are now the total benefit that would have been paid previously from the sum of the two plans reduced by any portion of benefits that a participant received from the frozen pension plan benefits. The total benefits payable to participants have not been changed. These financial statements do not include any amounts related to the Plan.

Both of the Company's pension plans are governmental plans and, accordingly, are not subject to funding and other requirements of the Employee Retirement Income Security Act of 1974 ("ERISA").

The Metropolitan Transportation Authority Defined Benefit Pension Plan and The Long Island Rail Road Company Plan for Additional Pensions comprise the Metropolitan Transportation Authority's Master Trust. The MTA Master Trust is governed by the Board of Pension Managers (the "Board"). The Board has contracted with JP Morgan Chase, as the Trustee for the Trust, and has provided the Master Trust Investment Guidelines to the respective Trustee. These guidelines provide the specific goals and objectives of the Trust as well as the allowable investments permitted under the Trust. Under the Investment Guidelines, the Trustee is permitted to invest in commingled funds on behalf of the Master Trust.

The total asset allocation of the Master Trust is 81.25% for the Metropolitan Transportation Authority Defined Benefit Pension Plan and 18.75% for the Long Island Rail Road Company Plan for Additional Pensions for the year ended December 31, 2014.

Pension Benefits — All full-time employees who were hired before January 1, 1988, are eligible for Additional Plan membership. At January 1, 2015, the most recent valuation date, the Additional Plan's membership consisted of the following:

	January 1, 2015	January 1, 2014
Active plan members	282	321
Retirees and beneficiaries receiving benefits	5,985	6,089
Vested formerly active members not yet receiving benefits	53	67
Total	6,320	6,477

An employee who retires under the Additional Plan, either: (a) after completing at least 20 years of credited service, or (b) after both attaining age 65 while in service and completing at least five years of credited service, or in the case of those who were active employees on January 1, 1988, after completing at least 10 years of credited service, is entitled to an annual retirement benefit, payable monthly for life. Payments commence to an employee referred to in: (a) only after attaining age 50, or (b) only after attaining age 65.

Benefit and contribution provisions, which are based on the point in time at which participants last entered qualifying service and their length of credited service, are established by, and may only be amended by the Company, subject to the obligations of the Company under its collective bargaining agreements. The Company's Board of Directors must approve all amendments. The Additional Plan has both contributory and non-contributory requirements, with retirement ages varying from 50 to 65 depending upon a participant's length of credited service. Pension benefits payable to age 65, where eligible, are calculated as 2% of the employee's applicable final average earnings for each year of qualifying service up to 25 years plus 1.5% of applicable final average earnings for each year of qualifying service in excess of 25 years. For pension benefits payable at and after age 65, regardless of whether benefits commenced before or after the employee attained age 65, benefits are calculated in the same manner as pension benefits payable prior to age 65 except that the amount so determined is reduced by a percentage of the employee's annuity (not including any supplemental annuity) value at age 65 under the Federal Railroad Retirement Act.

The reduction of pension benefits for amounts payable under the Federal Railroad Retirement Act is as follows:

(i) 25% for an employee who had 20 years credited service prior to July 1, 1974,
(ii) 50% for any other employee first employed before July 1, 1974, and
(iii) 100% for any employee first employed on or after July 1, 1974

Beginning in 1999, for all represented employees who were hired between July 1, 1974, and December 31, 1987, who were employees after January 1, 1999, and were not retired when their collective bargaining agreement was ratified and approved by MTA Board after that date, the offset of Railroad Retirement Benefits is reduced to 50% (under the Additional Plan). For all management employees who were hired between July 1, 1974, and December 31, 1987, and who were employees on September 30, 1999, the offset of Railroad Retirement Benefits was reduced to 50% (under the Additional Plan).

For participants, the Additional Plan has both non-contributory and contributory requirements. Participants who entered qualifying service before July 1, 1978, are not required to contribute. Participants who entered qualifying service on or after July 1, 1978, are required to contribute 3% of their wages to the Additional Plan. The Company contributes additional amounts based on actuarially determined amounts that are designed to accumulate sufficient assets to pay benefits when due.

Death and Disability Benefits — Participants who become disabled after accumulating 10 years of credited service and who meet the requirements as described in the Additional Plan receive a disability benefit. Disability pension benefits are calculated based on the participant's qualifying service and a percentage of final average compensation reduced by the full amount of benefit under the Federal Railroad Retirement Act.

Survivorship benefits are paid to the participant's spouse when a survivorship option is elected or when an active participant has not divested his or her spouse of benefits. The survivorship benefit is payable at the time of death or when the vested participant would have attained an eligible age. The amount payable is in the form of an annuity. A lump sum death benefit no greater than $5,000 is payable upon death on behalf of a non-vested participant or vested participant whose pension rights were waived.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting — The Additional 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. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Contributions from members are recorded when the employer makes payroll deductions from plan members. Employer contributions are recognized when due in accordance with the terms of the Plan. Additions to the Plan consist of contributions (member and employer) and net investment income. Investment purchases and sales are recorded as of trade date.

Recent Accounting Pronouncements — The Additional Plan has completed the process of evaluating the impact Statement No. 67 on its financial statements. In June of 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans.* This Statement establishes financial reporting standards for state and local governmental pension plans, defined benefit pension plans and defined contribution pension plans that are administered through trusts or equivalent arrangements in which: (1) contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable; (2) pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms, and (3) pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members. For defined benefit pension plans, this statement establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employers and nonemployer contributing entities for benefits provided through the pension plan (the net pension liability), about which information is required to be presented. Distinctions are made regarding the particular requirements depending upon the type of pension plan administered. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* and Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The requirements of Statements No. 25 and Statement No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. The Additional Plan has adopted the provisions of Statement No. 67, which have enhanced the financial statements required disclosures along with certain required supplementary information.

The Additional Plan has completed the process of evaluating the impact of GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. Statement No.70 also requires, a government guarantor to consider qualitative factors when determining if a payment on its guarantee is more likely than not to be required. Such factors may include whether the issuer of the guaranteed obligation is experiencing significant financial difficulty or initiating the process of entering into bankruptcy or financial reorganization. An issuer government that is required to repay a guarantor for guarantee payments made to continue to report a liability unless legally released. When a government is released, the government would recognize revenue as a result of being relieved of the obligation. A government guarantor or issuer to disclose information about the amounts and nature of nonexchange financial guarantees. The Additional Plan has determined that GASB Statement No. 70 had no impact on its financial position.

The Additional Plan has not completed the process of evaluating the impact of GASB Statement No. 72, *Fair Value Measurement and Application*. This Statement defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. Under this

Statement, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments, which generally are measured at fair value, are defined as a security or other asset that governments hold primarily for the purpose of income or profit and the present service capacity of which are based solely on their ability to generate cash or to be sold to generate cash. The provisions in GASB Statement No. 72 are effective for periods beginning after June 15, 2015.

The Additional Plan has not completed the process of evaluating the impact of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

The requirements of GASB Statement No. 73, extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities. This Statement also clarifies the application of certain provisions of Statement Nos. 67 and 68 with regard to the following issues: 1) Information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported; 2) Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions, and 3) Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation. The requirements of this Statement should be applied simultaneously with the provisions of GASB Statement No. 73 and are effective for fiscal years beginning after June 15, 2016.

The Additional Plan has not completed the process of evaluating the impact of Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier application is permitted.

The Additional Plan has not completed the process of evaluating the impact of Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans.* The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. Prior to the issuance of this Statement, the requirements of Statement 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that: (1) is not a state or local governmental pension plan; (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is permitted.

The Additional Plan has not completed the process of evaluating the impact of Statement No. 79, *Certain External Investment Pools and Pool Participants.* This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address: (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity, and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement 31, as amended. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

Use of Management's 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 amount of assets and liabilities and disclosure of contingent assets and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates include fair market value of investments, the annual required contribution and the unfunded actuarial accrued liability.

Payment of Benefits — Benefits are recorded when paid.

Investment and Administrative Expenses — Investment and administrative expenses are paid by the Additional Plan assets and accordingly are reflected in the accompanying financial statements.

Income Tax Status — The Additional Plan is designed to satisfy the applicable requirements for governmental plans under Section 401(a) of the Internal Revenue Code. Accordingly, the Additional Plan is tax-exempt and is not subject to the provisions of ERISA.

3. CASH AND INVESTMENTS

Investment Objective — 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 Board of Managers of Pension executes investment management agreements with professional investment management firms to manage the assets of the Additional Plan. The fund managers must adhere to guidelines that have been established to limit exposure to risk.

All Securities managers shall be registered advisors under the Investment Advisors Act of 1940.

Fixed Income Managers — Investment managers may not purchase inverse floating rate bonds, structured notes, commodities, securities on margin, sell short, lend securities, invest in private placements (other than 144A Privates), real estate investments, and oil, gas and mineral exploration investments without the written consent of the Board of Managers. The fixed-income portion of the Additional Plan's assets shall be invested in marketable, fixed income securities. The following are acceptable:

a. Commercial Paper, Eurodollar Commercial Paper and Variable Rate Notes rated P-1 by Moody's Investors Service, A1 by Standard and Poor's, or F1 by Fitch Ratings.

b. Certificates of Deposit and Bankers Acceptances of institutions whose long-term debt is rate Baa or better by Moody's Investors Service or equivalent by Standard & Poor's.

c. United States Treasury Bonds, Notes and Bills.

d. Marketable corporate debt, Yankee Bonds, Eurodollar bonds, non-agency mortgage-backed securities, asset-backed securities and taxable municipal securities. Eighty-five percent at market value must be rated the equivalent of Baa3 or better by Moody's Investors Service or Standard & Poor's or Fitch Ratings ("investment grade securities"). Up to 15% market value at time of purchase may be invested in below investment grade securities. The average portfolio quality must be Baa1 or better. In case of split ratings, the highest rating applies.

   If any of the parameters described above are not met as a result of credit downgrades, the fund manager shall have a reasonable period of time, not to exceed 90 days, to bring the portfolio into compliance with the foregoing investment guidelines.

e. A minimum of 90% at market value must be invested in securities denominated in U.S. dollars. Up to 10% at market value may be invested in securities denominated in foreign currency.

f. Collateralized Mortgage Obligations ("CMO's") backed by pools of agency or non-agency mortgages including those that are re-constructed in their original proportions from the same pool (such as IO's/PO's, and floater/inverse floaters). Companion tranches and support tranches are limited to 3% of the book value of the portfolio.

g. Non-convertible preferred stock.

h. Managers may not hold more than 5% at book value and 10% at market value of the portfolios in any one issuer's securities other than direct or moral obligations of the U.S. Government.

i. Unrated securities other than those issued by the U.S. Government or its Agencies and Instrumentalities may not be purchased without the prior consent of the Board of Managers.

Domestic Equities Managers — The Domestic equities investment manager may not purchase commodities, securities on margin, sell short, lend securities, invest in private placements, real estate investments, oil, gas and mineral exploration investments, and nominally public issues without the written consent of the Board of Managers. The manager may purchase Rule 144A securities provided such securities are judged by the manager to be liquid and don't in the aggregate exceed 10% of the market value of the portfolio. The manager shall also be able to purchase securities if such securities are convertible into publicly traded equities.

a. Managers' cash positions are not to exceed 10%. It is the responsibility of the manager to contact the Board of Managers to obtain authorization if and when it becomes clear that a cash position of more than 10% is warranted.

b. No single sector shall constitute more than 35% of the market value of the portfolio.

c. Investment in all classes of equity securities of any one issuer must be limited to 7.5% of the portfolio at the time of purchase and 10% of the market value of the portfolio.

d. The maximum total fund investment in any one company shall not exceed 5% of that company's outstanding voting stock or more than 5% in value of all outstanding shares of all classes of stock of the issuer.

e. The manager may invest up to a total of 10% of the market value of the portfolio in American Depository Receipts ("ADR's"), non-convertible preferred stock, and warrants when attractive opportunities exist.

Non-US Equities Managers — The Non-US equities investment manager may not purchase commodities, securities on margin, sell short, lend securities, invest in private placements, commingled funds (except STIF funds), real estate investments, oil, gas and mineral exploration investments, and nominally public issues without the written consent of the Board of Managers.

a. Managers' cash positions are not to exceed 10%. It is the responsibility of the manager to contact the Board of Managers to obtain authorization if and when it becomes clear that a cash position of more than 10% is warranted.

b. No single industry group shall constitute more than 30% of the market value of the portfolio, or 1 1/2 times its comparable representation in EAFE, whichever is larger, without prior approval from the Board of Managers.

c. Investment in any one stock, in all classes of equity securities, must be limited to 5% of the book value and 10% of the market value of the portfolio.

d. The maximum total fund investment in any one company shall not exceed 2% of the company's outstanding voting stock or more than 2% in the value of all outstanding shares of all classes of stock of the issuer (assuming all conversions have been made by the Plans).

e. Investments in EAFE and Non-EAFE markets are permissible. The maximum exposure to Non-EAFE cannot exceed 10%.

f. The manager shall use its own judgment in placing securities transactions with brokerage firms. In general, it should deal with financially sound firms capable of giving a good combination of price, commission and service.

g. The manager may invest up to a total of 10% of the market value of the portfolio in ADR's, preferred stock, warrants and convertible securities when attractive opportunities exist.

Exceptions:

- The Board of Managers, in recognition of the benefits of commingled funds as investment vehicles (i.e., the ability to diversify more extensively than in a small, direct investment account and the lower costs which can be associated with these funds) may, from time to time, allow investment in such funds. The Board recognizes that it cannot give specific policy directives to a fund whose policies are already established; therefore, the Board is relying on the investment consultant to assess and monitor the investment policies of any funds used by the Trust to ascertain whether they are appropriate.

- The Additional Plan requires that any exceptions taken to investment policy and guideline statements be submitted in writing pending approval by the Board of Managers. The Board must explicitly authorize each exception in writing. Failure to notify the Board and obtain written authorization will result in the investing manager being liable for any corresponding loss to the investment fund.

- The index fund manager has the Board's approval to utilize securities lending and futures contracts (for the specific reason of equalizing cash deposits with Lehman Aggregate futures contracts) in the management of the index fund.

- The domestic equity manager who has the Board's approval to invest in collective investment vehicles may invest more than 7.5% of the assets subject to such manager's discretionary in collective investment vehicles of any one issuer.

- The fixed income manager who has the Board's approval to invest in collective investment vehicles may invest more than 5% of the assets subject to such manager's discretionary authority in collective investment vehicles of any issuer.

Investment Valuation — Investments primarily include money market funds, equity securities, United States government securities, corporate bonds and debentures, asset backed securities, mortgage and commercial backed securities, mutual and commingled funds. All investments are registered with securities held by the trustee under a grantor trust, in the name of the Additional Plan. The values of Additional Plan investments are adjusted to fair value as of the last business day of each month based on quoted market prices, except for certain cash equivalents, which are stated at cost and approximate market value. Purchases and sales of securities are recorded on a trade-date basis.

Income Recognition — Gains or losses from investment transactions are recognized on a trade date basis. Such investment gains or losses are determined using the average cost method. Dividend income is recorded on the ex-dividend date and interest income is recorded on the accrual basis.

Risks and Uncertainties — The Additional Plan's contributions and the actuarial value of assets and actuarial accrued liabilities are prepared based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

The Additional Plan provides for various investment options in a combination of stocks, bonds, mortgage backed securities and other investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the Additional Plan's Financial Statements.

Concentration of Credit Risk — Individual investments held by the Additional Plan that represent 5.0% or more of the Additional Plan's net assets available for benefits at December 31, 2014 and 2013, are as follows:

(amounts in thousands)	**December 31,**	
Investments at fair value as determined by quoted market prices:	**2014**	**2013**
JPMCB Strategic Property Fund	$ 43,940	$ 43,634

Credit Risk — The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations at December 31, 2014 and 2013:

(amount in thousands) **Quality Rating- S&P**	**2014 Fair Value**	**Percentage of Fixed Income Portfolio**	**2013 Fair Value**	**Percentage of Fixed Income Portfolio**
AAA	$ 25,836	10.39 %	$ 16,422	16.46 %
AA	10,760	4.33	6,131	6.14
A	21,265	8.55	11,968	11.99
BBB	34,910	14.04	11,081	11.10
BB	25,693	10.33	2,068	2.07
B	17,555	7.06	3,266	3.27
CCC	6,749	2.71	1,693	1.70
Not rated	70,365	28.30	16,202	16.24
Total credit risk debt securities	213,133	85.72	68,831	68.97
* U.S. Government bonds	35,465	14.28	30,960	31.03
Total Fixed Income Securities	$ 248,598	100.00 %	$ 99,791	100.00 %

* U.S. Treasury Bonds, Notes and Treasury-inflation protected securities are obligations of the U.S. government or explicitly guaranteed by the U.S. government and therefore not considered to have a credit risk.

Custodial Credit Risk — Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Custodial credit risk is the risk that, in the event of a failure of the counterparty, the Additional Plan will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Additional Plan and are held by either the counterparty or the counterparty's trust department or agent but not in the Additional Plan's name.

Consistent with the Additional Plan's trust custodial administration agreement, the investments are held by the Additional Plan's custodian and registered in the Additional Plan's name.

All of the Additional Plan's securities are held by the Additional Plan's custodial bank in the Additional Plan's name.

Interest Rate Risk — Interest rate risk is the risk that changes in interest rates 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.

The lengths of investment maturities (in years) are as follows:

(amount in thousands)	**2014**		**2013**	
Investment Type	**Fair Value**	**Duration**	**Fair Value**	**Duration**
Chase	$ 90,054	4.24	$ -	-
PIMCO	37,020	2.77	16,663	4.26
Wellington Emerging Debt	19,716	4.22	13,848	-
All Weather Fund	32,973	9.37	22,029	9.07
Wellington Opportunistic	9,003	4.66	18,585	4.25
Bridgewater Alpha	10,140	(0.84)	5,643	3.13
Bridgewater Market Limited	(33)	(2.05)	410	3.87
Northern Trust William Capital	1,877	-	-	-
Park Square Capital Credit Opportunities	2,169	0.33	-	-
Crescent Capital High Income Fund	11,563	2.21	-	-
Fit Tree Value Fund	1,189	-	-	-
Wellington Global Marketing	22,916	-	15,551	5.70
Wellington Trust Collective Investment Fund and Diversified Investment Fund	1,324	5.71	2,372	5.76
Canyon Value	8,687	2.60	3,403	1.60
Total Fair Value	$ 248,598		$ 98,504	
Portfolio modified duration		3.45		4.84

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. The Additional Plan also holds investments in American Depository Receipts ("ADRs"), which are not included in the below schedule since they are denominated in US dollars and accounted for at fair market value.

The Additional Plan's foreign currency exposures as December 31, 2014 and 2013 are follows (amounts in U.S. dollars, in thousands):

	December 31,	
Foreign Currency	**2014**	**2013**
Euro	$ 18,371	$ 26,365
British Pound (Sterling)	5,202	9,732
Japanese Yen	3,530	11,284
Franc (Swiss)	1,627	5,435
Dollar (Hong Kong)	2,248	2,389
Australian Dollar	1,864	2,216
Sri Lankan Rupee	124	788
Krona (Swedish)	(86)	788
Brazil Cruzeiro Real	4,228	2,532
Chilean Peso	589	475
Dollar (Canadian)	1,794	2,668
Krone (Danish)	394	189
Mexican New Peso	2,422	2,845
China (Yuan Renminbi)	1,559	(69)
Czech Koruna	177	340
Egyptian Pound	263	296
Hungary (Forint)	163	454
South Korean Won	2,500	2,081
Indian Rupee	2,068	1,304
Indonesia Rupiah	3,095	1,355
Israel (Shekel)	697	437
Malaysian (Ringgit)	2,172	1,277
Philippines Peso	469	369
Dollar (New Zealand)	1,947	14
Krone (Norwegian)	(704)	355
Thai Bhat	1,005	(145)
Polish (New Zloty)	1,507	1,412
Russian Federation Ruble	1,579	1,050
Singapore Dollar	893	952
Argentina Peso	-	80
Colombian Peso	2,222	1,581
South Africa Rand	2,580	2,572
Dollar (Taiwan, New)	1,798	1,492
Turkish Lira	2,604	2,026
Kenyan Shilling	136	158
Uruguayan Pesos	170	34
Peru Sol	591	780
Bangladesh (Taka)	137	24
Botswana Pula	25	24
Bulgarian Lev	2	2
Croatia Kuna	130	97
Ghanaian Cedi	10	17
UAE Durham	190	322
Omanian Rial	112	137
Pakistani Rupee	137	137
Qatar Rival	228	289
Mauritius (Rupee)	186	64
Morocco Dirham	124	137
Nigerian Naira	117	513
Jordanian Dinar	129	133
Romanian Leu	437	489
Kuwait Dinar	308	268
Tunisian Dinar	10	47
Cayman Island Dollar	-	334
Saudi Riyal	-	215
Other	(3,372)	152
Totals	**$ 70,710**	**$ 91,312**

Additional Information — The Additional Plan is part of the MTA Master Trust of which the Additional Plan participates on a percentage basis. JP Morgan Chase is the trustee of the MTA Master Trust. The percentage of the Additional Plan ownership for the years ended December 31, 2014 and 2013, were 18.75% and 13.48%, respectively. The Master Trust invests in commingled funds whereby various invested funds are invested in funds, which have readily determinable fair market values.

	December 31, 2014		December 31, 2013	
	Master Trust Total Plan	Additional Plan	Master Trust Total Plan	Additional Plan
Investments - at fair value (000's):				
Short-term investments	$ 301,812	$ 56,591	$ 134,335	$ 18,106
Equity Securties	542,128	101,651	511,557	68,948
Corporate bonds	83,813	15,715	119,457	16,101
Government bonds	15,895	2,980	130,609	17,604
Mortgage backed securities	-	-	66,162	8,917
Other	12,764	2,393	20,875	2,813
Mutual funds	875,047	164,074	388,587	52,374
Commingled funds	1,341,116	251,464	1,346,247	181,448
Limited partnership and warrants	614,347	115,192	569,635	76,776
Total investments	$ 3,786,922	$ 710,059	$ 3,287,464	$ 443,087

4. NET PENSION LIABILITY

The components of the net pension liability of the Plan at December 31, 2014 and 2013 were as follows (in thousands):

	December 31, 2014	December 31, 2013
Total pension liability	$ 1,602,159	$ 1,645,284
Fiduciary net position	782,852	510,753
Net pension liability	819,307	1,134,531
Fiduciary net position as a percentage of the total pension liability	48.86%	31.04%
Covered Payroll	29,334	33,043
Net pension liability as a percentage of covered payroll	2793.05%	3433.50%

Actuarial Methods and Assumptions

The total pension liability as of December 31, 2014 was determined by an actuarial valuation date of January 1, 2014, that was updated to roll forward the total pension liability to the respective year-end. Actuarial valuations are performed annually as of January 1.

Discount Rate

The discount rate used to measure the total liability as of December 31, 2014 and 2013 was 7.0%. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made in accordance with the Employer funding policy as projected by the Plan's actuary. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan, calculated using the discount rate of 7.00 percent; as well as what the Plan's net pension would be if it were calculated using a discount rate that is 1-percentage point lower (6.00 percent) or 1-percentage point higher (8.00 percent) than the current rate:

2014
(in thousands)

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net pension liability	$ 951,790	$ 819,307	$ 704,647

Additional information of the latest actuarial valuation follows:

Valuation date	January 1, 2014
Valuation timing	Actuarially determined contributions calculated as of December 31, for the fiscal year and discounted to July 1 to reflect monthly payments throughout the year.
Actuarial cost method	Entry age normal.
Amortization method	Period specified in current valuation report (closed 19-year period beginning January 1, 2014) with level dollar payments.
Actuarial asset valuation method	Actuarial value equals market value less unrecognized gains/losses over a 5-year period. Gains/losses are based on market value of assets.
Mortality	Based on experience of all MTA members reflecting mortality improvement ona generational basis using Scale AA
Actuarial assumptions:	
Investment rate of return	7%, net of investment expenses
Projected salary increases	3.0%
Inflation/Railroad Retirement wage base	2.5%; 3.5%

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 pension 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 middle of each month. External cash inflows are netted with external cash outflows, resulting in a net external cash flow in each month.

Schedule of Calculations of Money-Weighted Rate of Return

(amounts in thousands)

	Net External Cash Flows	Periods Invested	Period Weight	Net External Cash Flows With Interest
Beginning Value - January 1, 2014	$510,753	12.00	1.00	$529,827
Monthly net external cash flows:				
January	9,656	11.50	0.96	10,002
February	9,656	10.50	0.88	9,972
March	9,656	9.50	0.79	9,939
April	9,656	8.50	0.71	9,910
May	9,656	7.50	0.63	9,881
June	9,656	6.50	0.54	9,849
July	9,656	5.50	0.46	9,820
August	9,656	4.50	0.38	9,791
September	9,656	3.50	0.29	9,759
October	9,656	2.50	0.21	9,730
November	9,656	1.50	0.13	9,702
December	144,656	0.50	0.04	144,670
Ending Value - December 31, 2014				$ 782,852
Money-Weighted Rate of Return	3.73%			

SCHEDULE OF LONG TERM EXPECTED RATE OF RETURN

Asset Class	Index	Target Allocation*	Real Rate of Return
Cash	Citigroup 90-Day T-Bills	0.00%	0.50%
Core Fixed Income	Barclays Aggregate	9.60%	2.19%
Core Bonds	Barclays Gov/Cred	0.00%	1.87%
Short-Term Bonds	Citigroup 1-3 Year Gov/Cred	0.00%	1.00%
Intermediate-Term Bonds	Barclays Intermediate Gov/Cred	0.00%	1.58%
Long-Term Bonds	Barclays Long Gov/Cred	0.00%	3.23%
Mortgages	Barclays Mortgage	0.00%	2.84%
High Yield Bonds	Barclays High Yield	11.40%	4.15%
Non-US Fixed Income	JPM GBI Global ex-US	10.00%	1.41%
Inflation-Indexed Bonds	ML Index	0.00%	1.30%
Broad US Equities	Wilshire 5000 / Russell 3000	5.00%	5.88%
Large Cap US Equities	S&P 500	7.67%	5.62%
Mid Cap US Equities	Russell Mid Caps	2.33%	6.39%
Small Cap US Equities	Russell 2000	5.50%	7.39%
Developed Foreign Equities	MSCI EAFE	15.00%	6.05%
Emerging Market Equities	MSCI Emerging Markets	3.50%	8.90%
Private Equity	Cambridge Associates	12.00%	9.15%
Hedge Funds / Absolute Return	HFRI Fund of Funds	15.00%	3.12%
Real Estate (Property)	NCREIF/TBI Property	3.00%	4.43%
Real Estate (REITS)	FTSE NAREIT Equity REIT	0.00%	5.58%
Commodities	DJ UBS	0.00%	3.60%
Long Credit Bonds	Barclays Long Credit	0.00%	3.74%
Assumed Inflation - Mean			2.50%
Assumed Inflation - Standard Deviation			2.00%
Portfolio Arithmetic Mean Return			7.55%
Portfolio Standard Deviation			12.25%
Long-Term Expected Rate of Return selected by MTA			7.00%

* Based on target asset allocation for 2014 fiscal year

Calculation on Long-Term Expected Rate of Return

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Milliman's investment consulting practice as of December 31, 2013.

5. CONTRIBUTIONS

Employer contributions are actuarially determined on an annual basis and are recognized when due. The Additional Plan is a governmental plan and accordingly, is not subject to the funding and other requirements of ERISA.

Upon termination of employment before retirement, vested participants who have been required to contribute must choose to: (1) receive a refund of their own contributions, including accumulated interest at rates established by the Company's Board of Managers of Pensions (1.5% in 2014 and 2013), or (2) leave their contributions in the Additional Plan until they retire and become entitled to the pension benefits. Non-vested participants who have been required to contribute will receive a refund of their own contributions, including accumulated interest at rates established by the Company's Board of Managers of Pensions (1.5% in 2014 and 2013).

The Company performs a public service of providing essential passenger transportation between New York City and Long Island. Substantial deficits result from providing these services and the Company expects that such deficits will continue in the foreseeable future. Funding for the Additional Plan by the Company is provided by MTA, which obtains the required funds from New York State, federal grants, the sale of bonds to the public and other sources. Certain funding by MTA is made to the Company on a discretionary basis. The continuance of the Company's funding for the Additional Plan has been, and will continue to be, dependent upon the receipt of adequate funds.

6. ACTUARIAL METHODS AND ASSUMPTIONS

A. ACTUARIAL VALUATION METHOD

The Entry Age Normal method was used for determining normal costs and the unfunded actuarial accrued liability.

B. ASSET VALUATION METHOD

The Asset Valuation method smoothes gains and losses over a 5-year period.

The formula for the asset valuation method is as follows:

Actuarial Value of Assets = $MV_1 - 0.8*UR_1 - 0.6*UR_2 - 0.4*UR_3 - 0.2*UR_4$

Where

MV_1 = Market Value of assets as of the valuation date.

UR_n = Unexpected return during the n^{th} year preceding the valuation date. The unexpected return for a year equals the total investment return minus the total expected return. The total expected return equals the market value of assets at the beginning of the year plus the weighted net cash flow during the year multiplied by the expected rate of return.

The resulting value cannot be less than 80% or greater than 120% of the market value of assets.

C. ACTUARIAL ASSUMPTIONS

Interest — 7.00% per annum, compounded annually, net of investment expenses.

Salary Scale — Salaries are assumed to increase 3.00% per year.

Overtime/Unused Vacation Pay — Earnings in each year increased by 65% for represented employees to account for overtime and by 20% in the year prior to assumed retirement and by 10% in the year prior to termination (other than retirement) for non-represented employees to account for unused vacation pay.

Railroad Retirement Wage Base — 3.50% per year.

Consumer Price Index — 2.50% per year.

Provision for Expenses — $500,000 is added to the normal cost to account for administrative expenses paid by plan assets throughout the year.

Termination — Withdrawal rates vary by age. Illustrative rates are shown below:

Age	Rate	Age	Rate
20	2.12 %	45	0.96 %
25	1.64	50	0.80
30	1.44	55	0.60
35	1.36	60	0.00
40	1.16	65	0.00

Retirement — Assumed retirement age varies by year of eligibility.

Eligibility Period	Rate of Retirement
First year	40%
Years 2–4	33
Year 5	37
Years 6–7	35
Years 8-9	33
Years 10–15	55
Years 16 and above	100

Mortality — Pre-Termination — RP-2000 Employee Mortality Table for Males and Females with blue-collar adjustment, projected on generational basis using Scale AA.

Post-Termination — 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, both projected on a generational basis using Scale AA.

Marriage — 80% of employees are assumed to be married with wives 3 years younger than husbands.

Interest on Employee Contributions — Assumed to be 3.5% per year for future years.

Tier 1 Railroad Offset — The Tier 1 Railroad offset, which is designed similar to a Social Security Benefit, was estimated by assuming that an individual would continue to earn compensation at the level in effect at his date of termination until eligibility for Railroad Benefits and further increased by 2% per year from the date of termination to age 65.

Miscellaneous — The valuation was prepared on a going-plan basis. The valuation was based on participants in the Additional Plan as of the valuation date and did not take future participants into account. No provision has been made for contingent liabilities with respect to non-vested terminated participants who may be reemployed. Since the majority of active plan participants are at or close to retirement eligibility, the disability benefit has not been explicitly valued.

D. CHANGES IN ACTUARIAL ASSUMPTIONS

The rates of salary growth, overtime and retirement have been changed in accordance with an experience analysis completed in June 2014.

7. PLAN TERMINATION

While the Company expects to continue the Additional Plan indefinitely, it may, subject to its collective bargaining agreements, amend, restrict, or terminate the Additional Plan at any time. In the event of termination, all participants will become fully vested to the extent of their then accrued benefits based on their compensation and service up to the date of termination. The net assets of the Additional Plan will be allocated to provide benefits in accordance with the disposition of the Additional Plan assets in a prescribed manner as defined in the Additional Plan document.

8. COMMINGLING OF PENSION ASSETS FOR INVESTMENT PURPOSES

On July 26, 2006, the MTA Board passed a resolution to transfer the responsibilities for the administration of the Additional Plan to the MTA Defined Benefit Pension Plan ("MTA DB") with no changes in the pension and death benefits and appeal rights provided by the Additional Plan. The trust agreement under the Additional Plan was replaced by the MTA Master Trust Agreement, which allows for the commingling of pension assets for investment purposes under the management of the MTA DB's Board of Managers of Pensions. The Additional Plan and Trust Agreements were amended in September 2006 and all Plan assets were commingled into the MTA Master Trust for investment purposes, effective October 2, 2006.

9. CUSTODIAL AND OTHER PROFESSIONAL SERVICES

JP Morgan Chase Bank is the custodian of plan assets and also provides cash receipt and disbursement services to the Additional Plan. New England Pension Consultants reviews the Additional Plan's portfolio, the investment policies as stipulated by the Investment Committee and the performance of the Investment Managers. Actuarial services were provided to the Additional Plan by Milliman Inc.

10. SUBSEQUENT EVENTS

As at January 25, 2016, there were no materially significant events.

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SUPPLEMENTAL SCHEDULES

THE LONG ISLAND RAIL ROAD COMPANY PLAN FOR ADDITIONAL PENSIONS

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

	2014
Total pension liability:	
Service cost	$ 3,813
Interest	110,036
Changes of benefit terms	0
Differences between expected and actual experience	0
Changes of assumptions	0
Benefit payments and withdrawals	(156,974)
Net change in total pension liability	(43,125)
Total pension liability – beginning	1,645,284
Total pension liability – ending (a)	1,602,159
Plan fiduciary net position:	
Employer contributions	407,513
Member contributions	1,304
Net investment income	21,231
Benefit payments and withdrawals	(156,974)
Administrative expenses	(975)
Net change in plan fiduciary net position	272,099
Plan fiduciary net position – beginning	510,753
Plan fiduciary net position – ending (b)	782,852
Employer’s net pension liability – ending (a)-(b)	$ 819,307
Plan fiduciary net position as a percentage of the total pension liability	48.86%
Covered-employee payroll	$ 29,334
Employer’s net pension liability as a percentage of covered-employee payroll	2793.05%

In accordance with GASB No. 67, paragraph 50, such information was not readily available for periods prior to 2014.

THE LONG ISLAND RAIL ROAD COMPANY PLAN FOR ADDITIONAL PENSIONS

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	Contribution as a % of covered Payroll
2005	$ 96,971	$ 96,971	$ -	$ 137,090	70.74%
2006	108,517	243,216	(134,699)	117,336	207.28%
2007	100,907	100,907	-	93,998	107.35%
2008	100,337	100,337	-	80,927	123.98%
2009	108,677	108,677	-	72,718	149.45%
2010	107,249	107,249	-	65,198	164.50%
2011	108,980	108,284	696	51,159	211.66%
2012	116,011	116,011	-	40,033	289.79%
2013	119,325	199,336	(80,011)	33,043	603.26%
2014	112,513	407,513	(295,000)	29,334	1389.22%

* Excess for 2014 reflects a prepaid contribution toward the 2015 Actuarially Determined Contribution.

THE LONG ISLAND RAIL ROAD COMPANY PLAN FOR ADDITIONAL PENSIONS

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
2005	N/A
2006	N/A
2007	N/A
2008	N/A
2009	N/A
2010	N/A
2011	N/A
2012	N/A
2013	N/A
2014	3.73%

In accordance with GASB No. 67, paragraph 50, such information was not readily available for periods prior to 2014.