

Metropolitan Transportation Authority Deferred Compensation Program

(A Fiduciary Component Unit of the Metropolitan
Transportation Authority)

Financial Statements as of and for the
Years Ended December 31, 2019 and 2018, and
Independent Auditors' Report

METROPOLITAN TRANSPORTATION AUTHORITY DEFERRED COMPENSATION PROGRAM

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INDEPENDENT AUDITORS' REPORT

To the Committee of the
Metropolitan Transportation Authority Deferred Compensation Program

Report on the Financial Statements

We have audited each of the accompanying statements of plan net position of the Metropolitan Transportation Authority Deferred Compensation Program, comprised of the Deferred Compensation Plan for Employees of the Metropolitan Transportation Authority, its Subsidiaries and Affiliates (the "457 Plan") and the Thrift Plan for Employees of the Metropolitan Transportation Authority, its Subsidiaries and Affiliates (the "401(k) Plan"), (collectively the "Plans") as of December 31, 2019 and 2018, and each of 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 Plans' 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 Plans' 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 Plans' 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, each of the Plans' financial statements referred to above present fairly, in all material respects, each of the Plans' net position as of December 31, 2019 and 2018, and the respective changes in each of the Plans' net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 20 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

July 22, 2020

METROPOLITAN TRANSPORTATION AUTHORITY DEFERRED COMPENSATION PROGRAM

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2019 AND 2018

The Deferred Compensation Program is comprised of the Deferred Compensation Plan for Employees of the Metropolitan Transportation Authority, its Subsidiaries and Affiliates (the "457 Plan") and the Thrift Plan for Employees of the Metropolitan Transportation Authority, its Subsidiaries and Affiliates (the "401(k) Plan"), collectively known as the "Plans" and the "Metropolitan Transportation Authority Deferred Compensation Plans". This management's discussion and analysis of the Plans' financial performance provides an overview of the Plans' financial activities for the years ended December 31, 2019 and 2018. It is meant to assist the reader in understanding the Plans' financial statements by providing an overall review of the financial activities during the year and the effects of significant changes. This discussion and analysis may contain opinions, assumptions, or conclusions by the MTA's management that should not be considered a replacement for, and is intended to be read in conjunction with the Plans' financial statements which begin on page 21.

OVERVIEW OF BASIC FINANCIAL STATEMENTS

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

- **The Statement of Plans Net Position** — presents the financial position of the Plans at fiscal year-end. It provides information about the nature and amounts of resources with present service capacity that the Plan presently controls (assets), consumption of net assets by the Plan that is applicable to a future reporting period (deferred outflow of resources), present obligations to sacrifice resources that the Plan has little or no discretion to avoid (liabilities), and acquisition of net assets by the Plan that is applicable to a future reporting period (deferred inflow of resources) with the difference between assets/deferred outflow of resources and liabilities/deferred inflow of resources being reported as net position. Investments are shown at contract and net asset values ("NAV"). All other assets and liabilities are determined on an accrual basis.
- **The Statements of Changes in Plans Net Position** present the results of activities during the year. All changes affecting the assets and liabilities of the Plans 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 contract and NAV of investments are included in the year's activity as net appreciation (depreciation) in contract and NAV values 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 Plans' accounting policies, significant account balances and activities, material risks, obligations, contingencies, and subsequent events, if any.

The financial statements are prepared in accordance with Governmental Accounting Standards Board ("GASB") Pronouncements.

Financial Highlights

As a result of various Deferred Compensation Program changes, expanding participant eligibility through collective bargaining, a strong educational program and greater participant satisfaction, the Deferred Compensation Program has continued to grow. The assets of the 457 Plan exceeded its liabilities by

\$3.219 billion and the assets of the 401(k) Plan exceeded its liabilities by \$4.490 billion as of December 31, 2019. This net position restricted for benefits is held in trust for distribution to the Plans participants and/or beneficiaries.

The assets of the 457 Plan exceeded its liabilities by \$2.713 billion and the assets of the 401(k) Plan exceeded its liabilities by \$3.759 billion as of December 31, 2018. This net position restricted for benefits is held in trust for distribution to the Plans participants and/or beneficiaries. During 2018, the net positions held in trust for the 457 Plan and the 401(k) Plan decreased by \$6.419 million and \$8.339 million, respectively, due primarily to net decrease in investment income to the plans.

Deductions from the Plans' net position consist primarily of distributions to participant and transfers to other plans, and plan expenses in the amounts of \$156.470 million and \$130.782 million for the 457 Plan and \$213.472 million and \$186.697 million for the 401(k) Plan for the years ended December 31, 2019 and 2018, respectively.

Plans Net Position
As of December 31,
(\$ In Thousands)

457 Plan

				Amount of Change		Percentage Change	
	2019	2018	2017	(2019 - 2018)	(2018 - 2017)	(2019 - 2018)	(2018 - 2017)
ASSETS:							
Investments	\$ 3,134,275	\$ 2,635,023	\$ 2,645,243	\$ 499,252	\$ (10,220)	18.9 %	(0.4)%
Participant loans receivable	85,407	78,429	74,607	6,978	3,822	8.9	5.1
Total assets	3,219,682	2,713,452	2,719,850	506,230	(6,398)	18.7	(0.2)
LIABILITIES:							
Administrative expense reimbursement	420	377	356	43	21	11.4	5.9
Total liabilities	420	377	356	43	21	11.4	5.9
TOTAL NET POSITION RESTRICTED FOR BENEFITS							
	\$ 3,219,262	\$ 2,713,075	\$ 2,719,494	\$ 506,187	\$ (6,419)	18.7 %	(0.2)%

401(k) Plan

				Amount of Change		Percentage Change	
	2019	2018	2017	(2019 - 2018)	(2018 - 2017)	(2019 - 2018)	(2018 - 2017)
ASSETS:							
Investments	\$ 4,322,497	\$ 3,599,890	\$ 3,621,298	\$ 722,607	\$ (21,408)	20.1 %	(0.6)%
Participant loans receivable	168,314	159,462	146,347	8,852	13,115	5.6	9.0
Total assets	4,490,811	3,759,352	3,767,645	731,459	(8,293)	19.5	(0.2)
LIABILITIES:							
Administrative expense reimbursement	837	721	675	116	46	16.1	6.8
Total liabilities	837	721	675	116	46	16.1	6.8
TOTAL NET POSITION RESTRICTED FOR BENEFITS							
	\$ 4,489,974	\$ 3,758,631	\$ 3,766,970	\$ 731,343	\$ (8,339)	19.5 %	(0.2)%

**Changes in Plans Net Position
For the Years Ended December 31,
(\$ In Thousands)**

457 Plan

				Amount of Change		Percentage Change	
	2019	2018	2017	(2019 - 2018)	(2018 - 2017)	(2019 - 2018)	(2018 - 2017)
ADDITIONS:							
Investment income/(loss)	\$ 430,855	\$ (96,820)	\$ 292,040	\$ 527,675	\$ (388,860)	545.0 %	(133.2)%
Contributions and additional deposits	227,295	217,444	194,089	9,851	23,355	4.5	12.0
Loan repayments - interest	4,507	3,739	3,210	768	529	20.5	16.5
Total additions	662,657	124,363	489,339	538,294	(364,976)	432.8	(74.6)
DEDUCTIONS:							
Distribution to participants	82,974	67,372	53,784	15,602	13,588	23.2	25.3
Transfers to other plans	68,849	59,405	45,145	9,444	14,260	15.9	31.6
Net participant loan activity	3,293	2,472	1,938	821	534	33.2	27.6
Other	1,354	1,533	1,376	(179)	157	(11.7)	11.4
Total deductions	156,470	130,782	102,243	25,688	28,539	19.6	27.9
Increase/(decrease) in net position	506,187	(6,419)	387,096	512,606	(393,515)	7,985.8	(101.7)
TOTAL NET POSITION RESTRICTED FOR BENEFITS							
Beginning of year	2,713,075	2,719,494	2,332,398	(6,419)	387,096	(0.2)	16.6
End of year	\$ 3,219,262	\$ 2,713,075	\$ 2,719,494	\$ 506,187	\$ (6,419)	18.7 %	(0.2)%

401(k) Plan

				Amount of Change		Percentage Change	
	2019	2018	2017	(2019 - 2018)	(2018 - 2017)	(2019 - 2018)	(2018 - 2017)
ADDITIONS:							
Investment Income/(loss)	\$ 609,308	\$ (139,054)	\$ 416,584	\$ 748,362	\$ (555,638)	538.2 %	(133.4)%
Contributions and additional deposits	326,528	309,883	277,661	16,645	32,222	5.4	11.6
Loan repayments - interest	8,979	7,529	6,337	1,450	1,192	19.3	18.8
Total additions	944,815	178,358	700,582	766,457	(522,224)	429.7	(74.5)
DEDUCTIONS:							
Distribution to participants	107,396	87,379	73,733	20,017	13,646	22.9	18.5
Transfers to other plans	98,450	93,187	66,031	5,263	27,156	5.6	41.1
Net participant loan activity	5,057	3,408	2,789	1,649	619	48.4	22.2
Other	2,569	2,723	2,781	(154)	(58)	(5.7)	(2.1)
Total deductions	213,472	186,697	145,334	26,775	41,363	14.3	28.5
Increase/(decrease) in net position	731,343	(8,339)	555,248	739,682	(563,587)	8,870.2	(101.5)
TOTAL NET POSITION RESTRICTED FOR BENEFITS							
Beginning of year	3,758,631	3,766,970	3,211,722	(8,339)	555,248	(0.2)	17.3
End of year	\$ 4,489,974	\$ 3,758,631	\$ 3,766,970	\$ 731,343	\$ (8,339)	19.5 %	(0.2)%

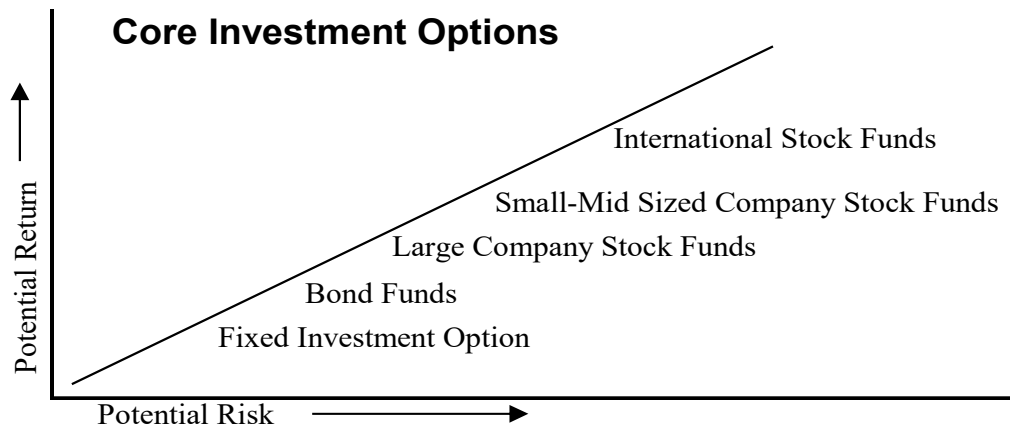
Investment Options

The MTA Plans offer twelve (12) Target-Year Lifecycle Funds, which provide a diversified mix of certain of the Plans' investment options and allow a participant to choose the fund closest to their anticipated withdrawal date. The Target-Year Lifecycle Funds are designed to provide an asset allocation strategy appropriate for an individual's risk and return preferences in a single fund through a diversified portfolio of the Plans' domestic stock funds, international stock funds and fixed income funds. Some components are not offered to participants outside of the Target-Year Lifecycle Funds. Allocations are automatically rebalanced to their targets on a quarterly basis.

<u>Fund Name</u>	<u>Asset Class</u>	<u>Portfolio Allocations</u>
MTA Target-Year Lifecycle 2015 Fund	Large Cap 10.50% Small - Mid Cap 3.00% Intl Equity 13.40% Fixed Income 14.70% Real Asset 11.40% Stable Value 47.00%	MTA Large Cap Equity Index Fund 5.30% MTA Large Cap Equity Fund 5.20% MTA Small-Mid Cap Equity Fund 3.00% MTA International Equity Fund 13.40% MTA Bond Fund 14.70% MTA Real Asset Fund 11.40% MTA Stable Value Fund 47.00%
MTA Target-Year Lifecycle 2020 Fund	Large Cap 14.70% Small - Mid Cap 4.00% Intl Equity 18.80% Fixed Income 18.50% Real Asset 10.00% Stable Value 34.00%	MTA Large Cap Equity Index Fund 7.40% MTA Large Cap Equity Fund 7.30% MTA Small-Mid Cap Equity Fund 4.00% MTA International Equity Fund 18.80% MTA Bond Fund 18.50% MTA Real Asset Fund 10.00% MTA Stable Value Fund 34.00%
MTA Target-Year Lifecycle 2025 Fund	Large Cap 19.50% Small - Mid Cap 5.20% Intl Equity 24.60% Fixed Income 18.00% Real Asset 10.00% Stable Value 22.70%	MTA Large Cap Equity Index Fund 11.00% MTA Large Cap Equity Fund 8.50% MTA Small-Mid Cap Equity Fund 5.20% MTA International Equity Fund 24.60% MTA Bond Fund 18.00% MTA Real Asset Fund 10.00% MTA Stable Value Fund 22.70%
MTA Target-Year Lifecycle 2030 Fund	Large Cap 23.70% Small - Mid Cap 7.80% Intl Equity 31.50% Fixed Income 15.60% Real Asset 10.00% Stable Value 11.40%	MTA Large Cap Equity Index Fund 14.60% MTA Large Cap Equity Fund 9.10% MTA Small-Mid Cap Equity Fund 7.80% MTA International Equity Fund 31.50% MTA Bond Fund 15.60% MTA Real Asset Fund 10.00% MTA Stable Value Fund 11.40%
MTA Target-Year Lifecycle 2035 Fund	Large Cap 26.00% Small - Mid Cap 10.80% Intl Equity 36.80% Fixed Income 12.50% Real Asset 10.00% Stable Value 3.90%	MTA Large Cap Equity Index Fund 15.20% MTA Large Cap Equity Fund 10.80% MTA Small-Mid Cap Equity Fund 10.80% MTA International Equity Fund 36.80% MTA Bond Fund 12.50% MTA Real Asset Fund 10.00% MTA Stable Value Fund 3.90%

<u>Fund Name</u>	<u>Asset Class</u>	<u>Portfolio Allocations</u>
MTA Target-Year Lifecycle 2040 Fund	Large Cap 26.40% Small - Mid Cap 13.20% Intl Equity 39.60% Fixed Income 10.80% Real Asset 10.00%	MTA Large Cap Equity Index Fund 13.20% MTA Large Cap Equity Fund 13.20% MTA Small-Mid Cap Equity Fund 13.20% MTA International Equity Fund 39.60% MTA Bond Fund 10.80% MTA Real Asset Fund 10.00%
MTA Target-Year Lifecycle 2045 Fund	Large Cap 26.50% Small - Mid Cap 15.20% Intl Equity 41.60% Fixed Income 6.70% Real Asset 10.00%	MTA Large Cap Equity Index Fund 11.30% MTA Large Cap Equity Fund 15.20% MTA Small-Mid Cap Equity Fund 15.20% MTA International Equity Fund 41.60% MTA Bond Fund 6.70% MTA Real Asset Fund 10.00%
MTA Target-Year Lifecycle 2050 Fund	Large Cap 26.70% Small - Mid Cap 15.80% Intl Equity 42.50% Fixed Income 5.00% Real Asset 10.00%	MTA Large Cap Equity Index Fund 10.00% MTA Large Cap Equity Fund 16.70% MTA Small-Mid Cap Equity Fund 15.80% MTA International Equity Fund 42.50% MTA Bond Fund 5.00% MTA Real Asset Fund 10.00%
MTA Target-Year Lifecycle 2055 Fund	Large Cap 26.70% Small - Mid Cap 15.80% Intl Equity 42.50% Fixed Income 5.00% Real Asset 10.00%	MTA Large Cap Equity Index Fund 8.90% MTA Large Cap Equity Fund 17.80% MTA Small-Mid Cap Equity Fund 15.80% MTA International Equity Fund 42.50% MTA Bond Fund 5.00% MTA Real Asset Fund 10.00%
MTA Target-Year Lifecycle 2060 Fund	Large Cap 26.70% Small - Mid Cap 15.80% Intl Equity 42.50% Fixed Income 5.00% Real Asset 10.00%	MTA Large Cap Equity Index Fund 8.90% MTA Large Cap Equity Fund 17.80% MTA Small-Mid Cap Equity Fund 15.80% MTA International Equity Fund 42.50% MTA Bond Fund 5.00% MTA Real Asset Fund 10.00%
MTA Target-Year Lifecycle 2065 Fund	Large Cap 26.70% Small - Mid Cap 15.80% Intl Equity 42.50% Fixed Income 5.00% Real Asset 10.00%	MTA Large Cap Equity Index Fund 8.90% MTA Large Cap Equity Fund 17.80% MTA Small-Mid Cap Equity Fund 15.80% MTA International Equity Fund 42.50% MTA Bond Fund 5.00% MTA Real Asset Fund 10.00%
MTA Income Fund	Large Cap 9.50% Small - Mid Cap 2.40% Intl Equity 11.90% Fixed Income 13.20% Real Asset 12.00% Stable Value 51.00%	MTA Large Cap Equity Index Fund 4.80% MTA Large Cap Equity Fund 4.70% MTA Small-Mid Cap Equity Fund 2.40% MTA International Equity Fund 11.90% MTA Bond Fund 13.20% MTA Real Asset Fund 12.00% MTA Stable Value Fund 51.00%

In addition to the twelve Target-Year lifecycle funds, the Plans offer a spectrum of investment options that include two international funds, four small-mid company stock funds, two large company stock funds, three bond funds, and the Stable Value Income Fund (“Fixed Investment Option”).



The investment objective for each of the funds is described below. Additional information on each investment option, including a Fund Fact Sheet is available on the Plans’ website at www.Prudential.com/MTA.

International Equity Funds

MTA International Equity Index Fund (Non-US Equity) - The fund invests wholly in State Street Global Advisors (“SSgA”) Global All Cap Equity ex U.S. Index Fund – Class K (the Collective Investment Trust C.I.T.). The C.I.T. Fund seeks to match as closely as possible, before expenses, the performance of the MSCI ACWI ex-USA IMI Index over the long term.

MTA International Equity Fund (International Stock-Blend) - The Portfolio is managed by two complementary, but independent managers. The balances in the investments are rebalanced regularly to maintain the 50%/50% split. By employing two managers, this portfolio offers improved diversification compared to having a single investment manager. The underlying investments are:

1. **William Blair International Growth Fund (International Stock-Growth)** - The fund seeks to provide long-term growth of capital. The fund invests in a diversified portfolio of equity securities, including common stocks and other forms of equity investments (e.g., securities convertible into common stocks), issued by companies of all sizes domiciled outside the U.S. that William Blair believes have above-average growth, profitability and quality characteristics. William Blair will vary sector and geographic diversification for the fund based upon its ongoing evaluation of economic, market and political trends throughout the world. The fund seeks to provide long-term growth of capital.
2. **Mondrian All Countries World Ex-U.S. Equity (International Stock-Value)** – The Collective Investment Trust Fund is advised by Mondrian Investment Partners. Mondrian employs an active, value-oriented approach to managing international equities, and invests in securities where rigorous dividend discount analysis identifies value in terms of the long-term flow of income. The philosophy is built upon the assumption that dividend yield and future real growth are critical in determining a company’s total expected return and that the dividend component will be a meaningful portion of the expected return over time.

Small-Mid Cap Equity Fund

MTA Small-Mid Cap Equity Index Fund (Mid Cap Stock-Blend) - The Fund invests wholly in the underlying collective investment trust SSgA Russell Small/Mid Cap Non-Lending Series- Class K (the “C.I.T.”). The underlying collective investment trust seeks an investment return that approximates as closely as practicable, before expenses, the performance of the Russell Small Cap Completeness Index (the “Index”) over the long term.

MTA Small-Mid Cap Equity Fund (Mid Cap Stock-Blend) - The Fund is managed by four complementary, but independent managers. By employing four managers, this fund offers improved diversification compared to having a single investment manager. The underlying investments are:

1. **The William Blair Small-Mid Cap Growth Fund** (Small Growth) - is sub-advised by William Blair Investment Management, LLC. The strategy seeks capital appreciation to outperform its benchmark, the Russell 2500 Growth Index, and its peers over a full market cycle. The strategy is a diversified portfolio of 65-80 holdings, investing in common stocks of small and mid-cap quality companies that are expected to have solid growth in earnings.
2. **The DFA US Targeted Value I** (Small Value) – the fund is advised by Dimensional Fund Advisors LP. The investment seeks long-term capital appreciation. The fund, using a market capitalization weighted approach, purchases a broad and diverse group of the readily marketable securities of U.S. small and midcap companies that the Advisor determines to be value stocks. It may purchase or sell futures contracts and options on futures contracts for U.S. equity securities and indices, to adjust market exposure based on actual or expected cash inflows to or outflows from the fund. The fund does not intend to sell futures contracts to establish short positions in individual securities or to use derivatives for purposes of speculation or leveraging investment returns.
3. **AllianceBernstein US SMID Cap Value Equity Fund** (Small Value) – the fund is managed by AllianceBernstein. It seeks a deep-value service that invests in a portfolio of small and mid-capitalization stocks located primarily in the United States. Macroeconomic, industry or company-specific concerns often cause investors to react emotionally and overlook underlying company fundamentals, causing securities to become mispriced. Our investment strategy seeks to capitalize these short-term market inefficiencies created by enduring patterns of human behavior. The investment team employs a highly disciplined stock selection process that marries in-depth fundamental research with quantitative analysis to identify companies that are undervalued relative to their long-term earnings power and offer compelling return potential.
4. **Jackson Square Partners SMID Cap Growth Focus** (Small Value)- the fund is advised by Jackson Square Partners. They are growth investors. They seek superior returns through holding a concentrated portfolio of companies that they believe have advantaged business models and opportunities to generate consistent, long-term growth of intrinsic business value.

Large-Cap Equity Funds

MTA Large Cap Equity Index Fund (Large Cap Stock-Blend) - The Fund invests wholly in the Vanguard Institutional 500 Index Trust. The investment seeks to track the performance of a benchmark index that measures the investment return of large capitalization stocks. The fund employs an indexing investment approach designed to track the performance of the Standard & Poor's 500 Index, a widely recognized benchmark of U.S. stock market performance that is dominated by the stocks of large U.S. companies. It attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.

MTA Large Cap Equity Fund (Large Cap Stock-Blend) - The Portfolio is managed by two complementary, but independent managers. The balances in the investments are rebalanced regularly to maintain the 50%/50% split. By employing two managers, this portfolio offers improved diversification compared to having a single investment manager. The underlying investments are:

1. **T. Rowe Price US Large Cap Value Equity Fund** (Large Cap Stock-Value) - The Fund is advised by T. Rowe Price Associates, Inc. and seeks to provide long-term capital appreciation by investing in common stocks believed to be undervalued. Income is a secondary objective.
2. **Jennison Large Cap Growth Fund** (Large Cap Stock-Growth) - The Fund is sub-advised by Jennison Associates LLC, following its Large Cap Growth Equity investment strategy. It seeks to outperform, over the long term, both the Russell 1000 Growth and S&P 500 Indexes and to be the best performing manager among its peers, with a consistent risk profile.

Bond Funds

MTA Bond Index Fund (Fixed Income-Domestic) - The Fund invests wholly in the SSgA US Bond Index Non-Lending – Class C (the Collective Investment Trust C.I.T.). The Fund seeks an investment return that approximates, as closely as practicable, before expenses, the performance of the Bloomberg Barclays U.S. Aggregate Bond Index over the long term.

MTA Bond Fund (Fixed Income-Domestic) - The Portfolio is managed by three complementary, but independent managers. The balances in the investments are rebalanced regularly to maintain the 34%/33%/33% split. By employing three managers, this fund offers improved diversification compared to having a single investment manager. The underlying investments are:

- 1. TCW Core Plus Fund** (Fixed Income-Domestic) - This separate account is sub-advised by Metropolitan West Asset Management, LLC. The Fund seeks to outperform the broad bond market by applying specialized management expertise to and allocating capital among US government, corporate, high yield and mortgage-backed sectors. In addition, exposure to international and emerging markets fixed income assets are opportunistically incorporated into portfolio positioning. The strategy seeks to outperform the Bloomberg Barclays Aggregate Bond Index.
- 2. Loomis Sayles Core Plus Fixed Income Trust** (Fixed Income) - The Trust seeks high total investment return through a combination of current income and capital appreciation and to outperform its benchmark, the Bloomberg Barclays US Aggregate Bond Index denominated in US dollars. This index is used for comparative purposes only and is not intended to parallel the risk or investment style of the fund.
- 3. WTC CIF II World Bond Portfolio** (Fixed Income) - The Collective Investment Trust Fund is sub-advised by Wellington Management Company, LLP. The portfolio seeks to generate consistent total returns over a full market cycle. The investment process is designed to allocate capital to high quality sovereign countries while simultaneously identifying opportunistic investment ideas across a wide range of diversified fixed income strategies, and to transparently manage portfolio risk.

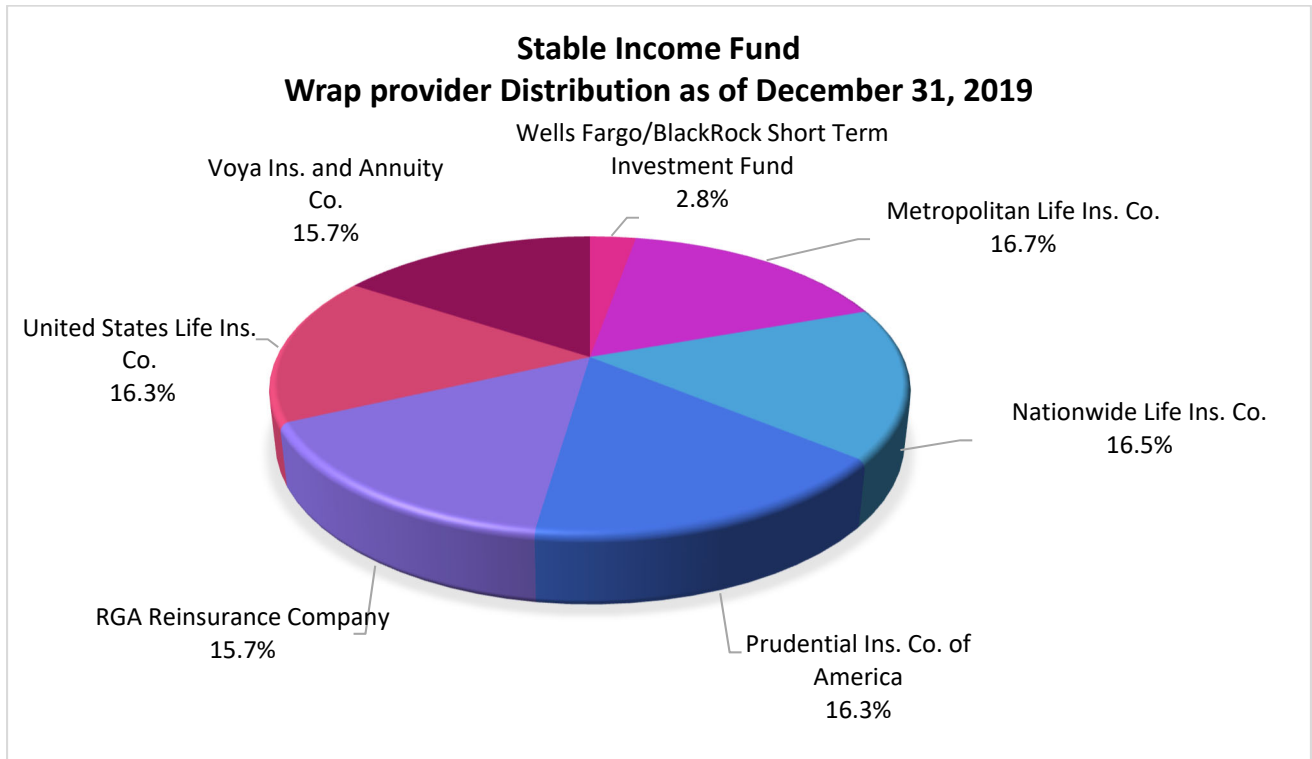
Stable Value Option

MTA Stable Value Fund (Stable Value) - The fund seeks to provide safety of principal and a stable credited rate of interest, while generating competitive returns over time compared to other comparable investments. The fund is managed by Galliard Capital Management and is primarily comprised of investment contracts issued by financial institutions and other eligible stable value investments. All contract issuers and securities utilized in the portfolio are rated investment grade by one of the Nationally Recognized Statistical Rating Organizations at time of purchase. The types of investment contracts in which the Fund may invest include Separate Account Guaranteed Investment Contracts (“GICs”) and Security Backed Investment Contracts. These types of investment contracts seek to provide participants with safety of principal and accrued interest as well as a stable crediting rate.

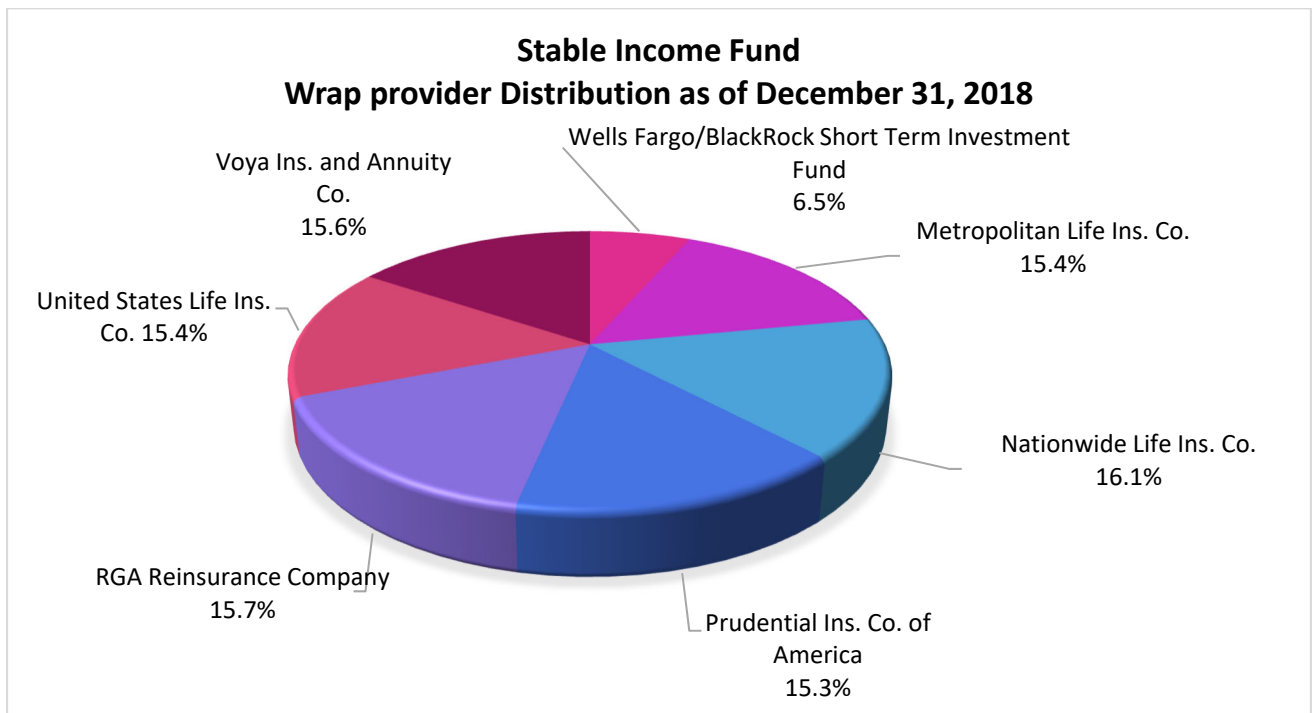
Separate Account GICs are GICs issued by and insurance company and are maintained within a separate account. Separate Account GICs are typically backed by segregated portfolios of fixed income securities.

Security Backed Investment Contracts are comprised of two components: 1) investment contracts issued by a financial institution and 2) underlying portfolios of fixed income securities (i.e. bonds) whose market prices fluctuate. The investment contract is designed to allow participants to transact at book value (principal plus accrued interest) without reference to the price fluctuations of the underlying fixed income securities.

The following chart shows the underlying investments of the MTA Stable Value Fund as of December 31, 2019 and 2018.



*The Wells Fargo Stable Return Fund W and Wells Fargo/BlackRock STIF are not a part of the wrapped portfolio.



The MTA Plans' investment options performance is outlined in the following tables. The Plans, with the assistance of its independent investment consultant, continuously monitors the investment options in conformance with the investment policy for the Plans. Below each Fund listed below is the benchmark used to compare the investment results.

Performance Summary

Year ended December 31, 2019

Stable Value

	3 Months	1 Year	3 Years	5 Years	7 Years
MTA Stable Value	0.6%	2.6%	2.3%	2.2%	2.1%
Galliard 3YrCMT+50bps	0.5%	2.5%	2.6%	2.2%	2.1%

Fixed Income

	3 Months	1 Year	3 Years	5 Years	7 Years
SSgA U.S. Bond Index Fund	0.2%	8.7%	4.0%	3.0%	2.7%
Barclays U.S. Aggregate	0.2%	8.7%	4.0%	3.0%	2.7%
Loomis Sayles Core Plus Bond Fund	0.5%	9.5%	4.8%	NA	NA
Barclays U.S. Aggregate	0.2%	8.7%	4.0%	3.0%	2.7%
TCW MetWest Core Plus Fixed Income	0.2%	9.0%	4.2%	NA	NA
Barclays U.S. Aggregate	0.2%	8.7%	4.0%	3.0%	2.7%
Wellington World Bond Fund	-0.3%	4.3%	3.8%	NA	NA
FTSE World Government Bond Index	-0.4%	5.9%	4.1%	2.0%	0.8%

Domestic Equity

	3 Months	1 Year	3 Years	5 Years	7 Years
Vanguard Institutional 500 Index Trust	9.1%	31.5%	15.3%	11.7%	14.7%
S&P 500	9.1%	31.5%	15.3%	11.7%	14.7%
T. Rowe Price Large Cap Value Fund (Prudential Separate Account)	6.9%	27.1%	10.5%	8.7%	12.6%
Russell 1000 Value Index	7.4%	26.5%	9.7%	8.3%	12.2%
Jennison Large Cap Growth (Prudential Separate Account)	12.0%	33.7%	21.5%	14.9%	17.0%
Russell 1000 Growth Index	10.6%	36.4%	20.5%	14.6%	16.9%
SSgA Small/Mid Cap Index Fund	8.9%	27.9%	11.2%	9.1%	12.6%
Russell Small Cap Completeness Index	8.9%	28.0%	11.2%	9.1%	12.7%
AB US SMID Cap Value Equity (Separate Account)	6.6%	21.3%	NA	NA	NA
Russell 2500 Value Index	7.1%	23.6%	6.1%	7.2%	10.6%
DFA US Targeted Value Fund (MTA)	8.6%	21.5%	NA	NA	NA
Russell 2500 Value Index	7.1%	23.6%	6.1%	7.2%	10.6%
William Blair SMID Growth (Separate Account)	4.4%	31.3%	NA	NA	NA
Russell 2500 Growth Index	10.6%	32.7%	15.2%	10.8%	14.1%
Jackson Square SMID Cap Growth Focus (Separate Account)	10.9%	30.8%	NA	NA	NA
Russell 2500 Growth Index	10.6%	32.7%	15.2%	10.8%	14.1%

Performance Summary

Year ended December 31, 2019 (continued)

International Equity

	3 Months	1 Year	3 Years	5 Years	7 Years
SSgA MSCI ACWI ex-U.S. IMI Index Fund	9.2%	21.9%	10.1%	6.0%	NA
MSCI AC Wld ex US IMI (Net)	9.2%	21.6%	9.8%	5.7%	5.7%
William Blair Institutional International Growth All Cap (Separate Account)	10.6%	31.1%	12.4%	6.7%	6.9%
MSCI AC Wld Index ex USA.IMI Growth (Net)	9.8%	27.0%	12.6%	7.3%	7.0%
Mondrian ACWI ex US CIT	10.3%	17.9%	8.3%	NA	NA
MSCI AC Wld ex USA Value (Net)	8.2%	15.7%	6.9%	3.6%	3.9%

Diversified Inflation

	3 Months	1 Year	3 Years	5 Years	7 Years
SSgA Real Asset Fund	3.6%	13.6%	4.6%	2.4%	0.8%
SSgA Custom Real Asset Index	3.6%	13.7%	4.7%	2.4%	0.9%

Lifecycle

	3 Months	1 Year	3 Years	5 Years	7 Years
MTA Income	3.1%	10.2%	5.2%	4.3%	3.9%
MTA Income Composite Index	2.8%	10.0%	5.3%	4.3%	3.9%
MTA 2015	3.3%	11.2%	6.1%	4.8%	4.7%
MTA 2015 Composite Index	3.1%	11.2%	6.1%	4.8%	4.8%
MTA 2020	4.2%	13.8%	7.1%	5.4%	5.5%
MTA 2020 Composite Index	3.9%	13.8%	7.1%	5.4%	5.5%
MTA 2025	5.2%	16.7%	8.3%	6.2%	6.7%
MTA 2025 Composite Index	4.9%	16.5%	8.3%	6.2%	6.6%
MTA 2030	6.5%	19.9%	9.2%	6.7%	7.2%
MTA 2030 Composite Index	6.1%	19.6%	9.1%	6.7%	7.2%
MTA 2035	7.4%	22.2%	9.9%	7.2%	7.8%
MTA 2035 Composite Index	6.9%	21.7%	9.7%	7.0%	7.7%
MTA 2040	7.9%	23.3%	10.6%	7.7%	8.9%
MTA 2040 Composite Index	7.4%	22.8%	10.3%	7.5%	8.7%
MTA 2045	8.2%	24.0%	11.0%	8.0%	9.5%
MTA 2045 Composite Index	7.8%	23.4%	10.7%	7.7%	9.3%
MTA 2050	8.4%	24.2%	11.1%	7.9%	9.6%
MTA 2050 Composite Index	7.9%	23.6%	10.7%	7.6%	9.4%
MTA 2055	8.4%	24.2%	11.1%	NA	NA
MTA 2055 Composite Index	7.9%	23.6%	10.7%	7.6%	9.4%
MTA 2060	8.4%	24.3%	NA	NA	NA
MTA 2060 Composite Index	7.9%	23.6%	NA	NA	NA
MTA 2065	8.4%	24.3%	NA	NA	NA
MTA 2065 Composite Index	7.9%	23.6%	NA	NA	NA

Year ended December 31, 2018

Stable Value

	3 Months	1 Year	3 Years	5 Years	7 Years
MTA Stable Value	0.6%	2.3%	2.1%	2.0%	2.2%
Galliard 3YrCMT+50bps	0.8%	3.1%	2.2%	2.1%	1.9%

Fixed Income

	3 Months	1 Year	3 Years	5 Years	7 Years
SSgA U.S. Bond Index Fund	1.6%	0.0%	2.0%	2.5%	2.1%
Barclays .U.S. Aggregate	1.6%	0.0%	2.1%	2.5%	2.1%
Loomis Sayles Core Plus Bond Fund	0.0%	-0.4%	4.0%	NA	NA
Barclays U.S. Aggregate	1.6%	0.0%	2.1%	2.5%	2.1%
TCW MetWest Core Plus Fixed Income	1.6%	0.3%	2.1%	NA	NA
Barclays U.S. Aggregate	1.6%	0.0%	2.1%	2.5%	2.1%
Wellington World Bond Fund	2.0%	4.2%	3.0%	NA	NA
FTSE World Government Bond Index	1.8%	-0.8%	2.7%	0.8%	0.2%

Domestic Equity

	3 Months	1 Year	3 Years	5 Years	7 Years
Vanguard Institutional 500 Index Trust	-13.5%	-4.4%	9.2%	8.5%	12.7%
S&P 500	-13.5%	-4.4%	9.3%	8.5%	12.7%
T Rowe Price Large Cap Value Fund (Prudential Separate Account)	-12.1%	-9.1%	7.2%	6.2%	11.4%
Russell 1000 Value	-11.7%	-8.3%	7.0%	5.9%	11.0%
Jennison Large Cap Growth (Prudential Separate Account)	-16.3%	-1.4%	10.4%	10.5%	14.7%
Russell 1000 Growth	-15.9%	-1.5%	11.1%	10.4%	14.1%
SSgA Small/Mid Cap Index Fund	-17.9%	-9.1%	7.8%	5.4%	11.3%
Russell Small Cap Completeness Index	-18.0%	-9.2%	7.8%	5.4%	11.4%
AB US SMID Cap Value Equity (Separate Account)	-18.2%	-14.0%	NA	NA	NA
Russell 2500 Value Index	-17.1%	-12.4%	6.6%	4.2%	10.0%
DFA US Targeted Value Fund (MTA)	-20.0%	-15.8%	NA	NA	NA
Russell 2500 Value Index	-17.1	-12.4%	6.6%	4.2%	10.0%
William Blair SMID Growth (Separate Account)	-18.4%	-1.0%	NA	NA	NA
Russell 2500 Growth Index	-20.1%	-7.5%	8.1%	6.2%	12.0%
Jackson Square SMID Cap Growth Focus (Separate Account)	-16.7%	2.7%	NA	NA	NA
Russell 2500 Growth Index	-20.1%	-7.5%	8.1%	6.2%	12.0%

Performance Summary

Year ended December 31, 2018 (continued)

International Equity

	3 Months	1 Year	3 Years	5 Years	7 Years
SSgA MSCI ACWI ex-U.S. IMI Index Fund	-11.9%	-14.6%	4.8%	1.0%	NA
MSCI AC Wld ex US IMI (Net)	-11.9%	-14.8%	4.4%	0.8%	5.1%
William Blair Institutional International Growth All Cap Fund	-16.0%	-17.1%	1.8%	0.5%	6.1%
MSCI AC Wld Index ex USA IMI Growth (Net)	-12.7%	-15.0%	4.0%	1.8%	5.7%
Mondrian ACWI ex US CIT	-8.9%	-11.9%	NA	NA	NA
MSCI AC Wld ex USA Value (Net)	-10.7%	-14.0%	4.7%	-0.4%	4.0%

Diversified Inflation

	3 Months	1 Year	3 Years	5 Years	7 Years
SSgA Real Asset	-7.1%	-7.2%	4.8%	-0.4%	0.0%
SSgA Custom Real Asset Index	-7.1%	-7.1%	4.9%	-0.4%	0.1%

Lifecycle

	3 Months	1 Year	3 Years	5 Years	7 Years
MTA Income	-3.6%	-1.8%	3.5%	2.8%	3.4%
MTA Income Composite Index	-3.4%	-1.5%	3.7%	3.0%	3.3%
MTA 2015	-4.3%	-2.4%	4.0%	3.2%	4.4%
MTA 2015 Composite Index	-4.1%	-2.2%	4.3%	3.4%	4.3%
MTA 2020	-5.7%	-3.6%	-4.2%	3.4%	5.0%
MTA 2020 Composite Index	-5.4%	-3.5%	4.6%	3.6%	4.8%
MTA 2025	-7.4%	-5.1%	4.7%	3.7%	6.0%
MTA 2025 Composite Index	-7.1%	-5.1%	5.2%	4.0%	5.8%
MTA 2030	-9.5%	-6.8%	4.7%	3.7%	6.3%
MTA 2030 Composite Index	-9.1%	-6.8%	5.3%	4.0%	6.1%
MTA 2035	-10.9%	-8.1%	4.7%	3.8%	6.7%
MTA 2035 Composite Index	-10.4%	-8.1%	5.4%	4.0%	6.4%
MTA 2040	-11.8%	-8.8%	5.2%	4.1%	7.8%
MTA 2040 Composite Index	-11.3%	-8.9%	6.0%	4.4%	7.5%
MTA 2045	-12.4%	-9.3%	5.4%	4.2%	8.4%
MTA 2045 Composite Index	-11.9%	-9.3%	6.4%	4.4%	8.2%
MTA 2050	-12.6%	-9.5%	5.4%	4.1%	8.6%
MTA 2050 Composite Index	-12.1%	-9.5%	6.3%	4.2%	8.3%
MTA 2055	-12.6%	-9.5%	5.4%	NA	NA
MTA 2055 Composite Index	-12.1%	-9.5%	6.3%	4.2%	8.3%
MTA 2060	-12.7%	-9.5%	NA	NA	NA
MTA 2060 Composite Index	-12.1%	-9.5%	NA	NA	NA
MTA 2065	-12.7%	-9.5%	NA	NA	NA
MTA 2065 Composite Index	-12.1%	-9.5%	NA	NA	NA

At December 31, 2019, the investment option holding the largest portion of participants' funds in both the 457 and 401(k) Plans was the Stable Income Funds with 33.08% and 30.16% of invested funds, respectively. This was followed by the Large-Cap Equity Funds with 26.32% and 27.48% of invested 457 and 401(k) funds, respectively.

At December 31, 2018, the investment option holding the largest portion of participants' funds in both the 457 and 401(k) Plans was the Stable Income Funds with 36.37% and 33.47% of invested funds, respectively. This was followed by the Large-Cap Equity Funds with 24.65% and 25.65% of invested 457 and 401(k) funds, respectively.

The table below summarizes the Plans' investments by category at December 31, 2019:

Investment at Contract and NAV Values	457		401(k)	
	Allocation		Allocation	
Target-Year Lifecycle Funds	\$477,548,084	15.24%	\$702,824,357	16.26%
International Equity Funds	209,487,552	6.68%	309,252,305	7.15%
Small-Mid Cap Equity Funds	398,076,195	12.70%	536,231,629	12.41%
Large-Cap Equity Funds	824,808,485	26.32%	1,187,625,528	27.48%
Bond Funds	184,464,811	5.89%	278,199,872	6.44%
Stable Income Fund	1,036,674,998	33.08%	1,303,583,126	30.16%
Self-Directed Investment Option	3,214,721	0.10%	4,780,678	0.11%
Total Investments	\$3,134,274,846	100.0%	\$4,322,497,495	100%

The table below summarizes the Plans' investments by category at December 31, 2018:

2018

FUND INVESTMENT SUMMARY

Investment at Contract and NAV Values	457		401(k)	
	Allocation		Allocation	
Target-Year Lifecycle Funds	\$394,716,241	14.98%	\$588,041,812	16.34%
International Equity Funds	161,847,319	6.14	236,980,164	6.58
Small-Mid Cap Equity Funds	326,406,799	12.39	430,295,980	11.95
Large-Cap Equity Funds	649,534,667	24.65	923,279,089	25.65
Bond Funds	141,261,327	5.36	212,439,871	5.90
Stable Income Fund	958,439,519	36.37	1,204,877,263	33.47
Self-Directed Investment Option	2,817,576	0.11	3,975,818	0.11
Total Investments	\$2,635,023,448	100%	\$3,599,889,997	100%

Economic Factors

Market Overview and Outlook – 2019

In 2019 international markets turned cautiously optimistic, in contrast to 2018, when stocks were buffeted by uncertainty surrounding United States (“U.S.”)-China trade negotiations. Equity markets ended a remarkable 2019 rally on a strong note, with major stock indexes reaching new all-time highs. Among growth assets, global equities outperformed high yield and emerging market debt. The U.S. dollar weakened broadly, most significantly against the Swiss franc, British pound and emerging market currencies. Equity, bond and currency volatility continued to ease in December to historically low levels. Investors favored riskier assets following declining trade tensions and easing geo-political headwinds. United Kingdom (“UK”) and emerging markets, specifically China, Russia and Latin American, led the December rally, while the U.S. along with other developed markets lagged the Morgan Stanley Capital International All Country World Index (“MSCI ACWI”). Developed markets outperformed emerging markets overall in 2019.

The global economy slowed in 2019 and is now growing below trend. This was primarily driven by the trade war weighing on capital spending and the lagging effect from monetary tightening in 2018. While monetary policies were generally left unchanged in December-- which partly accounts for the stellar returns to both equities and bonds in 2019—further impetus to economic growth may have to come from fiscal measures: policy makers have recently paused easing efforts to evaluate the effect of prior rate cuts, and officials have indicated that monetary policy may have reached its limits. They are therefore considering greater use of fiscal tools to manage business cycles and to support economic growth. A recession in the U.S. appears unlikely in the near term while low interest rates and tame inflation levels continue to power higher equity valuations

Geo-political risks faded after the U.S. and China reached a preliminary trade agreement. Also, Brexit uncertainties fell after Prime Minister Boris Johnson’s Conservative Party obtained a solid majority in Parliament. The UK parliament has passed a withdrawal agreement and will start the exit process at the end of January 2020. Markets looked past the political turmoil in the U.S., where a deeply divided House of Representatives passed two articles of impeachment against President Trump. However, macroeconomic stress related to tighter financial conditions in Argentina, geo-political tensions in Iran, and social unrest in Hong Kong, Venezuela, Libya, and Yemen still persisted. Additionally, climate concerns took center stage amid extreme weather around the globe, and protests against the political establishment reverberated through Hong Kong, Lebanon, Chile, Ecuador and many other places.

While current market dynamics may appear to favor equities over fixed income, one should be cognizant that valuations have been trending higher, creating limited attractive investment opportunities. To this end, many long-term forecasts for investment return, encompassing a 10-year time horizon, remain relatively muted. To prepare portfolios for this new decade, it may be essential for investors to start the year with a renewed emphasis on strategic asset allocation, heeding geo-political and portfolio risks to ensure that their investment horizon and governance structure are aligned with portfolio mission statements and return objectives. Even if the investment landscape encourages risk taking, uncertainties remain, making it critical for investors to reassess and rebalance their portfolio holdings considering their robust gains in 2019.

Macro Themes

- Asset allocation and portfolio implementation.
- Late stage of a market cycle.
- China's complex transition into a service and consumption-oriented economy from the manufacturing behemoth.
- The backlash against globalization—expressed through populism and trade wars—is here to stay.
- Central banks permanent interventions have created a new normal, where accommodative monetary policies and fiscal debt growth appear to exist in perpetuity, supporting equities relative to fixed income.

United States

2019 represented a triumphant year the U.S. capital markets compared to 2018 underperformance. Accommodative monetary policies, falling interest rates and subdued inflation helped investors not only to meet their return objectives, but, in many instances, to exceed them. Adding to this impressive string of wins: the U.S. economy completed a calendar decade without a recession—a historical first. While investors would love more of the same, it is unlikely this period of windfall gains and low market volatility will persist for the next decade.

Large Cap stocks were strongly positive, with the S&P 500 and Russell 1000 indices posting returns of (+31.5%) and (+31.3%), respectively. Small Cap and Mid Cap indices underperformed large cap. Small Cap, as measured by the Russell 2500 Index, returned (+27.6%). The Russell Mid Cap Index measured by the Russell 2000 Index lagged the Small Cap and posted a return of (+25.4%). Of note, growth-oriented investments outperformed the value counterpart with the Russell 1000 Growth (+36.2%) outpacing the Russell 1000 Value (+26.4%).

Fixed income securities markets ended 2019 in the black, reversing declines experienced in 2018. Treasuries returned (+14.8%) for the year, with the assets strongest quarter coming in the first and second quarters of 2019. Municipal credit posted a return of (+7.5%) while the Bloomberg Barclays High Yield Index gained (+14.3%) in 2019. Spreads on high-yield credit narrowed for most part of 2019, but segments in the high-yield and bank loan markets showed signs of stress towards the end of 2019. On the other hand, the S&P LSTA Leveraged Loan Index returned (+10.6%) during the same period.

International Developed

International equity markets posted very strong results in 2019 and lagged behind U.S. equity markets, returning (+26.5%) as measured by the MSCI. In U.S. dollars, both Europe and Japan equities posted positive performance in 2019 with MSCI Europe returning (+23.7%) and MSCI Japan returning (+19.5%). Very strong returns in Europe were driven by the global positive market performance during 2019 unlike 2018 when Europe returned (-14.9%). The Small Cap portion of international developed markets posted even stronger returns in 2019, (+24.9%) compared with 2018, (-17.9%).

Fixed income markets in Europe and Japan are largely centered on government bonds, with corporate and asset-backed issuance making up a fraction of the overall markets. Global Treasuries were positive in 2019, following a negative year in 2018.

Emerging Markets

Emerging markets posted very strong returns in 2019, with performance lower than both U.S. and international developed markets across equity and debt. The broad MSCI emerging markets index returned (+18.3%) for the year. Emerging markets gained sharply in December, driven by hopes that the People's Bank of China will continue to ease its monetary policy to support growth.

The bond markets of emerging markets performed well in 2019 compared to its underperformance in 2018. Both hard currency and local currency bond posted a very strong year in performance. Hard currency bonds, which are predominately issued in U.S. dollars, returned (+12.6%) in 2019. Local currency bonds, which are issued in the local currency, returned (+13.5%) for the year.

Commodities

The Bloomberg Commodity Index rose (+7.7%) for the year while the New York Mercantile Exchange West Texas Index Crude Spot rose (+35.3%) and Midstream energy ended the year up more than (+24.0%). Residential gas prices in the Midwest are forecast to be nearly (+8.0%) higher this winter than last, and prices in the South and West are seen about (+5.0%) and (+3.0%) higher, respectively, while Northeast prices are forecast to decline (6.0%), helped by relatively low global prices for Liquefied Natural Gas and lower household natural gas consumption. The overall slight decline in heating expenses is aided by generally declining commodity prices.

Market Outlook

Central banks and governments have demonstrated, to varying degrees, their willingness to administer monetary and fiscal stimulus. That accommodative stance should continue in 2020. The U.S. Federal Reserve has already signaled its intention to keep interest rates on hold, providing more certainty for businesses. The re-convergence of U.S. interest rates with other developed markets will reduce upward pressure on the dollar. In addition, the impact of looser monetary policy, combined with a better trade backdrop, could spur the necessary investment and reform to fuel increased labor force participation and renewed productivity improvements.

Political risk, both at national and international levels, remains the great unknown. The long-term path of U.S.-China trade and cooperation is uncertain. A damaging “no-deal Brexit” is not entirely off the table. Tensions in the Middle East could risk sparking full-blown conflict. At the same time, 2020 primaries and Presidential elections in the U.S. will create uncertainty and could cause volatility as markets react to the policies and promises of the various candidates. Notwithstanding all of this, however, the current improvement in geo-political backdrop as compared with 2018, together with stimulus measures should support a modest acceleration in global growth in 2020. That growth, in turn, should lead to a moderate increase in demand for oil, putting a floor under the price, especially when global demand is met with sensible supply-side control from Organization of the Petroleum Exporting Countries.

Many analysts continue to believe emerging markets offer the most investment value, especially following the recent truce in trade relations between the U.S. and China. Furthermore, the opportunities for active management and excess returns appear more abundant in emerging economies. As a result, investors may be encouraged to overweight emerging market equities relative to developed market stocks. They may also opt to reduce exposure to high-yield and return-seeking credit in 2020, since market returns do not offer adequate compensation for the risk they hold. Safe-haven fixed income for instance, Treasuries and core bonds, despite low yields—remain vital for balancing risks within a diversified portfolio.

Impact of Covid-19

Covid-19 has continued to spread at a rapid pace around the world and has now been declared a global pandemic by the World Health Organization. This has caused a severe shock to the global economy pushing it into a deep and far reaching recession. Financial markets have responded with a huge drop in equities values, a rise in credit spreads and a flight to the safety of governments bonds.

In anticipation of the economic growth fallout, Standards & Poor's Global ratings lowered its forecast for global growth to just (+0.4%) this year and predicts a rebound to (+) in 2021. According to Bloomberg, the current second Quarter Gross Domestic Product average estimate of (-11.2%) annualized would be the worst post World War II quarter on record. However, worldwide central banks and governments announced fiscal and monetary rescue packages to soften the economic impact of the virus and the associated business disruptions. Geo-political tensions such as the trade war issues between the U.S. and China have moved into the background.

The Covid-19 outbreak has resulted in a significant decline in ridership and vehicle crossings. The decline in ridership and vehicle crossings have caused a material impact on the Metropolitan Transportation Authority's ("MTA") results of operations, financial position, and cash flows in fiscal 2020. In response to the adverse conditions, the MTA has secured funding under the "Coronavirus Aid, Relief and Economic Security Act" or "CARES Act"; received State of New York authorization to increase debt issuing capacity, including \$10 billion in deficit bonds; received State of New York authorization to use the Central Business District Tolling lockbox monies to fund COVID-19 operating costs; and has been granted flexibility to apply existing FTA grant program proceeds to operating costs or other purposes to address COVID-19 impacts. In addition, the volatility and uncertainty of the financial market have negatively affected the investment earnings of retirement plans. Although the long-term impact of the Covid-19 outbreak on the financial market is still unpredictable, it could have a negative impact on the market value of the Plan in future years.

Contact Information

This financial report is designed to provide a general overview of the Metropolitan Transportation Authority Deferred Compensation Program's finances. Questions concerning any data provided in this report or requests for additional information should be directed to the Deferred Compensation Department, Metropolitan Transportation Authority, 2 Broadway 10th Floor, New York, NY 10004.

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**METROPOLITAN TRANSPORTATION AUTHORITY
DEFERRED COMPENSATION PROGRAM**

**STATEMENTS OF PLANS NET POSITION
AS OF DECEMBER 31, 2019 AND DECEMBER 31, 2018
(\$ In THOUSANDS)**

	<u>2019</u>		<u>2018</u>	
	<u>457</u>	<u>401(k)</u>	<u>457</u>	<u>401(k)</u>
ASSETS:				
Investments at contract value	\$ 1,128,536	\$ 1,435,218	\$ 1,033,058	\$ 1,313,496
Investments at fair value- net asset value	2,005,739	2,887,279	1,601,965	2,286,394
Total investments	<u>3,134,275</u>	<u>4,322,497</u>	<u>2,635,023</u>	<u>3,599,890</u>
Other plan assets:				
Participant loans receivable	85,407	168,314	78,429	159,462
Total other plan assets	<u>85,407</u>	<u>168,314</u>	<u>78,429</u>	<u>159,462</u>
Total assets	<u>3,219,682</u>	<u>4,490,811</u>	<u>2,713,452</u>	<u>3,759,352</u>
LIABILITIES:				
Administrative expense reimbursement	420	837	377	721
Total liabilities	<u>420</u>	<u>837</u>	<u>377</u>	<u>721</u>
TOTAL NET POSITION				
RESTRICTED FOR BENEFITS	<u>\$ 3,219,262</u>	<u>\$ 4,489,974</u>	<u>\$ 2,713,075</u>	<u>\$ 3,758,631</u>

See notes to financial statements.

**METROPOLITAN TRANSPORTATION AUTHORITY
DEFERRED COMPENSATION PROGRAM**

**STATEMENTS OF CHANGES IN PLANS NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

(\$ In THOUSANDS)

	2019		2018	
	457	401(k)	457	401(k)
ADDITIONS:				
Investment Income:				
Net appreciation/(depreciation) in fair value of investments	\$ 430,855	\$ 609,308	\$ (96,820)	\$ (139,054)
Total investment income/(loss)	430,855	609,308	(96,820)	(139,054)
Contributions:				
Employee contributions, net	218,954	298,185	208,112	283,818
Participant rollovers	8,341	23,941	9,332	21,673
Employer contributions	-	4,402	-	4,392
Total contributions	227,295	326,528	217,444	309,883
Other additions:				
Loan repayments - interest	4,507	8,979	3,739	7,529
Total additions	662,657	944,815	124,363	178,358
DEDUCTIONS:				
Distribution to participants	82,974	107,396	67,372	87,379
Transfers to other plans	68,849	98,450	59,405	93,187
Net loan initiations/repayments	(127)	(117)	(72)	(184)
Loan defaults/offsets	3,156	4,566	2,544	3,592
Loan fees transfers to other plans	264	608	246	594
Other deductions	934	1,732	910	1,408
Administrative expense	420	837	377	721
Total deductions	156,470	213,472	130,782	186,697
Increase/(decrease) in net position	506,187	731,343	(6,419)	(8,339)
TOTAL NET POSITION				
RESTRICTED FOR BENEFITS				
Beginning of year	2,713,075	3,758,631	2,719,494	3,766,970
End of year	\$ 3,219,262	\$ 4,489,974	\$ 2,713,075	\$ 3,758,631

See notes to financial statements.

METROPOLITAN TRANSPORTATION AUTHORITY DEFERRED COMPENSATION PROGRAM

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(\$ in Thousands)

1. PLANS BACKGROUND AND DESCRIPTION

Description – The Deferred Compensation Program consists of two defined contribution plans that provide benefits based solely on the amounts contributed to each participant’s account(s), plus or minus any income, expenses and gains/losses. The Deferred Compensation Program is comprised of the Deferred Compensation Plan For Employees of the Metropolitan Transportation Authority (“MTA”), its Subsidiaries and Affiliates (“457 Plan”) and the Thrift Plan For Employees of the Metropolitan Transportation Authority, its Subsidiaries and Affiliates (“401(k) Plan”). Certain MTA Related Groups employees are eligible to participate in both deferred compensation plans. Both Plans are designed to have participant charges, including investment and other fees, cover the costs of administering the Deferred Compensation Program.

In 1984, the MTA established the 457 Plan to provide benefits competitive with private industry. Only managerial employees were permitted to participate in the Plan and investment options were limited to five funds: a Guaranteed Interest Fund, a Common Stock Fund, a Money Market Fund, a Managed Fund, and a Stock Index Fund. Pursuant to Internal Revenue Code (“Code”) Section 457, the MTA has established a trust or custodial account to hold plan assets for the exclusive benefit of the participants and their beneficiaries. Participation in the 457 Plan is now available to non-represented employees and, after collective bargaining, most represented employees. All amounts of compensation deferred under the 457 Plan, and all income attributable to such compensation, less expenses and fees, are held in trust for the exclusive benefit of the participants and their beneficiaries. Accordingly, the 457 Plan is not reflected on the MTA’s consolidated statements of net position.

In 1985, the MTA Board adopted the 401(k) Plan, a tax-qualified plan under section 401(k) of the Code. The 401(k) Plan remained dormant until 1988 when an IRS ruling "grandfathered" the plan under the Tax Reform Act of 1986. Participation in the 401(k) Plan is now available to non-represented employees and, after collective bargaining, most represented employees. All amounts of compensation deferred under the 401(k) Plan, and all income attributable to such compensation, less expenses and fees, are held in trust for the exclusive benefit of the participants and their beneficiaries. Accordingly, the 401(k) Plan is not reflected in the MTA consolidated statements of net position. The 401(k) Plan received a favorable determination letter from the Internal Revenue Service dated October 27, 2016.

As the Deferred Compensation Program’s asset base and contribution flow increased, participants’ investment options were expanded by the Deferred Compensation Committee with the advice of its Financial Advisor to provide greater diversification and flexibility. In 1988, after receiving an IRS determination letter for the 401(k) Plan, the MTA offered its managers the choice of either participating in the 457 Plan or the 401(k) Plan. By 1993, the MTA offered eight investment funds: a Guaranteed Interest Account Fund, a Money Market Fund, a Common Stock Fund, a Managed Fund, a Stock Index Fund, a Government Income Fund, an International Fund and a Growth Fund.

In 1998, the Deferred Compensation Committee approved the unbundling of the Plans. In 2008, the Plans' investment choices were re-structured to set up a four-tier strategy:

- Tier 1 – The MTA Asset Allocation Programs offer two options for those participants who would like to make retirement investing easy – the MTA Target Year Funds and Goalmaker. Investments will be automatically diversified among a range of investment options.
- Tier 2 - The MTA Index Funds offer a tier of index funds, which invest in the securities of companies that are included in a selected index, such as the Standard & Poor's 500 (large cap) Index or Barclays Capital U.S. Aggregate (bond) index. The typical objective of an index fund is to achieve approximately the same return as that specific market index. Index funds provide investors with lower-cost investments because they are less expensive to administer than actively managed funds.
- Tier 3 – The MTA Actively Managed Portfolios, which are comprised of actively managed portfolios that are directed by one or a team of professional managers who buy and sell a variety of holdings in an effort to outperform selected indices. The funds provide a diversified array of distinct asset classes, with a single option in each class. They combine the value and growth disciplines to create a 'core' portfolio for the mid-cap and international categories.
- Tier 4 – Self-Directed Mutual Fund Option is designed for the more experienced investors. Offers access to an expanded universe of mutual funds from hundreds of well-known mutual fund families. Participants may invest only a portion of their account balances in this Tier.

The two Plans offer the same array of investment options. Eligible participants in the Deferred Compensation Program include employees (and in the case of Metropolitan Suburban Bus Authority, former employees) of:

- MTA
- The Long Island Rail Road Company (“MTA Long Island Rail Road”)
- Triborough Bridge and Tunnel Authority (“MTA Bridges and Tunnels”)
- Metropolitan Suburban Bus Authority (“MTA Long Island Bus”)
- Metro-North Commuter Railroad Company (“MTA Metro-North Railroad”)
- New York City Transit Authority (“MTA New York City Transit”)
- Staten Island Rapid Transit Operating Authority (“MTA Staten Island Rapid Transit”)
- MTA Capital Construction Company (“MTA Capital Construction”)
- MTA Bus Company (“MTA Bus”)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The Deferred Compensation Program's (“Program”) 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 Plans. Contributions from members are recorded when the employer makes payroll deductions from plans' members. Additions to the Plans consist of contributions (member and employer) and net investment income. Investment purchases and sales are recorded as of trade date.

For financial reporting purposes, The MTA adheres to accounting principles generally accepted in the United States of America. The MTA Deferred Compensation Program applies all applicable pronouncements of the Governmental Accounting Standards Board (“GASB”).

New Accounting Standards Adopted – The Plans adopted GASB Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government’s fiduciary funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. There was no material impact on the Program’s financial statements as a result of the implementation of GASB Statement No. 84.

GASB Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*, provides temporary relief to government and other stakeholders in light of the COVID-19 pandemic. This objective is accomplished by postponing the effective dates of certain accounting and financial reporting provisions in Statements and Implementation Guides that first became effective for periods beginning after June 15, 2018 and later. GASB Statement No. 95 is effective immediately. The adoption of this Statement had no impact on the Plan’s financial statements. However, the Plan did update the required year of adoption for GASB Statement No. 92. Refer to Accounting Standards Issued but Not Yet Adopted for further details.

Recent Accounting Pronouncements — Not yet adopted but currently being reviewed

GASB Statement No.	GASB Accounting Standard	MTA DC Program Required Year of Adoption
92	<i>Omnibus 2020</i>	2022

Use of Estimates - The preparation of the Program’s financial statements in conformity with accounting principles generally accepted in the United States of America as prescribed by Government Accounting Standards Board (“GASB”). These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates which include fair market value of investments.

Investment Valuation and Income Recognition - Investments are stated at contract and NAV values as reported by Prudential (the “Trustee”). Net asset value is determined to be a practical expedient for measuring fair value. All investments are registered, with securities held by the Plans’ Trustee, in the name of the Plans. The values of the Plans’ investments are adjusted to contract and NAV values as of the last business day of the Plans’ year. Gains and losses on investments that were sold during the year are included in net appreciation/(depreciation) in contract and NAV values of investments.

3. INVESTMENTS

Investment Objective - The primary investment objective of the Program is to offer a set of investment options such that:

- Sufficient options are offered to allow participants to build portfolios consistent with their investment risk/return preferences.
- Each option is adequately diversified.
- Each option has a risk profile consistent with its position in the overall structure.
- Each option is managed so as to implement the desired risk profile of the asset class it represents.

Investment Guidelines - The Deferred Compensation Committee selects and executes agreements with qualified investment managers and/or funds which fulfill the criteria of the identified investment option. The Program is participant-directed and participants select from among the available investment options.

The investment options used to fund the various asset classes may be separately managed portfolios, commingled funds, or mutual funds. The Committee may from time to time modify the number and characteristics of the investment vehicles to be made available to participants within each investment option.

The specific investment vehicles chosen by the Committee must have appropriate investment characteristics and be managed by organizations which, by their record and experience, have demonstrated their investment expertise.

Such investment vehicles also should:

- Have sufficient assets under management so that the MTA account is not more than 10% of total strategy assets; strategy is defined as assets in all vehicles (separate accounts, collective trusts and mutual funds),
- Be well diversified,
- Have a minimum of three years of verifiable investment performance information,
- Have acceptable volatility in line with investment philosophy and process,
- Have the liquidity and/or marketability to pay benefit amounts to participants due under the terms of the Program, and
- Have a reasonable expense ratio.

Concentration of Credit Risk - Individual investments held by the Plans that represent 5.0% or more of the Plans' net position available for benefits at December 31, 2019 and 2018 are as follows:

Investment at contract value – December 31, 2019	457 Value	401(k) Value
MTA Stable Value Fund	\$1,036,674,998	\$1,303,583,126
Investment at NAV – December 31, 2019	457 Value	401(k) Value
MTA Large-Cap Core Portfolio	\$430,131,189	\$627,237,596
MTA Large-Cap Core Index Fund	394,677,297	560,387,932
MTA Small-Mid Cap Equity	274,670,108	394,182,932
MTA Bond Fund	-	236,727,139
MTA International Portfolio	183,396,605	279,204,071

Investment at contract value – December 31, 2018	457 Value	401(k) Value
MTA Stable Value Fund	\$958,439,519	\$1,204,877,264
Investment at NAV – December 31, 2018	457 Value	401(k) Value
MTA Large-Cap Core Portfolio	\$344,305,037	\$492,414,901
MTA Large-Cap Core Index Fund	305,229,629	430,864,188
MTA Small-Mid Cap Equity	224,531,708	314,375,533
MTA Bond Fund	-	189,732,351
MTA International Portfolio	140,622,695	211,308,400

The following table shows the contract and NAV values of investment in the various investment options at December 31, 2019 and 2018.

Investments at Contract and NAV Values at December 31, 2019

<u>Target-Year Lifecycle Funds</u>	<u>457 Value</u>	<u>401(k) Value</u>
MTA Target-Year Lifecycle 2015 Fund	\$ 40,860,493	\$ 56,798,914
MTA Target-Year Lifecycle 2020 Fund	43,590,029	60,407,446
MTA Target-Year Lifecycle 2025 Fund	115,224,714	172,424,153
MTA Target-Year Lifecycle 2030 Fund	47,832,623	71,795,079
MTA Target-Year Lifecycle 2035 Fund	84,244,781	135,921,351
MTA Target-Year Lifecycle 2040 Fund	28,191,086	42,208,417
MTA Target-Year Lifecycle 2045 Fund	43,759,890	67,213,923
MTA Target-Year Lifecycle 2050 Fund	25,296,003	29,887,751
MTA Target-Year Lifecycle 2055 Fund	1,685,179	2,592,130
MTA Target-Year Lifecycle 2060 Fund	607,540	548,224
MTA Target-Year Lifecycle 2065 Fund	1,271,516	722,697
MTA Income Fund	44,984,230	62,304,272
<u>International Equity Funds</u>		
MTA International Portfolio	183,396,605	279,204,071
MTA International Index Fund	26,090,947	30,048,234
<u>Small- Mid Cap Equity Funds</u>		
MTA Small-Mid Cap Portfolio	274,670,108	394,182,932
MTA Small-Mid Cap Index	123,406,087	142,048,697
<u>Large-Cap Equity Funds</u>		
MTA Large Cap Portfolio	430,131,189	627,237,596
MTA Large Cap Core Index Fund	394,677,297	560,387,932
<u>Bond Funds</u>		
MTA Bond Core Plus Portfolio	152,887,491	236,727,139
MTA Bond Aggregate Index Fund	31,577,319	41,472,733
<u>Stable Value Option</u>		
MTA Stable Value Fund	1,036,674,998	1,303,583,126
<u>Self-Directed Investment Account</u>	3,214,721	4,780,678
Total	\$ 3,134,274,846	\$ 4,322,497,495

Investments at Contract and NAV Values at December 31, 2018

<u>Target-Year Lifecycle Funds</u>		<u>457 Value</u>		<u>401(k) Value</u>
MTA Target-Year Lifecycle 2015 Fund	\$	39,539,976	\$	56,713,211
MTA Target-Year Lifecycle 2020 Fund		37,867,714		52,557,505
MTA Target-Year Lifecycle 2025 Fund		95,446,330		144,953,002
MTA Target-Year Lifecycle 2030 Fund		36,545,453		56,586,678
MTA Target-Year Lifecycle 2035 Fund		65,991,568		107,260,806
MTA Target-Year Lifecycle 2040 Fund		21,004,358		31,683,831
MTA Target-Year Lifecycle 2045 Fund		34,990,550		54,179,818
MTA Target-Year Lifecycle 2050 Fund		19,896,043		22,784,060
MTA Target-Year Lifecycle 2055 Fund		1,444,300		1,913,902
MTA Target-Year Lifecycle 2060 Fund		314,566		251,514
MTA Target-Year Lifecycle 2065 Fund		652,626		650,530
MTA Income Fund		41,022,758		58,506,954
<u>International Equity Funds</u>				
MTA International Portfolio		140,622,695		211,308,400
MTA International Index Fund		21,224,624		25,671,764
<u>Small- Mid Cap Equity Funds</u>				
MTA Small-Mid Cap Portfolio		224,531,708		314,375,533
MTA Small-Mid Cap Index		101,875,091		115,920,447
<u>Large-Cap Equity Funds</u>				
MTA Large Cap Portfolio		344,305,037		492,414,901
MTA Large Cap Core Index Fund		305,229,629		430,864,188
<u>Bond Funds</u>				
MTA Bond Core Plus Portfolio		122,073,473		189,732,351
MTA Bond Aggregate Index Fund		19,187,854		22,707,520
<u>Fixed Investment Option</u>				
MTA Stable Value Fund		958,439,519		1,204,877,264
<u>Self-Directed Investment Account</u>				
		2,817,576		3,975,818
Total	\$	2,635,023,448	\$	3,599,889,997

The following tables show the interest and/or dividends earned on investments and net appreciation/ (depreciation) for the years ended December 31, 2019 and 2018.

457 Investments at December 31, 2019

<u>Target-Year Lifecycle Funds</u>	<u>Cash Earnings</u>	<u>Appreciation/Depreciation in Fair Market Value - Net</u>
MTA Target-Year Lifecycle 2015 Fund	\$ -	\$4,234,409
MTA Target-Year Lifecycle 2020 Fund	-	5,208,160
MTA Target-Year Lifecycle 2025 Fund	-	16,175,338
MTA Target-Year Lifecycle 2030 Fund	-	7,512,396
MTA Target-Year Lifecycle 2035 Fund	-	14,869,928
MTA Target-Year Lifecycle 2040 Fund	-	5,063,382
MTA Target-Year Lifecycle 2045 Fund	-	8,339,690
MTA Target-Year Lifecycle 2050 Fund	-	4,842,154
MTA Target-Year Lifecycle 2055 Fund	-	339,139
MTA Target-Year Lifecycle 2060 Fund	-	99,493
MTA Target-Year Lifecycle 2065 Fund	-	158,712
MTA Income Fund	-	4,146,475
 <u>International Equity Funds</u>		
MTA International Portfolio	-	35,015,447
MTA International Index Fund	-	4,638,682
 <u>Small-Mid-Cap Equity Funds</u>		
MTA Small-Mid Cap Portfolio	-	56,700,793
MTA Small-Mid Cap Index Fund	-	27,951,710
 <u>Large-Cap Equity Funds</u>		
MTA Large Cap Portfolio	-	102,284,682
MTA Large Cap Index Fund	-	95,513,645
 <u>Bond Funds</u>		
MTA Bond Portfolio	-	9,859,493
MTA Bond Index Fund	-	1,939,041
 <u>Stable Value Option</u>		
MTA Stable Value Fund	1,378	25,348,891
 <u>Self-Directed Investment Account</u>		
	-	612,858
Total	\$1,378	\$430,854,518

457 Investments at December 31, 2018

<u>Target-Year Lifecycle Funds</u>	<u>Cash Earnings</u>	<u>Appreciation/(Depreciation) In Fair Market Value - Net</u>
MTA Target-Year Lifecycle 2015 Fund	\$ -	(\$964,936)
MTA Target-Year Lifecycle 2020 Fund	-	(1,424,373)
MTA Target-Year Lifecycle 2025 Fund	-	(5,220,249)
MTA Target-Year Lifecycle 2030 Fund	-	(2,673,305)
MTA Target-Year Lifecycle 2035 Fund	-	(5,820,881)
MTA Target-Year Lifecycle 2040 Fund	-	(2,026,385)
MTA Target-Year Lifecycle 2045 Fund	-	(3,624,076)
MTA Target-Year Lifecycle 2050 Fund	(1)	(2,097,093)
MTA Target-Year Lifecycle 2055 Fund	-	(162,507)
MTA Target-Year Lifecycle 2060 Fund	-	(20,193)
MTA Target-Year Lifecycle 2065 Fund	-	(81,735)
MTA Income Fund	-	(778,921)
 <u>International Equity Funds</u>		
MTA International Portfolio	(1)	(23,199,927)
MTA International Index Fund	30	(3,872,032)
 <u>Small-Mid-Cap Equity Funds</u>		
MTA Small-Mid Cap Portfolio	-	(22,741,667)
MTA Small-Mid Cap Index Fund	(67)	(10,958,112)
 <u>Large-Cap Equity Funds</u>		
MTA Large Cap Portfolio	(125)	(19,087,869)
MTA Large Cap Index Fund	31	(14,872,279)
 <u>Bond Funds</u>		
MTA Bond Portfolio	-	1,716,501
MTA Bond Index Fund	62	16,549
 <u>Stable Value Option</u>		
MTA Stable Value Fund	-	21,286,940
 <u>Self-Directed Investment Account</u>		
	-	(213,733)
<hr/>		
Total	(\$71)	(\$96,820,285)

401 (k) Investments at December 31, 2019

<u>Target-Year Lifecycle Funds</u>	<u>Cash Earnings</u>	<u>Appreciation/(Depreciation) In Fair Market Value - Net</u>
MTA Target-Year Lifecycle 2015 Fund	\$ -	\$6,018,412
MTA Target-Year Lifecycle 2020 Fund	-	7,250,832
MTA Target-Year Lifecycle 2025 Fund	-	24,260,963
MTA Target-Year Lifecycle 2030 Fund	-	11,507,515
MTA Target-Year Lifecycle 2035 Fund	2	24,135,189
MTA Target-Year Lifecycle 2040 Fund	-	7,583,142
MTA Target-Year Lifecycle 2045 Fund	-	12,926,940
MTA Target-Year Lifecycle 2050 Fund	-	5,640,545
MTA Target-Year Lifecycle 2055 Fund	-	485,482
MTA Target-Year Lifecycle 2060 Fund	-	81,212
MTA Target-Year Lifecycle 2065 Fund	-	151,192
MTA Income Fund	-	5,861,494
<u>International Equity Funds</u>		
MTA International Portfolio	410	53,059,484
MTA International Index Fund	8	5,499,481
<u>Small-Mid-Cap Equity Funds</u>		
MTA Small-Mid Cap Portfolio	417	79,959,807
MTA Small-Mid Cap Index Fund	304	31,980,564
<u>Large-Cap Equity Funds</u>		
MTA Large Cap Portfolio	550	147,679,894
MTA Large Cap Index Fund	831	134,786,245
<u>Bond Funds</u>		
MTA Bond Portfolio	141	15,255,580
MTA Bond Index Fund	-	2,370,388
<u>Stable Value Option</u>		
MTA Stable Value Fund	218	31,833,545
<u>Self-Directed Investment Account</u>		
	-	980,340
Total	\$2,881	\$609,308,245

401 (k) Investments at December 31, 2018

<u>Target-Year Lifecycle Funds</u>	<u>Cash</u> <u>Earnings</u>	<u>Appreciation/(Depreciation)</u> <u>In Fair Market Value - Net</u>
MTA Target-Year Lifecycle 2015 Fund	\$ -	(\$1,391,585)
MTA Target-Year Lifecycle 2020 Fund	-	(1,992,155)
MTA Target-Year Lifecycle 2025 Fund	-	(7,809,841)
MTA Target-Year Lifecycle 2030 Fund	-	(4,179,497)
MTA Target-Year Lifecycle 2035 Fund	159	(9,458,960)
MTA Target-Year Lifecycle 2040 Fund	-	(3,056,802)
MTA Target-Year Lifecycle 2045 Fund	-	(5,497,456)
MTA Target-Year Lifecycle 2050 Fund	-	(2,397,076)
MTA Target-Year Lifecycle 2055 Fund	-	(224,092)
MTA Target-Year Lifecycle 2060 Fund	-	(32,207)
MTA Target-Year Lifecycle 2065 Fund	-	(79,557)
MTA Income Fund	151	(1,107,782)
 <u>International Equity Funds</u>		
MTA International Portfolio	(80)	(34,878,408)
MTA International Index Fund	-	(4,774,905)
 <u>Small-Mid-Cap Equity Funds</u>		
MTA Small-Mid Cap Portfolio	45	(31,691,127)
MTA Small-Mid Cap Index Fund	(11)	(12,339,239)
 <u>Large-Cap Equity Funds</u>		
MTA Large Cap Portfolio	94	(26,646,239)
MTA Large Cap Index Fund	266	(20,492,874)
 <u>Bond Funds</u>		
MTA Bond Portfolio	-	2,663,521
MTA Bond Index Fund	1	257
 <u>Stable Value Option</u>		
MTA Stable Value Fund	(374)	26,700,986
 <u>Self-Directed Investment Account</u>		
	-	(369,074)
Total	\$251	(\$139,054,109)

Credit Risk – The investment alternatives offered under the Program are not guaranteed by any governmental body, including the MTA, and are not risk-free. The credit risk of the investment strategy in the various investment accounts is based upon the performance of the securities in the underlying portfolios. Investments in these investment strategies can be expected to increase or decrease in value depending upon market conditions. The Deferred Compensation Committee (the “Committee”), with the assistance of its independent investment consultant continuously monitors the program investment strategies pursuant to the investment policy and objectives. When the investment strategies are determined to not meet the criteria, the strategy is terminated as outlined by the investment policy statement.

At December 31, 2019, the following credit quality rating has been assigned by a nationally recognized statistical rating organization (“NRSRO”) to the Fixed Income Portfolio of the Plans:

Quality Rating	457		401(k)	
	457	Percentage of Fixed Income Portfolio	401(k)	Percentage of Fixed Income Portfolio
AAA	\$ 351,864,185	23.98%	\$ 478,231,361	24.44%
AA	64,870,567	4.42%	86,372,538	4.41%
A	167,836,756	11.44%	220,706,912	11.28%
BBB	195,329,515	13.31%	258,281,663	13.20%
BB	9,372,795	0.64%	14,249,368	0.73%
Below BB	7,842,153	0.53%	12,109,964	0.62%
Credit Risk Debt Securities	797,115,971	54.32%	1,069,951,807	54.68%
U.S. Government Bonds	670,195,468	45.68%	886,854,583	45.32%
Total fixed income securities	1,467,311,439	100.00%	1,956,806,390	100.00%
Other securities not rated - equity, international funds and corporate bonds	1,666,963,407		2,365,691,105	
Total investments	\$ 3,134,274,846		\$ 4,322,497,495	

At December 31, 2018, the following credit quality rating has been assigned by a nationally recognized statistical rating organization (“NRSRO”) to the Fixed Income Portfolio of the Plans:

<u>Quality Rating</u>	457		401(k)	
	<u>457</u>	<u>Percentage of Fixed Income Portfolio</u>	<u>401(k)</u>	<u>Percentage of Fixed Income Portfolio</u>
AAA	\$ 533,278,109	40.78%	\$ 709,224,728	40.70%
AA	58,183,754	4.45	78,045,548	4.48
A	150,798,714	11.53	198,336,923	11.38
BBB	169,109,429	12.93	224,080,163	12.86
BB	8,848,180	0.68	13,527,691	0.78
Below BB	<u>8,550,680</u>	<u>0.65</u>	<u>13,319,910</u>	<u>0.76</u>
Credit Risk Debt Securities	928,768,866	71.02	1,236,534,963	70.96
U.S. Government Bonds	<u>378,996,303</u>	<u>28.98</u>	<u>506,066,086</u>	<u>29.04</u>
Total fixed income securities	1,307,765,169	<u>100.00%</u>	1,742,601,050	<u>100.00%</u>
Other securities not rated - equity, international funds and corporate bonds	<u>1,327,258,279</u>		<u>1,857,288,947</u>	
Total investments	<u>\$ 2,635,023,448</u>		<u>\$ 3,599,889,997</u>	

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the contract and NAV values of the investment. Duration is a measure of sensitivity to interest rate risk. The greater the duration of a portfolio, the greater its principle value will fluctuate in response to a change in interest rate risk and vice versa. Modified duration is an indicator of bond price’s sensitivity and is the percentage change in a bond principle value given a 100-basis point parallel change in interest rates.

2019

<u>Investment Type</u>	<u>457</u>	<u>401(k)</u>	<u>Total</u>	<u>Duration</u>
Galliard Stable Value Fund	\$ 1,128,536,473	\$ 1,435,218,180	\$ 2,563,754,653	2.91 *
Loomis Sayles Core Plus Bond Fund	72,286,023	110,369,177	182,655,200	6.23
TCW Core Plus Bond Fund	74,476,509	113,713,698	188,190,206	5.97
SSgA Aggregate Bond Index Fund	72,286,023	110,369,177	182,655,200	2.55
SSgA Real Asset Fund	31,577,319	41,472,733	73,050,052	5.82
Wellington World Bond Fund	<u>49,226,540</u>	<u>72,323,706</u>	<u>121,550,246</u>	4.59
Total Fixed Income				
Portfolio Modified Duration	1,428,388,887	1,883,466,670	3,311,855,557	3.37
Investment with no duration reported	<u>1,705,885,959</u>	<u>2,439,030,825</u>	<u>4,144,916,785</u>	
Total investments	<u>\$ 3,134,274,846</u>	<u>\$ 4,322,497,495</u>	<u>\$ 7,456,772,341</u>	

* Portfolio Duration - the price sensitivity to yield and the rate of change of price with respect to yield due to the passage of time.

2018

<u>Investment Type</u>	<u>457</u>	<u>401(k)</u>	<u>Total</u>	<u>Duration</u>
Galliard Stable Value Fund	\$ 1,033,058,563	\$ 1,313,495,662	\$ 2,346,554,225	2.82 *
Loomis Sayles Core Plus Bond Fund	57,760,828	88,725,414	146,486,241	5.98
TCW Core Plus Bond Fund	60,434,612	92,832,568	153,267,180	5.86
SSgA Aggregate Bond Index Fund	19,187,854	22,707,520	41,895,374	5.86
SSgA Real Asset Fund	40,647,939	60,484,739	101,132,678	5.33
Wellington World Bond Fund	<u>58,876,380</u>	<u>90,438,994</u>	<u>149,315,375</u>	3.72
Total Fixed Income				
Portfolio Modified Duration	1,269,966,176	1,668,684,897	2,938,651,074	3.31
Investment with no duration reported	<u>1,365,057,272</u>	<u>1,931,205,100</u>	<u>3,296,262,372</u>	
Total investments	<u>\$ 2,635,023,448</u>	<u>\$ 3,599,889,997</u>	<u>\$ 6,234,913,446</u>	

* Portfolio Duration - the price sensitivity to yield and the rate of change of price with respect to yield due to the passage of time.

Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect the contract and NAV values of an investment or deposit. The Program has an indirect exposure to foreign currency fluctuations for the Plans' investments are as follows:

2019	457	401(k)	Total
<u>Currency</u>	<u>Holdings in</u> <u>U.S. Dollars</u>	<u>Holdings in</u> <u>U.S. Dollars</u>	<u>Holdings in</u> <u>U.S. Dollars</u>
Argentina	\$ 16,081	\$ 18,731	\$ 34,812
Australian Dollar	14,361,398	21,491,203	35,852,601
Austria	73,107	87,466	160,573
Bermudian Dollar	6,494	8,626	15,119
Brazil Cruzeiro Real	2,579,009	3,720,115	6,299,124
Canadian Dollar	10,457,182	15,124,126	25,581,308
Chilean Peso	(8,024)	(37,156)	(45,180)
Chinese Yuan Renminbi	3,797,845	4,964,117	8,761,962
Colombian Peso	(229)	(21,600)	(21,829)
Czech Krone	10,721	12,487	23,208
Danish Krone	10,187,421	15,400,833	25,588,254
Egyptian Pound	10,721	12,487	23,208
Euro	88,315,650	132,549,682	220,865,332
Guernsey Pound	21,585	28,672	50,257
Hong Kong Dollar	19,532,201	29,529,678	49,061,879
Hungarian Forint	(69,016)	(119,067)	(188,083)
Indian Rupee	4,891,387	7,222,910	12,114,297
Indonesia Rupiah	1,002,659	1,473,467	2,476,126
Israeli Shekel	194,184	240,179	434,364
Japanese Yen	71,701,589	107,877,889	179,579,478
Malaysian Ringgit	1,388,911	2,055,104	3,444,015
Mexican Peso	6,089,623	9,204,008	15,293,631
New Zealand Dollar	115,057	143,412	258,469
Norwegian Krone	2,666,142	4,035,102	6,701,244
Pakistan	40,758	58,842	99,600
Panamanian Balboa	29,824	39,616	69,440
Peruvian Nuevo Sol	111,834	158,978	270,812
Philippine Peso	175,920	222,719	398,639
Polish Zloty	(70,527)	(137,056)	(207,583)
Qatar Riyal	214,220	302,296	516,516
Russian Ruble	371,089	475,413	846,503
Saudi Arabia	331,580	433,312	764,892
Singapore Dollar	6,114,189	9,222,933	15,337,122
South African Rand	(154,219)	(392,161)	(546,380)
South Korean Won	6,959,013	10,278,647	17,237,660
Swedish Krona	14,065,860	21,279,933	35,345,793
Swiss Franc	23,678,975	35,512,038	59,191,013
New Taiwan Dollar	4,728,904	6,881,306	11,610,209
Thai Baht	928,420	1,348,518	2,276,938
Turkish Lira	30,878	32,222	63,100
United Arab Emirates Dirham	498,207	744,494	1,242,702
United Kingdom British Pound	54,930,919	82,450,490	137,381,408
Uruguayan Peses	220,973	336,926	557,899
Total	\$ 350,548,518	\$ 524,271,936	\$ 874,820,454

2018	457	401(k)	Total
<u>Currency</u>	<u>Holdings in</u>	<u>Holdings in</u>	<u>Holdings in</u>
	<u>U.S. Dollars</u>	<u>U.S. Dollars</u>	<u>U.S. Dollars</u>
Australian Dollar	\$ 8,793,065	\$ 13,050,739	\$ 21,843,804
Bermudian Dollar	1,561	1,873	3,434
Brazil Cruzeiro Real	3,300,217	4,898,224	8,198,441
British Pound Sterling	45,599,328	68,534,733	114,134,061
Canadian Dollar	10,967,016	16,189,185	27,156,201
Chilean Peso	85,710	106,984	192,694
Chinese Yuan Renminbi	2,805,239	3,795,779	6,601,018
Colombian Peso	1,685	(16,488)	(14,803)
Czech Krone	8,743	10,724	19,467
Danish Krone	5,539,605	8,358,223	13,897,828
Egyptian Pound	8,743	10,724	19,467
Euro	75,414,803	113,476,315	188,891,118
Hong Kong Dollar	15,125,758	22,864,436	37,990,194
Hungarian Forint	77,715	109,340	187,055
Indian Rupee	4,745,537	7,056,646	11,802,183
Indonesia Rupiah	847,506	1,250,705	2,098,211
Israeli Shekel	231,185	315,494	546,679
Japanese Yen	55,337,539	83,589,901	138,927,440
Macau	2,510	3,012	5,522
Malaysian Ringgit	1,385,093	2,065,099	3,450,192
Mexican Peso	2,033,564	3,038,570	5,072,134
New Zealand Dollar	(1,239,769)	(1,952,319)	(3,192,088)
Norwegian Krone	712,940	1,042,566	1,755,506
Panamanian Balboa	13,720	16,465	30,185
Peruvian Nuevo Sol	(19,266)	(40,377)	(59,643)
Philippine Peso	340,739	491,751	832,490
Polish Zloty	680,970	1,032,334	1,713,304
Qatar Riyal	285,871	417,178	703,049
Russian Ruble	25,164	(21,601)	3,563
Singapore Dollar	5,871,826	8,878,327	14,750,153
South African Rand	836,168	1,168,649	2,004,817
South Korean Won	5,544,690	8,199,855	13,744,545
Swedish Krona	5,982,817	8,960,118	14,942,935
Swiss Franc	19,796,408	29,879,298	49,675,706
New Taiwan Dollar	2,963,673	4,313,629	7,277,302
Thai Baht	874,289	1,291,720	2,166,009
Turkish Lira	634,707	961,181	1,595,888
United Arab Emirates Dirham	462,995	693,358	1,156,353
Uruguayan Pesos	199,653	307,275	506,928
Other	298,066	357,718	655,784
Total	\$ 276,577,783	\$ 414,707,343	\$ 691,285,126

In year 2015, the MTA Deferred Compensation Program adopted GASB Statement No. 72 (“GASB 72”), *Fair Value Measurement and Application*. GASB 72 was issued to address accounting and financial reporting issues related to fair value measurements.

**Investments measured at Contract and NAV values
(\$ In thousands)**

	2019			
	December 31, 2019	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
457 Plan				
Equity Securities:				
Commingled large-cap equity funds	\$ 922,233	\$ -	Daily	None
Commingled Small-mid cap equity funds	123,406	-	Daily	None
Separate Manager Account: Small-Mid cap equity funds	209,357	-	Daily	None
Small-Mid cap equity mutual fund	103,116	-	Daily	None
Commingled international equity fund	185,325	-	Daily	None
Separate Manager Account: International equity mutual fund	159,234	-	Daily	None
Total equity securities	1,702,671	-		
Debt Securities				
Commingled debt funds	176,149	-	Daily	None
Separate Manager Account: debt funds	74,477	-	Daily	None
Total debt securities	250,626	-		
Real assets				
Commingled real asset equity fund	49,227	-	Daily	None
Total real assets	49,227	-		
Other:				
Self direct investment option	3,215	-	Daily	None
Total other	3,215	-		
Total investments measured at the NAV	2,005,739	-		
Investments measured at Contract Value	1,128,536	-		
Total investments	\$ 3,134,275	\$ -		

**Investments measured at Contract and NAV values
(\$ In thousands)**

	2019			
	December 31, 2019	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
401(k) Plan				
Equity Securities:				
Commingled large-cap equity funds	\$ 1,332,332	\$ -	Daily	None
Commingled Small-mid cap equity funds	142,049	-	Daily	None
Separate Manager Account: Small-Mid cap equity funds	301,610	-	Daily	None
Small-Mid cap equity mutual fund	148,554	-	Daily	None
Commingled international equity fund	269,876	-	Daily	None
Separate Manager Account: International equity mutual fund	239,828	-	Daily	None
Total equity securities	2,434,249	-		
Debt Securities				
Commingled debt funds	262,211	-	Daily	None
Separate Manager Account: debt funds	113,714	-	Daily	None
Total debt securities	375,925	-		
Real assets				
Commingled real asset equity fund	72,324	-	Daily	None
Total real assets	72,324	-		
Other:				
Self direct investment option	4,781	-	Daily	None
Total other	4,781	-		
Total investments measured at the NAV	2,887,279	-		
Investments measured at Contract Value	1,435,218	-		
Total investments	\$ 4,322,497	\$ -		

Investments measured at Contract and NAV values
(\$ In thousands)

	2018			
	December 31, 2018	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
457 Plan				
Equity Securities:				
Commingled large-cap equity funds	\$ 730,411	\$ -	Daily	None
Commingled Small-mid cap equity funds	101,875	-	Daily	None
Separate Manager Account: Small-Mid cap equity funds	171,439	-	Daily	None
Small-Mid cap equity mutual fund	84,439	-	Daily	None
Commingled international equity fund	147,650	-	Daily	None
Separate Manager Account: International equity mutual fund	126,425	-	Daily	None
Total equity securities	1,362,239	-		
Debt Securities				
Commingled debt funds	135,825	-	Daily	None
Separate Manager Account: debt funds	60,435	-	Daily	None
Total debt securities	196,260	-		
Real assets				
Commingled real asset equity fund	40,648	-	Daily	None
Total real assets	40,648	-		
Other:				
Self direct investment option	2,818	-	Daily	None
Total other	2,818	-		
Total investments measured at the NAV	1,601,965	-		
Investments measured at Contract Value	1,033,058	-		
Total investments	\$ 2,635,023	\$ -		

Investments measured at Contract and NAV values
(\$ In thousands)

	2018			
	December 31, 2018	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
401(k) Plan				
Equity Securities:				
Commingled large-cap equity funds	\$ 1,044,705	\$ -	Daily	None
Commingled Small-mid cap equity funds	115,920	-	Daily	None
Separate Manager Account: Small-Mid cap equity funds	242,052	-	Daily	None
Small-Mid cap equity mutual fund	119,218	-	Daily	None
Commingled international equity fund	215,503	-	Daily	None
Separate Manager Account: International equity mutual fund	189,831	-	Daily	None
Total equity securities	1,927,229	-		
Debt Securities				
Commingled debt funds	201,872	-	Daily	None
Separate Manager Account: debt funds	92,832	-	Daily	None
Total debt securities	294,704	-		
Real assets				
Commingled real asset equity fund	60,485	-	Daily	None
Total real assets	60,485	-		
Other:				
Self direct investment option	3,976	-	Daily	None
Total other	3,976	-		
Total investments measured at the NAV	2,286,394	-		
Investments measured at Contract Value	1,313,496	-		
Total investments	\$ 3,599,890	\$ -		

Investments Measured at Contract Value

Stable Value Funds - Stable value funds typically have three components. The first component is primarily comprised of Investment Contracts issued by banks and insurance companies. The Investment Contracts help to assure that participants can transact at book value (principal plus accrued interest) as well as maintain a relatively stable return profile for the portfolio. Generally, contract issuers are rated "investment grade" by at least one of the Nationally Recognized Statistical Rating Organizations at time of purchase that are able to do business in New York State. The second component consists of an underlying portfolio

of fixed income securities which are subject to the Investment Contracts and are often referred to as "underlying securities". Finally, the portfolio may also hold cash or cash equivalents. The Stable Value fund return is expected to be higher than that of a 3-year Constant Maturity Treasury + 0.5% with similar volatility over the long-term.

Investments Measured at NAV

Commingled Funds - The fair values of the investments of this type have been determined using the NAV per share of the investments. The commingled equity funds are comprised of large cap, small and mid-cap funds and international funds that invest in core indices across all industries, growth and value respectively. The commingled debt funds are comprised of corporate, treasuries and international fixed income securities.

Separate Manager Account (SMAs) – This investment vehicle follows a single-style strategy, with funds comprised of large cap fixed, large cap value and large cap growth. These three separate SMAs allow the MTA to impose reasonable stock and bonds sector preferences and restrictions on the securities in the accounts. The two equity SMAs are co-invested with external managers through Prudential Securities. The fair values of the investments in this vehicle are determined using the NAV per share of the investments by the external manager. Prudential Securities whom the MTA holds a contractual agreement with and whom controls the investments, revalues the NAV per share after certain expense deductions and provides the MTA with its percentage allocation on an annual basis.

Small-Mid Cap Funds - This investment option has four institutional investments funds - two growth and two value investment strategies with the objective of matching the return and risk characteristics of the Russell Small Cap Completeness Index or a similar index which measures the broad U.S. small and mid-capitalization equity market. The option's investment profile is long term capital growth through a combination of capital appreciation and to a lesser extent reinvested dividend income. The investment option is expected to have high volatility over a market cycle. The fair values of the investments in these types have been determined using the NAV per share of the investments.

Real Assets – The fund represents an optimal solution for an inflation hedging strategy and incorporates a diversified multi asset class approach. The fund strategic weights which are rebalanced monthly are as follows: 25% Bloomberg Roll Select Commodity Index; 25% Standard and Poor's (r) Global Larger Mid Cap Commodity & Resources Index; 10% Standard and Poor's Global Infrastructure Equity Index; 15% Dow Jones US Select REIT Index and 25% Barclays US TIPS Index. The fair values of the investments of this type have been determined using the NAV per share of the investments.

Self-Direct Brokerage Accounts – The Deferred Compensation program allows participants the option to invest up to twenty (20) percent of their account in over 500 mutual fund families comprising of more than 15,000 individual mutual funds. All investments under this option are in mutual funds and are measured at the respective fund NAVs.

4. CONTRIBUTIONS

Employer Contributions - MTA Bus, on behalf of certain MTA Bus employees, MTA Metro-North Railroad on behalf of certain MNR employees who opted-out of participation in the MTA Defined Benefit Pension Plan and MTA on behalf of certain represented MTA Business Service Center employees, make contributions to the 401(k) Plan. The rate for the employer contribution varies.

MTA Bus – Effective in 2019, there are no employees receiving these Employer Contributions. Prior to 2019, certain members who were employed by Queens Surface Corporation on February 26, 2005, and who became employees of MTA Bus on February 27, 2005, receive a matching contribution equal to 50% of member's before-tax contributions provided that the maximum matching contribution shall not exceed 3% of the member's base pay. MTA Bus also made a basic contribution equal to 2% of the member's compensation. These contributions vest as follows:

Years of Service	Vested Percentage
Less than 2	0%
2	20%
3	40%
4	60%
5	80%
6 or more	100%

MTA Metro-North Railroad – MNR employees represented by certain unions and who elected to opt-out of participation in the MTA Defined Benefit Pension Plan receive an annual employer contribution equal to 4% of the member’s compensation. Effective on the first full pay period following the nineteenth anniversary date of an eligible MNR member’s continuous employment, MTA Metro-North Railroad contributes an amount equal to 7% of the member’s compensation. Eligible MNR members vest in these employer contributions as set forth below:

Years of Service	Vested Percentage
Less than 5	0%
5 or more	100%

MTA Headquarters - Police - For each plan year, the MTA shall make contributions to the Account of each eligible MTA Police Benevolent Association member in the amounts required by the collective bargaining agreement (“CBA”) and subject to the contribution limits set forth in the CBA. These contributions shall be made monthly and shall be considered MTA Police contributions. Members are immediately 100% vested in these employer contributions.

MTA Headquarters – Commanding Officers - For each plan year, the MTA shall make contributions to the Account of each eligible MTA Police Department Commanding Officers Association Benevolent Association member in the amounts required by the collective bargaining agreement (“CBA”) and subject to the contribution limits set forth in the CBA. These contributions shall be made monthly and shall be considered MTA Police contributions. Members are immediately 100% vested in these employer contributions.

MTA Headquarters – Business Services Center - Effective January 1, 2011, all newly hired MTA Business Services Center employees represented by the Transportation Communications Union are eligible to receive a matching contribution, up to a maximum of 3% of the participant’s compensation. A participant’s right to the balance in his or her matching contributions shall upon the first of the following to occur:

1. Completing 5 years of service,
2. Attaining the Normal Retirement Age of 62 while in continuous employment, or
3. Death while in continuous employment.

Additional Deposits (Incoming Rollover or Transfers) - Participants in the Deferred Compensation Program are eligible to roll over both their before-tax and after-tax assets from other eligible retirement plans into the 401(k) and 457 Plans.

Status - As of December 31, 2019 and 2018, 36.2% and 35.1% of the eligible employees were enrolled in the 457 Plan and 53.8% and 52.0% of the eligible employees were enrolled in the 401(k) Plan, respectively. There are 33,858 and 32,910 active participants in the 457 Plan and 48,217 and 46,849 active participants in the 401(k) Plan as of December 31, 2019 and 2018, respectively. The average account balance in the 457 Plan is \$70,309 and \$61,038 and in the 401(k) Plan is \$72,068 and \$62,023 in 2019 and 2018, respectively.

5. DISTRIBUTIONS

In-Service Withdrawals - A 457 Plan participant who experiences an unforeseeable emergency (as defined by the Code) may apply for a withdrawal. A 401(k) Plan participant who experiences an immediate and heavy financial need (as defined by the Code) may apply for a withdrawal by filing a hardship application. Distributions are subject to applicable taxes and penalties.

Direct Transfer for Purchasing Permissive Service Credit - Participants in the 457 or 401(k) Plans are eligible to use their Plan assets as a source of funding for the purchase of certain permissive service credits (as defined by the Code) in certain defined benefit plan or pension systems, via a direct transfer.

Distribution of Benefits - Upon a participant's severance from the MTA, the participant is entitled to receive an amount equal to the value of his or her vested account, to be paid in accordance with one of the methods described below. Participants can choose to remain in the Plans and are not required to withdraw, roll over or transfer their account upon severance.

Commencement date - Subject to required minimum distribution rules, a participant may elect any commencement date after severance. A participant has the option to cancel or change their distribution schedule at any time upon proper notice to the Plans Record-keeper. Upon reaching the later of April 1st of the calendar year following: (1) the calendar year he or she reaches age 70 ½, or (2) the calendar year in which he or she severs from the MTA, participants are required to receive a minimum distribution from their account.

Method of Distribution for Direct Payment - If a participant chooses; the following methods of distribution are available under the Plans:

- Full lump sum payment; or
- Substantially equivalent monthly, quarterly, semi-annual or annual installment payments; or
- Any other amount of payment, subject to the required minimum distribution rules.

Election of Length of Distribution - If a participant elects installment payments, he or she may specify either:

- the total number of installment payments, or
- the dollar amount of each payment.

In either case, distributions cannot be paid over a period of time which exceeds the life expectancy of the participant or, in certain circumstances, the joint life expectancy of the participant and a "designated beneficiary" (as defined by the Code). Installment payments will be recalculated annually and will be paid only until the account is exhausted.

Rollovers or Transfers Out of the Plans - If a participant chooses to transfer or roll over his or her Deferred Compensation account, or a portion thereof, it must be to an eligible retirement plan (401(a), 457, 401(k), 403(b) or rollover IRA). 457 Plan and 401(k) Plan participants are eligible to roll over or transfer their account balance(s) upon severance from service.

6. LOANS

The MTA Deferred Compensation Program offers participants the opportunity to borrow from either one or both Plans simultaneously. The MTA Plans permit one loan from the 457 Plan and up to two loans from the 401(k) Plan. However, participants are limited to a total of two loans. Thus, as a participant of both the 401(k) and the 457 Plans, a participant can have either two 401(k) loans or the combination of a 401(k) loan and a 457 loan. The MTA offers two types of loans: the first is a "General Purpose Loan", which is a five-year loan and can be for any purpose. The second is a "Residential Loan", which is a loan for a primary residence and is a 20-year loan. For the Residential Loan, a signed contract to purchase the residence is

necessary. Loan re-payment is made through payroll deduction. If a participant with an outstanding loan leaves the employment of the MTA, the participant may request to make coupon payments.

The minimum loan amount is \$1,000. The maximum amount of an approved loan may not exceed the lesser of: (i) 50 percent of the participant's 457 or 401(k) Plan account balance; or (ii) \$50,000 less the combined balance of all outstanding loans that a participant may have under the Program. All loans are subject to interest at prime rate plus 1 percent. A loan origination fee of \$75.00 is deducted from the approved loan amount. Active MTA employee participants may not borrow from amounts attributable to Metro-North contributions, MTA Police contributions, MTA Police Commanding Officers' Association contributions, MTA Business Service Center, Matching Contributions and Roth Elective Deferrals. The net loans outstanding for the 457 plan is \$85.41 million and \$78.43 million at December 31, 2019 and 2018, respectively, and for the 401(k) Plan was \$168.31 million and \$159.46 million at December 31, 2019 and 2018, respectively.

7. ADDITIONAL PLAN INFORMATION

Participation - Eligible employees are allowed to participate in the 401(k) Plan and/or the 457 Plan upon employment with the MTA and its affiliates or subsidiaries. The record-keeper/trustee maintains a website, along with a telephone voice response system, or participants may use paper enrollment forms, for Program activities. Participants may make or suspend deferrals; may increase or decrease, in multiples of 1 percent, the percentage of wages to be deferred or any whole dollar amount; may change the investment option of future deferrals or initiate account transfers between investment options in multiples of 1 percent or any dollar amount. There is no restriction on the number of times a participant may change the amount of future deferrals. An employee participating in both the 457 Plan and 401(k) Plan who wishes to make any changes must do so independently for each Plan. An employee who has severed service from the MTA may rejoin the 457 Plan, the 401(k) Plan, or both and become an active participant after returning to service to the MTA by following the procedures set forth above.

Excessive Trading Policy - MTA has an Excessive Trading policy in place for the Plans. This policy monitors trading activity in investment options, utilizing criteria such as frequency of trades, dollar amount of the trades, and number of buys and sells performed by the participant. Activity exceeding established thresholds can be deemed excessive trading. The Excessive Trading policy defines excessive trading as one or more trades into and out of the same investment option within a rolling 30-day period when each trade is over \$25,000. Automatic or system-driven transactions are not considered excessive trading. This includes contributions or loan repayments by payroll deductions, re-mapping transactions, hardship withdrawals, regularly scheduled or periodic distributions or periodic rebalancing through a systematic rebalancing program that is not initiated by the Program.

Maximum Deferrals - A participant in the 457 Plan or the 401(k) Plan could have deferred up to \$19,000 plus an additional \$6,000 for participants age 50 and over in calendar year 2019 or up to \$18,500 plus an additional \$6,000 for participants age 50 and over in calendar year 2018. Alternatively, for the 457 Plan, under certain circumstances, a participant may double the annual maximum contribution during each of the last three years prior to reaching his or her designated "Normal Retirement Age" ("Retirement Catch-Up Amount") if less than the maximum was deferred during earlier years. Participants may not make both the Retirement Catch-Up and the Age 50 Catch-Up to the 457 Plan in the same year.

Membership – As of December 31, 2019 and 2018, the Plans' membership with balances consisted of:

	2019		2018	
	457	401(k)	457	401(k)
Active employees	33,858	48,217	32,910	46,849
Terminated/Inactive employees	10,699	11,704	9,746	10,463
Total active and inactive members	<u>44,557</u>	<u>59,921</u>	<u>42,656</u>	<u>57,312</u>
Vested employees	44,557	59,687	42,656	57,057

Maintenance of Accounts - For both the 457 Plan and the 401(k) Plan, the record-keeper establishes an account for each participant to which any amounts deferred, transferred or distributed under the Plans are credited or charged, including, as specified in the Participation Agreement or any amendment thereto, any increase or decrease in the value of the investment options. The Plans are not responsible for any decrease in the value of a participant's account.

Plans' Funding and Expense Payment - The MTA Deferred Compensation Program charges participants' quarterly administrative fees. These fees cover participant directed activities, communications, and administrative expenses. They also cover the cost of the Program's third-party administrator, the investment advisor, outside legal counsel, in-house legal counsel and staff salaries and benefits.

8. TRUSTEE AND OTHER PROFESSIONAL SERVICES

The Trustee for the MTA is Prudential Bank & Trust, Federal Savings Bank. Record-keeper and/or Administrative Services are provided by Prudential Retirement Insurance & Annuity Company ("PRIAC"). Investment management services are provided by PRIAC and Galliard Capital Management: separate accounts are managed by Denver Investment Advisors, Conestoga Capital Advisors, and TCW-Metropolitan West Asset Management. The Financial Advisor is Mercer Investment Consulting Inc., which reviews the investment policies adopted by the Investment Committee, the Plans' portfolio and the Investment Managers' performance.

9. SUBSEQUENT EVENTS

On December 12, 2019, the Deferred Compensation Committee adopted changes to the hardship distribution rules. The 2018 Budget Act and Regulations relax 401(k) hardship distribution restrictions, generally making it easier for participants to take distributions. Participants no longer have to take a loan before taking a hardship distribution and the six-month suspension of contributions has been eliminated. Additional contribution sources now include earnings on contributions, including post-1988 earnings on 401(k) deferrals, safe harbor matching or non-elective employer contributions, QNECs and QMACs.

On April 8, 2020, the Deferred Compensation Committee adopted the CARES Act provisions. The Coronavirus, Aid, Relief and Economic Security ("CARES") Act was signed into law by President Trump on March 27, 2020. Participants can request a Coronavirus-related distribution ("CRD") which will allow them to withdraw up to \$100,000 without the 10% early withdrawal penalty and without the typical 20% federal withholdings. They have to meet certain criteria but if eligible they can spread the tax liability over a three-year period. They also have the option to pay back the money into the Plan within three years. The maximum loan amount has been increased to \$100,000 or 100% of the participants balance. Participants can also elect to suspend their loan repayments for the rest of 2020. The Required Minimum Distribution ("RMD") age has increased from age 70 ½ to 72. For 2020, RMDs can be waived if elected by the participant.

MTA Capital Construction Company has been renamed MTA Construction and Development Company, was pursuant to an amendment to Public Authorities Law Section 1266(5) and will be reported as such in the future.

The COVID-19 pandemic during 2020 has significantly disrupted financial markets, economies and other events subsequent to December 31, 2019. As noted in the risk and uncertainties note, investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities 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 statements of net assets available for benefits and the statement of changes in net assets available for benefits.

The Covid-19 outbreak has resulted in a significant decline in ridership and vehicle crossings. The decline in ridership and vehicle crossings have caused a material impact on the MTA's results of operations, financial position, and cash flows in fiscal 2020. In response to the adverse conditions, the MTA has secured funding under the "Coronavirus Aid, Relief and Economic Security Act" or "CARES Act"; received State of New York authorization to increase debt issuing capacity, including \$10 billion in deficit bonds; received State of New York authorization to use the Central Business District Tolling lockbox monies to fund COVID-19 operating costs; and has been granted flexibility to apply existing FTA grant program proceeds to operating costs or other purposes to address COVID-19 impacts. In addition, the volatility and uncertainty of the financial market have negatively affected the investment earnings of retirement plans. Although the long-term impact of the Covid-19 outbreak on the financial market is still unpredictable, it could have a negative impact on the market value of the Plan in future years.

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