

Metropolitan Transportation Authority Deferred Compensation Program

Financial Statements as of and for the
Years Ended December 31, 2016 and 2015, 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 "401K Plan"), (collectively the "Plans") as of December 31, 2016 and 2015, 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.

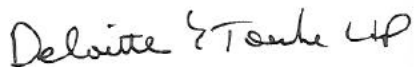
Opinion

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, 2016 and 2015, 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.

A handwritten signature in dark ink, appearing to read "Deloitte & Touche LLP", is positioned above the date.

February 22, 2018

METROPOLITAN TRANSPORTATION AUTHORITY DEFERRED COMPENSATION PROGRAM

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2016 AND 2015

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, 2016 and 2015. 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”) value. 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 values 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 \$2.332 billion and the assets of the 401(k) plan exceeded its liabilities by \$3.212 billion as of December 31,

2016. 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 \$2.136 billion and the assets of the 401(k) plan exceeded its liabilities by \$2.924 billion as of December 31, 2015. This net position restricted for benefits is held in trust for distribution to the Plans participants and/or beneficiaries.

During 2016, the net positions held in trust for the 457 Plan and the 401(k) Plan increased by \$196.228 million and \$287.309 million, respectively, due primarily to net investment income and employer and employee contributions to the plans. This was offset by distributions to participants and plan expenses.

During 2015, the net positions held in trust for the 457 Plan and the 401(k) Plan increased by \$125.425 million and \$168.033 million, respectively, due primarily to net investment income and employer and employee contributions to the plans. This was offset by distributions to participants and plan expenses.

Deductions from the Plans' net position consist primarily of distributions to participant and transfers to other plans, and plan expenses in the amounts of \$101.769 million and \$95.365 million for the 457 Plan and \$136.773 million and \$135.914 million for the 401(k) Plan for the year ended December 31, 2016 and 2015, respectively.

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

457 Plan

				Amount of Change		Percentage Change	
	2016	2015	2014	(2016 - 2015)	(2015 - 2014)	(2016 - 2015)	(2015 - 2014)
ASSETS:							
Investments	\$ 2,262,973	\$ 2,069,184	\$ 1,949,962	\$ 193,789	\$ 119,222	9.4%	6.1%
Participant loans receivable	69,815	67,361	60,849	2,454	6,512	3.6	10.7
Total assets	2,332,788	2,136,545	2,010,811	196,243	125,734	9.2	6.3
LIABILITIES:							
Administrative expense							
reimbursement	390	375	66	15	309	4.0	468.2
Total liabilities	390	375	66	15	309	4.0	468.2
TOTAL NET POSITION							
RESTRICTED FOR BENEFITS	\$ 2,332,398	\$ 2,136,170	\$ 2,010,745	\$ 196,228	\$ 125,425	9.2%	6.2%

401K Plan

				Amount of Change		Percentage Change	
	2016	2015	2014	(2016 - 2015)	(2015 - 2014)	(2016 - 2015)	(2015 - 2014)
ASSETS:							
Investments	\$ 3,076,148	\$ 2,794,983	\$ 2,637,807	\$ 281,165	\$ 157,176	10.1%	6.0%
Participant loans receivable	136,075	129,902	118,639	6,173	11,263	4.8	9.5
Total assets	3,212,223	2,924,885	2,756,446	287,338	168,439	9.8	6.1
LIABILITIES:							
Administrative expense							
reimbursement	501	472	66	29	406	14.0	615.2
Total liabilities	501	472	66	29	406	14.0	615.2
TOTAL NET POSITION							
RESTRICTED FOR BENEFITS	\$ 3,211,722	\$ 2,924,413	\$ 2,756,380	\$ 287,309	\$ 168,033	9.8%	6.1%

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

457 Plan

				Amount of Change		Percentage Change	
	2016	2015	2014	(2016 - 2015)	(2015 - 2014)	(2016 - 2015)	(2015 - 2014)
ADDITIONS:							
Investment income:	\$ 117,182	\$ 36,997	\$ 84,328	\$ 80,185	\$ (47,331)	216.7 %	(56.1)%
Contributions and additional deposits	177,851	181,031	202,375	(3,180)	(21,344)	(1.8)	10.6
Loan repayments - interest	2,964	2,762	2,541	202	221	7.3	8.7
Total additions	297,997	220,790	289,244	77,207	(68,454)	35.0	(23.7)
DEDUCTIONS:							
Distribution to participants	50,120	47,642	42,368	2,478	5,274	5.2	12.5
Transfers to other plans	48,242	43,881	47,317	4,361	(3,436)	9.9	(7.3)
Net participant loan activity	1,735	1,778	1,850	(43)	(72)	(2.4)	(3.9)
Other	1,672	2,064	1,776	(392)	288	(19.0)	16.2
	101,769	95,365	93,311	6,404	2,054	6.7	2.2
Increase in net position	196,228	125,425	195,933	70,803	(70,508)	56.5	(36.0)
TOTAL NET POSITION RESTRICTED FOR BENEFITS							
Beginning of year	2,136,170	2,010,745	1,814,812	125,425	195,933	6.2	10.8
End of year	\$ 2,332,398	\$ 2,136,170	\$ 2,010,745	\$ 196,228	\$ 125,425	9.2 %	6.2 %

401K Plan

				Amount of Change		Percentage Change	
	2016	2015	2014	(2016 - 2015)	(2015 - 2014)	(2016 - 2015)	(2015 - 2014)
ADDITIONS:							
Investment income:	\$ 164,042	\$ 49,879	\$ 118,282	\$ 114,163	\$ (68,403)	228.9 %	(57.8)%
Contributions and additional deposits	254,327	248,732	261,753	5,595	(13,021)	2.3	5.0
Loan repayments - interest	5,713	5,336	4,973	377	363	7.1	7.3
Total additions	424,082	303,947	385,008	120,135	(81,061)	39.5	21.1
DEDUCTIONS:							
Distribution to participants	63,287	58,729	49,663	4,558	9,066	7.8	18.3
Transfers to other plans	69,067	71,819	64,409	(2,752)	7,410	(3.8)	11.5
Net participant loan activity	2,379	2,548	2,254	(169)	294	(6.6)	13.1
Other	2,040	2,818	2,979	(778)	(161)	(27.6)	(5.4)
	136,773	135,914	119,305	859	16,609	0.6	13.9
Increase in net position	287,309	168,033	265,703	119,276	(97,670)	71.3	(36.8)
TOTAL NET POSITION RESTRICTED FOR BENEFITS							
Beginning of year	2,924,413	2,756,380	2,490,677	168,033	265,703	6.1	10.7
End of year	\$ 3,211,722	\$ 2,924,413	\$ 2,756,380	\$ 287,309	\$ 168,033	9.8 %	6.1 %

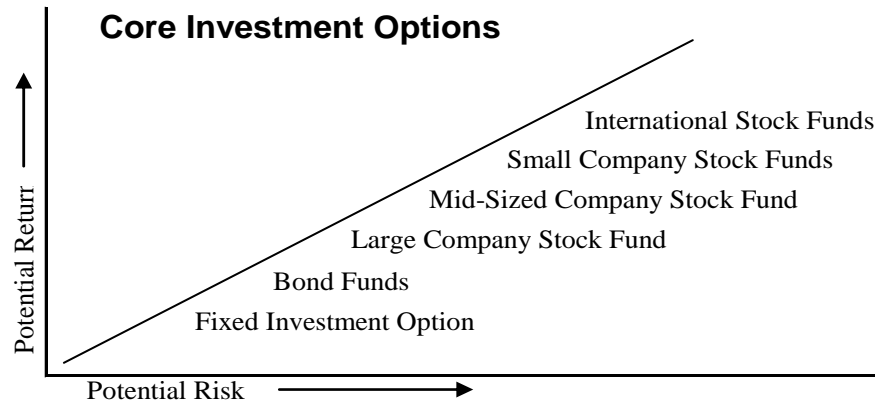
Investment Options

The MTA Plans offer ten (10) 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 12% Mid Cap 2% Small Cap 2% International Equity 16% Market Bonds 18% Stable Value 38% Real Asset 12%	MTA Large Cap Core Index Fund 6% MTA Large Cap Core Portfolio 6% MTA Mid Cap Core Portfolio 2% MTA Small Cap Core Portfolio 2% MTA International Portfolio 16% MTA Fixed Income Portfolio 18% MTA Stable Value Fund 38% MTA Real Asset Fund 12%
MTA Target-Year Lifecycle 2020 Fund	Large Cap 16% Mid Cap 2% Small Cap 2% International Equity 20% Market Bonds 21% Stable Value 29% Real Asset 10%	MTA Large Cap Core Index Fund 8% MTA Large Cap Core Portfolio 8% MTA Mid Cap Core Portfolio 2% MTA Small Cap Core Portfolio 2% MTA International Portfolio 20% MTA Fixed Income Portfolio 21% MTA Stable Value Fund 29% MTA Real Asset Fund 10%
MTA Target-Year Lifecycle 2025 Fund	Large Cap 21% Mid Cap 3% Small Cap 3% International Equity 26% Market Bonds 22% Stable Value 15% Real Asset 10%	MTA Large Cap Core Index Fund 13% MTA Large Cap Core Portfolio 8% MTA Mid Cap Core Portfolio 3% MTA Small Cap Core Portfolio 3% MTA International Portfolio 26% MTA Fixed Income Portfolio 22% MTA Stable Value Fund 15% MTA Real Asset Fund 10%
MTA Target-Year Lifecycle 2030 Fund	Large Cap 21% Mid Cap 4% Small Cap 4% International Equity 29% Market Bonds 25% Stable Value 7% Real Asset 10%	MTA Large Cap Core Index Fund 13% MTA Large Cap Core Portfolio 8% MTA Mid Cap Core Portfolio 4% MTA Small Cap Core Portfolio 4% MTA International Portfolio 29% MTA Fixed Income Portfolio 25% MTA Stable Value Fund 7% MTA Real Asset Fund 10%

Fund Name	Asset Class	Portfolio Allocations
MTA Target-Year Lifecycle 2035 Fund	Large Cap 22% Mid Cap 5% Small Cap 5% International Equity 32% Market Bonds 26% Real Asset 10%	MTA Large Cap Core Index Fund 12% MTA Large Cap Core Portfolio 10% MTA Mid Cap Core Portfolio 5% MTA Small Cap Core Portfolio 5% MTA International Portfolio 32% MTA Fixed Income Portfolio 26% MTA Real Asset Fund 10%
MTA Target-Year Lifecycle 2040 Fund	Large Cap 25% Mid Cap 7% Small Cap 7% International Equity 38% Market Bonds 13% Real Asset 10%	MTA Large Cap Core Index Fund 11% MTA Large Cap Core Portfolio 14% MTA Mid Cap Core Portfolio 7% MTA Small Cap Core Portfolio 7% MTA International Portfolio 38% MTA Fixed Income Portfolio 13% MTA Real Asset Fund 10%
MTA Target-Year Lifecycle 2045 Fund	Large Cap 27% Mid Cap 8% Small Cap 8% International Equity 42% Market Bonds 5% Real Asset 10%	MTA Large Cap Core Index Fund 11% MTA Large Cap Core Portfolio 16% MTA Mid Cap Core Portfolio 8% MTA Small Cap Core Portfolio 8% MTA International Portfolio 42% MTA Fixed Income Portfolio 5% MTA Real Asset Fund 10%
MTA Target-Year Lifecycle 2050 Fund	Large Cap 27% Mid Cap 8% Small Cap 8% International Equity 42% Market Bonds 5% Real Asset 10%	MTA Large Cap Core Index Fund 9% MTA Large Cap Core Portfolio 18% MTA Mid Cap Core Portfolio 8% MTA Small Cap Core Portfolio 8% MTA International Portfolio 42% MTA Fixed Income Portfolio 5% MTA Real Asset Fund 10%
MTA Target-Year Lifecycle 2055 Fund	Large Cap 27% Mid Cap 8% Small Cap 8% International Equity 42% Market Bonds 5% Real Asset 10%	MTA Large Cap Core Index Fund 9% MTA Large Cap Core Portfolio 18% MTA Mid Cap Core Portfolio 8% MTA Small Cap Core Portfolio 8% MTA International Portfolio 42% MTA Fixed Income Portfolio 5% MTA Real Asset Fund 10%
MTA Income Fund	Large Cap 8% Mid Cap 1% Small Cap 1% International Equity 10% Market Bonds 12% Stable Value 51% Real Asset 17%	MTA Large Cap Core Index Fund 4% MTA Large Cap Core Portfolio 4% MTA Mid Cap Core Portfolio 1% MTA Small Cap Core Portfolio 1% MTA International Portfolio 10% MTA Fixed Income Portfolio 12% MTA Stable Value Fund 51% MTA Real Asset Fund 17%

In addition to the ten Target-Year lifecycle funds, the Plans offer a spectrum of investment options that include two international funds, two small company stock funds, two mid-size company stock funds, two large company stock funds, two 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 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 Portfolio (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.
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-Cap Equity Funds

MTA Small Cap Core Index Fund (Small Cap Stock-Blend) - The fund invests wholly in the SSgA Russell Small Cap Index Fund Class S (the Collective Investment Trust C.I.T.). The C.I.T. Fund seeks an investment return that approximates as closely as practicable, before expenses, the performance of the Russell 2000 Index over the long term.

MTA Small Cap Core Portfolio (Small 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. **The Conestoga Small Cap Growth Fund** (Small Growth) - This Custom Plan Investment Option is advised by Conestoga Capital Advisors LLC, following their Small Cap Growth Strategy. The Strategy seeks long-term capital appreciation.
2. **The Denver Small Cap Value Fund** (Small Value) - This Custom Plan Investment Option is advised by Denver Investment Advisors LLC. The strategy seeks to achieve long-term capital appreciation primarily through investments in dividend paying companies with small capitalizations whose stocks appear to be undervalued.

Mid-Cap Equity Funds

MTA Mid Cap Core Index Fund (Mid Cap Stock-Blend) - The fund invests wholly in the SSgA S&P Mid Cap Index Non-Lending – Class C (the Collective Investment Trust C.I.T.). The C.I.T. Fund seeks an investment return that approximates as closely as practicable, before expenses, the performance of the S&P MidCap 400 Index over the long term.

MTA Mid Cap Core Portfolio (Mid 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. **Mid Cap Growth / Frontier Capital Fund** (Mid Cap Stock-Growth) - This Separate Account is advised by Frontier Capital Management Company LLC following its Mid Cap Growth Equity investment strategy. The fund seeks to provide capital appreciation and outperform the Russell MidCap Growth Index over the long term. The securities of mid-capitalization companies involve greater risks than those associated with larger, more established companies and may be subject to more abrupt or erratic price movements.
2. **Vanguard Selected Value Fund** (Mid Cap Value) - The fund is advised by Barrow, Hanley, Mewhinney & Strauss Inc. The investment seeks long-term capital appreciation and income. The fund invests mainly in the stocks of mid-size U.S. companies, choosing stocks considered by an advisor to be undervalued. Undervalued stocks are generally those that are out of favor with investors and are trading at prices that the advisor feels are below average in relation to measures such as earnings and book value. These stocks often have above-average dividend yields.

Large-Cap Equity Funds

MTA Large Cap Core Index Fund (Large Cap Stock-Blend) - The Fund invests wholly in the Vanguard Institutional Index Fund Institutional Plus Shares. The investment seeks to track the performance of a benchmark index that measures the investment return of large capitalization stocks. The fund 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 Core Portfolio (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 Separate Account 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 Separate Account 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.

Fixed Income Funds

MTA Bond Aggregate 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 to match, as closely as possible, before expenses, the performance of the Bloomberg Barclays U.S. Aggregate Bond Index over the long term.

MTA Fixed Income Portfolio (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 portfolio 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 Collective Investment Trust Fund 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. **Wellington World Bond Portfolio** (Fixed Income) - The Collective Investment Trust Fund is sub-advised by Wellington Management Company, LLP. The objective of the World Bond approach is to generate consistent total returns over a full market cycle. World Bond 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.

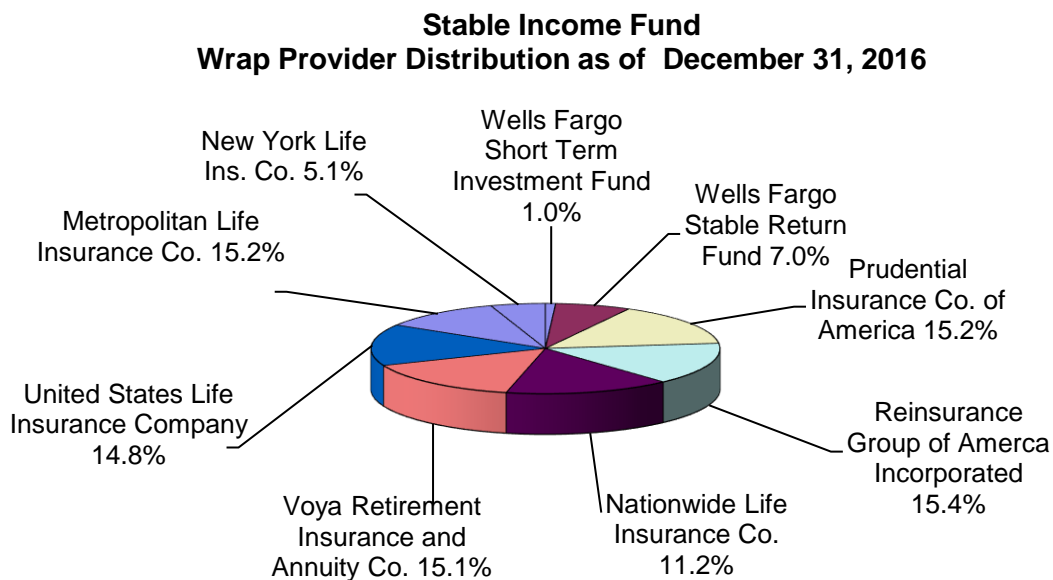
Stable Value Option

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.

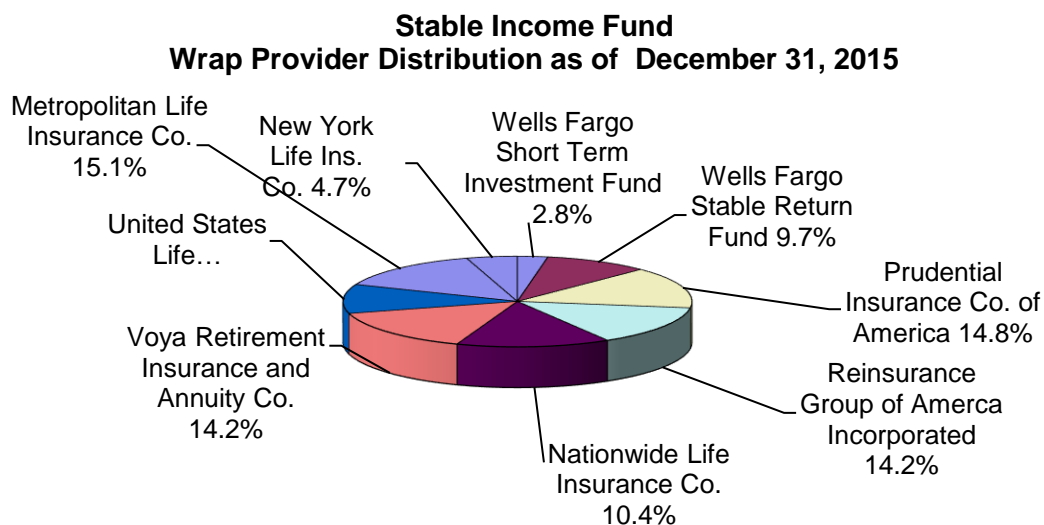
Separate Account GICs are GICs issued by an insurance company and are maintained within a separate account. Separate Account GICs are typically backed by segregated portfolios of fixed income securities.

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, 2016 and 2015.



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



*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, 2016

Stable Value

	3 Months	1 Year	3 Years	5 Years	7 Years
MTA Stable Value	0.5%	2.0%	1.9%	2.2%	2.5%
Galliard 5YrCMT+50bps	0.4%	1.5%	1.8%	1.7%	1.8%

Fixed Income

	3 Months	1 Year	3 Years	5 Years	7 Years
SSgA Aggregate Bond Index Fund	-3.0%	2.6%	3.0%	2.2%	3.6%
Barclays U.S. Aggregate	-3.0%	2.6%	3.0%	2.2%	3.6%
Loomis Sayles Core Plus Bond	-2.3%	7.0%	NA	NA	NA
Barclays U.S. Aggregate	-3.0%	2.6%	3.0%	2.2%	3.6%
TCW MetWest Core Plus Fixed Income	-2.6%	2.6%	NA	NA	NA
Barclays U.S. Aggregate	-3.0%	2.6%	3.0%	2.2%	3.6%
Wellington World Bond Fund	-1.4%	2.1%	NA	NA	NA
Citigroup World Government Bond	-8.5%	1.6%	-0.8%	-1.0%	0.9%

Domestic Equity

	3 Months	1 Year	3 Years	5 Years	7 Years
Vanguard Institutional Index Fund Institutional Plus	3.8%	12.0%	8.9%	14.7%	12.8%
S&P 500	3.8%	12.0%	8.9%	14.7%	12.8%
T Rowe Price Large Cap Value Fund (Prudential Separate Account)	5.4%	16.0%	8.3%	14.9%	12.3%
Russell 1000 Value	6.7%	17.3%	8.6%	14.8%	12.7%
Jennison Large Cap Growth (Prudential Separate Account)	-1.8%	0.4%	7.0%	14.3%	11.8%
Russell 1000 Growth	1.0%	7.1%	8.6%	14.5%	13.0%
SSgA S&P 400 Mid Cap Index	7.4%	20.7%	9.0%	15.3%	14.2%
S&P 400 MidCap	7.4%	20.7%	9.0%	15.3%	14.2%
Vanguard Selected Value Fund Investor	8.8%	16.3%	6.0%	14.3%	13.0%
Russell Midcap Value	5.5%	20.0%	9.5%	15.7%	14.3%
Frontier Mid Cap Growth (Prudential Separate Account)	-0.3%	5.5%	6.5%	13.8%	12.3%
Russell Midcap Growth	0.5%	7.3%	6.2%	13.5%	12.9%
SSgA Russell 2000 Index	8.8%	21.3%	6.7%	14.4%	13.2%
Russell 2000	8.8%	21.3%	6.7%	14.5%	13.2%
Denver Small Cap Value (Separate Account)	16.4%	31.5%	9.2%	NA	NA
Russell 2000 Value	14.1%	31.7%	8.3%	15.1%	13.1%
Conestoga Small Cap Growth (Separate Account)	5.2%	14.9%	4.4%	NA	NA
Russell 2000 Growth	3.6%	11.3%	5.1%	13.7%	13.2%

Performance Summary

Year ended December 31, 2016 (continued)

International Equity

	3 Months	1 Year	3 Years	5 Years	7 Years
SSgA MSCI ACWI ex-U.S. IMI Index	-1.6%	5.2%	-1.3%	5.5%	NA
MSCI AC Wld ex US IMI Net	-1.6%	4.4%	-1.4%	5.3%	3.3%
William Blair Institutional International Growth Fund	-4.2%	-2.7%	-1.8%	7.0%	5.5%
MSCI AC Wld ex U.S. Growth Net WHT	-5.8%	0.1%	-1.0%	5.6%	3.8%
Mondrian ACWI ex US CIT	-1.7%	4.1%	NA	NA	NA
MSCI AC Wld ex US Value Net WHT	3.3%	8.9%	-2.4%	4.6%	2.3%

Diversified Inflation

	3 Months	1 Year	3 Years	5 Years	7 Years
SSgA Real Asset	0.4%	14.2%	-1.0%	-0.1%	NA
SSgA Custom Real Asset Index	0.5%	14.3%	-0.9%	0.0%	NA

Lifecycle

	3 Months	1 Year	3 Years	5 Years	7 Years
MTA Income	0.1%	4.8%	2.9%	3.7%	4.2%
MTA Income Composite Index	0.0%	5.3%	3.0%	3.5%	4.0%
MTA 2015	0.0%	4.7%	3.0%	4.7%	5.3%
MTA 2015 Composite Index	-0.2%	5.7%	3.2%	4.5%	5.2%
MTA 2020	-0.1%	4.7%	3.0%	5.4%	5.7%
MTA 2020 Composite Index	-0.2%	6.0%	3.3%	5.2%	5.6%
MTA 2025	-0.1%	5.3%	3.3%	6.7%	6.6%
MTA 2025 Composite Index	-0.1%	7.0%	3.7%	6.4%	6.6%
MTA 2030	-0.1%	5.6%	3.4%	7.1%	6.8%
MTA 2030 Composite Index	-0.2%	7.5%	3.8%	6.8%	7.2%
MTA 2035	-0.1%	5.8%	3.5%	7.7%	7.2%
MTA 2035 Composite Index	-0.2%	8.0%	4.0%	7.3%	7.1%
MTA 2040	0.3%	6.0%	3.7%	9.0%	7.9%
MTA 2040 Composite Index	0.7%	9.0%	4.3%	8.7%	8.0%
MTA 2045	0.5%	6.1%	3.6%	9.8%	8.5%
MTA 2045 Composite Index	1.3%	9.5%	4.1%	9.6%	8.5%
MTA 2050	0.5%	6.1%	3.5%	10.0%	8.6%
MTA 2050 Composite Index	1.3%	9.5%	3.9%	9.8%	8.6%
MTA 2055	0.5%	6.1%	NA	NA	NA
MTA 2055 Composite Index	1.3%	9.5%	3.9%	9.8%	8.6%

Performance Summary

Year ended December 31, 2015

Stable Value

	3 Months	1 Year	3 Years	5 Years	7 Years
MTA Stable Value	.5%	1.9%	2.1%	2.4%	2.9%
Galliard 5YrCMT+50bps	.4%	1.8%	1.9%	1.8%	2.0%

Fixed Income

	3 Months	1 Year	3 Years	5 Years	7 Years
SSgA Aggregate Bond Index Fund	-0.5%	0.6%	1.4%	3.2%	4.1%
Barclays U.S. Aggregate	-0.6%	0.6%	1.4%	3.3%	4.1%
Loomis Sayles Core Plus Bond	-0.6%	NA	NA	NA	NA
Barclays U.S. Aggregate	-0.6%	0.6%	1.4%	3.3%	4.1%
TCW MetWest Core Plus Fixed Income	-0.4%	NA	NA	NA	NA
Barclays U.S. Aggregate	-0.6%	0.6%	1.4%	3.3%	4.1%
Wellington World Bond Fund	-0.7%	NA	NA	NA	NA
Barclays U.S. Aggregate	-0.6%	0.6%	1.4%	3.3%	4.1%

Domestic Equity

	3 Months	1 Year	3 Years	5 Years	7 Years
Vanguard Institutional Index Fund Institutional Plus	7.1%	1.4%	15.1%	12.6%	14.8%
S&P 500	7.0%	1.4%	15.1%	12.6%	14.8%
T Rowe Price Large Cap Value Fund (Prudential Separate Account)	7.8%	-3.2%	NA	NA	NA
Russell 1000 Value	5.6%	-3.8%	13.1%	11.3%	13.0%
Jennison Large Cap Growth (Prudential Separate Account)	8.3%	10.9%	18.6%	14.3%	17.5%
Russell 1000 Growth	7.3%	5.7%	16.8%	13.5%	17.1%
SSgA S&P 400 Mid Cap Index	2.6%	-2.2%	12.7%	10.6%	16.3%
S&P 400 MidCap	2.6%	-2.2%	12.8%	10.7%	16.4%
Vanguard Selected Value Fund Investor	3.4%	-3.8%	13.3%	11.0%	15.5%
Russell Midcap Value	3.1%	-4.8%	13.4%	11.3%	16.2%
Frontier Mid Cap Growth (Prudential Separate Account)	2.1%	3.0%	15.3%	11.6%	16.2%
Russell Midcap Growth	4.1%	-0.2%	14.9%	11.5%	18.0%
SSgA Russell 2000 Index	3.6%	-4.4%	11.6%	9.1%	13.9%
Russell 2000	3.6%	-4.4%	11.7%	9.2%	14.0%
Denver Small Cap Value (Separate Account)	1.6%	-7.3%	NA	NA	NA
Russell 2000 Value	2.9%	-7.5%	9.1%	7.7%	11.7%
Conestoga Small Cap Growth (Separate Account)	8.7%	7.6%	NA	NA	NA
Russell 2000 Growth	4.3%	-1.4%	14.3%	10.7%	16.3%

Performance Summary

Year ended December 31, 2015 (continued)

International Equity

	3 Months	1 Year	3 Years	5 Years	7 Years
SSgA MSCI ACWI ex-U.S. IMI Index	3.0%	-4.5%	1.7%	NA	NA
MSCI AC World ex U.S. Net	3.5%	-4.6%	2.0%	1.3%	8.1%
William Blair Institutional International Growth Fund	4.8%	0.1%	5.0%	4.4%	11.4%
MSCI AC World ex U.S. Growth Net WHT	5.0%	-1.3%	3.5%	2.1%	8.4%
Target International Equity Portfolio Q	4.2%	1.9%	4.6%	NA	NA
MSCI AC World ex U.S. Value Net WHT	1.4%	-10.1%	-0.6%	-0.1%	6.5%
MSCI EAFE Value NET WHT	2.7%	-5.7%	3.1%	2.5%	6.7%

Diversified Inflation

	3 Months	1 Year	3 Years	5 Years	7 Years
SSgA Real Asset	-1.9%	-14.1%	-6.8%	-2.8%	NA
SSgA Custom Real Asset Index	-1.9%	-14.1%	-6.7%	-2.7%	NA

Lifecycle

	3 Months	1 Year	3 Years	5 Years	7 Years
MTA Income	1.0%	1.0%	2.3%	3.5%	4.7%
MTA Income Composite Index	0.7%	0.3%	2.0%	3.4%	4.4%
MTA 2015	1.6%	1.0%	3.4%	4.3%	7.2%
MTA 2015 Composite Index	1.2%	-0.01%	3.1%	4.1%	6.2%
MTA 2020	2.1%	1.0%	4.2%	4.9%	7.9%
MTA 2020 Composite Index	1.6%	-0.4%	3.7%	4.5%	6.9%
MTA 2025	2.7%	0.9%	5.5%	5.7%	8.9%
MTA 2025 Composite Index	2.1%	-0.8%	4.9%	5.3%	8.1%
MTA 2030	2.9%	0.8%	5.9%	5.9%	9.4%
MTA 2030 Composite Index	2.3%	-1.0%	5.2%	5.5%	9.4%
MTA 2035	3.1%	0.7%	6.4%	6.3%	10.0%
MTA 2035 Composite Index	2.5%	-1.3%	5.6%	5.8%	9.2%
MTA 2040	3.9%	1.0%	8.1%	7.0%	11.1%
MTA 2040 Composite Index	3.2%	-1.5%	7.1%	6.5%	10.4%
MTA 2045	4.4%	0.9%	9.1%	7.4%	11.9%
MTA 2045 Composite Index	3.8%	-2.1%	8.0%	6.9%	11.4%
MTA 2050	4.4%	0.8%	9.4%	7.6%	12.2%
MTA 2050 Composite Index	4.0%	-2.2%	8.2%	7.0%	11.6%
MTA 2055¹	NA	NA	NA	NA	NA
MTA 2055 Composite Index	NA	NA	NA	NA	NA

¹ The MTA 2055 Fund was added to the Program on December 16, 2015.

The table below summarizes the Plans' investments by category at December 31, 2016:

FUND INVESTMENT SUMMARY

Investment at Contract and NAV Values	457		401k	
	Allocation		Allocation	
Target-Year Lifecycle Funds	\$337,361,658	14.91%	\$511,083,782	16.61%
International Equity Funds	116,728,024	5.16	171,361,857	5.57
Small-Cap Equity Funds	118,205,125	5.22	166,365,725	5.41
Mid-Cap Equity Funds	173,715,288	7.68	225,750,953	7.34
Large-Cap Equity Funds	521,273,769	23.03	756,369,579	24.59
Bond Funds	108,333,099	4.79	159,628,660	5.19
Stable Income Fund	884,832,829	39.10	1,082,051,737	35.18
Self-Directed Investment Option	2,522,819	0.11	3,535,728	0.11
Total Investments	\$2,262,972,611	100%	\$3,076,148,021	100%

The table below summarizes the Plans' investments by category at December 31, 2015:

FUND INVESTMENT SUMMARY

Investment at Contract and NAV Values	457		401k	
	Allocation		Allocation	
Target-Year Lifecycle Funds	\$318,524,684	15.39%	\$476,611,941	17.05%
International Equity Funds	105,779,549	5.11	154,481,314	5.53
Small-Cap Equity Funds	94,927,646	4.59	132,230,414	4.73
Mid-Cap Equity Funds	156,530,472	7.57	201,497,979	7.21
Large-Cap Equity Funds	498,720,278	24.10	715,264,509	25.59
Bond Funds	86,716,130	4.19	126,838,507	4.54
Stable Income Fund	805,593,393	38.93	984,627,394	35.23
Self-Directed Investment Option	2,391,986	0.12	3,430,742	0.12
Total Investments	\$2,069,184,138	100%	\$2,794,982,800	100%

At December 31, 2016, the investment option holding the largest portion of participants' funds in both the 457 and 401(k) Plans was the Stable Income Funds with 39.10% and 35.18% of invested funds, respectively. This was followed by the Large-Cap Equity Funds with 23.03% and 24.59% of invested 457 and 401(k) funds, respectively.

At December 31, 2015, the investment option holding the largest portion of participants' funds in both the 457 and 401(k) Plans was the Stable Income Funds with 38.93% and 35.23% of invested funds, respectively. This was followed by the Large-Cap Equity Funds with 24.10% and 25.59% of invested 457 and 401(k) funds, respectively.

Economic Factors

Market Overview and Outlook – 2016

Despite investors entering the year with a myriad of concerns; such as soft economic growth in the United States (“U.S.”) and China, elevated valuations in nearly every market and asset class, and rising geopolitical tensions, performance proved to be robust and resilient across almost all major markets. After a weak 2015 appetite for risk was hearty as equities continued to march ever higher in the U.S., Japan, and Emerging Markets and returns were strong in the riskier corners of fixed income in investment grade, high yield, and emerging markets bonds.

Market performance was framed by a rather benign macro environment, albeit with some transitory complications. In 2015, eyes had turned toward a weakening Chinese economy, resulting in commodity markets continuing their steep decline and volatility rising across the equity and fixed income markets. Emerging markets, particularly those centered on commodities where demand is tied to Chinese growth, experienced sharp declines in 2015. As the calendar flipped from 2015 to 2016, these concerns dissipated and emerging markets rallied significantly off their 2015 lows. Europe was again in the headlines, this time as Brexit caused momentary anxiety that evaporated within days of the history-making vote. Nonetheless, Europe and the United Kingdom were among the few markets to post negative performance for 2016.

In the U.S., the Federal Reserve held off raising interest rates until December, well off the pace and trajectory forecast by markets heading into 2016. The December raise came weeks after Donald Trump’s election to the Presidency, which fueled a strong equities market push in the 4th quarter behind expectations for regulatory reform, repeal of the Affordable Care Act, and a re-writing of the U.S. Tax Code. How realistic these expectations are will play out in 2017 and 2018 ahead of the mid-term election cycle will remain to be seen.

Macro Themes

- Tepid global growth continuing
- Central Bank policy divergence, U.S. tightening while Europe and Japan eases
- China reforms; turmoil in emerging markets and commodities
- High valuations and increasing leverage

The macro picture was framed by tepid global growth in 2016, with the likelihood that below average economic performance would continue into 2017 and 2018. Developed markets look to remain lukewarm, with Gross Domestic Product (“GDP”) growth struggling to break through the (+3.0%) level globally and perhaps likely to fall short in the U.S., Europe, or Japan in 2017 or 2018 according to both the International Monetary Fund (“IMF”) and World Bank. Inflation remains subdued across the developed markets while currency depreciation in emerging markets have led to spikes in inflation. The U.S. is in an environment where short-term interest rates will likely rise over the next two years; Europe and Japan are in a decidedly different place. Weak demand and low inflation in Europe and Japan have led to further central bank intervention and easing. The continued European Central Bank intervention in credit and bond markets may lead to problems down the road. In emerging markets, central banks have moved to increase interest rates in order to tame both inflation and capital outflows. The slower pace of U.S. interest rate increases has continued to result in a U.S. dollar weakening a bit from highs in 2015 and 2016, potentially easing some strain on the U.S. manufacturing and exporting sectors.

Europe continues to be impacted by high levels of public debt, fractious politics and low economic growth. Like emerging markets, a significant portion of Europe’s export engine is tied to Chinese demand and growth. Lower growth in China will place pressures on Europe, in particular net exporters, such as Germany. Debt levels have not yet moderated post-financial crisis and flare-ups in periphery countries, such as in Greece, Portugal, Italy, and Spain, are likely to continue as growth remains challenged and reforms and austerity lose support. Banks will continue their deleveraging cycle should new rules (Basel III) on risk capital are implemented. In Japan, where banks are in better health, high public debt, low growth, a weakening regional economic picture, and aging demographics will challenge the government in delivering their growth and inflation targets.

Emerging markets posted solid returns in 2016 as the impact of capital flows due to the U.S. interest rate increases were much lower than expected. The main emerging markets, Brazil, Russia, India and China, defined as the “BRICs” all face their own challenges. Brazil faces high inflation, high interest rates, low growth, and a government beset by allegation of corruption. China, in attempting to shift from being manufacturing- oriented to a consumer-based economy, faces significant pressures to meet its growth target of (+7.0%) per year and will face a significant leadership election in late 2017. Russia remains impacted from lower energy prices and economic sanctions. Finally, India seems to continually disappoint in liberalizing its economy and implementing the structural reforms necessary to unleash its potential.

United States

Markets in the U.S. were strong for the year and were amongst the best performers in 2016. Unlike other regions, the U.S. appears to be on relatively sound footing, with unemployment declining to very low levels and the remaining hangovers from the 2008 financial crisis appearing to fully dissipate. The better economic picture provided the Federal Reserve enough leeway to raise interest rates in December, causing a sell-off in government bond markets.

Equity

- Surprising and solid year for stocks
- Valuations stretched
- Risk Indulging – Small Cap outperformed Large Cap; Cyclical outperformed Defensives;
- Value leads growth on Bank sector performance
- Barring significant developments, equity markets set for another low-return year

Large Cap stocks were strongly positive, with the S&P 500 and Russell 1000 indices posting returns of (+12.0%) and (+12.1%), respectively. Small Cap and Mid Cap indices outperformed large cap. Small Cap, as measured by the Russell 2000 Index, returned (+21.3%). The Russell Mid Cap Index lagged but still managed to post a (+13.8%) return.

Digging deeper, there was significant performance dispersion across the sectors. Cyclical Sectors performed well with Energy (+28.0%), Financials (+22.7%) and Industrials (+20.0%) leading the charge higher. Healthcare (-2.8%), Real Estate (+3.2%), and Consumer Staples (+5.0%) were the lagging sectors. This divergence shows investors’ appetite shifted from 2015, when defensive and yield oriented sectors were the best performing segments of the S&P 500. In 2016, investors shifted towards sectors tied to economic growth (Energy and Industrials) or those that may benefit from deregulation (Financials).

Fixed Income

The return of an appetite for risk was also evident within the U.S. Fixed Income markets. Treasuries returned (+1.0%) for the year, although this sector was impacted particularly hard in period after the U.S. Election as the Federal Reserve increased interest rate. The 4th quarter return of (-3.8%) was amongst the worst 3 month return in Treasuries in quite some time. Government bonds will likely not provide the safe haven status previously counted on by investors going forward given the Trump Administration’s pledges on spending/stimulus and the populist tone of the campaign. Credit outperformed Treasuries for the year, with (+5.6%), although it too gave back significant performance in the 4th quarter (-3.0%). High yield posted impressive gains, as worries in the Energy sector that significantly impacted the market in 2015 gave way to optimism that defaults would not be nearly as extreme as anticipated. High Yield not only posted a strong return for the year (+17.1%) but unlike other areas of fixed income, was also positive in the 4th quarter (+1.8%). Volatility entered the fixed income markets significantly in the back half of the year. High Yield held steady in the face of rising interest rates as higher quality and more liquid segments of the market lost value.

International Developed

- Weak year in Developed Markets (U.S. dollar returns)
- Eurozone and United Kingdom slightly negative for the year

- Japan and Far East positive performers
- Equity valuations in developed markets appear relatively cheaper than the U.S.
- Low returns in fixed income in 2016 and expected through 2017

Europe muddled through another year in 2016 and seemed to never quite hit its stride even as growth projections continued to improve. In U.S. dollars, Europe and United Kingdom equities posted negative performance in 2016. Much of the negative performance as due to currency movements, as both the Euro and Sterling depreciated against the U.S. dollar in 2016. Brexit led to a historical decline in the Sterling through the summer and fall and the effects of the decision to leave the European Union may take years to be realized. Unlike the U.S., equity valuations appear a little more attractive in Europe and there may be a likelihood that investors will shift their focus from U.S. to European Equities. In Asia, most developed markets posted positive performance, albeit relatively tepid performance in U.S. dollar terms.

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 returned (+1.6%) in 2016, although 4th quarter was particularly unkind with a (-8.5%) return. Much of the negative performance can be attributed to market responses to the interest rate increases in the U.S., the relative strength of the U.S. dollar, and the return to risk taking across most markets.

Emerging Markets

- Solid year in Emerging Markets (U.S. dollar returns)
- Major rebound from performance in 2015
- Brazil, Russia, and Thailand posted big years
- Mexico and Turkey worst performers
- Emerging Market Bonds reversed recent performance losses with strong calendar year
- No end in sight for volatility and macro risks remain elevated

Emerging markets posted strong performance as investor appetite for risky assets extended into emerging markets stocks and bonds. The broad emerging markets index returned (+11.2%) for the year. Of the markets tracked by Morgan Stanley Country Index (“MSCI”), Brazil (+66.8%), Russia (+55.5%) and Thailand (+19.6%) posted the strongest gains. China was a notable laggard for the year, with its (+1.1%) gain trailing the broader markets and the majority of its large country peers. Performance of the bond markets of emerging markets was encouraging. Both hard currency and local currency bond posted solid years in performance. Hard currency bonds, which are predominately issued in U.S. dollar, returned (+10.2%) in 2016. Local currency bonds, which are more susceptible to risk-off periods and capital flight, returned (+9.9%) for the year.

Commodities

- Rebounded from one worst years on record for commodities
- Little expectation for a full recovery in commodity prices in the near term

Commodity indices posted positive performance in 2016, with the broad Bloomberg Commodity Index up (+11.8%). Industrial metals (iron ore, zinc, nickel, aluminum, and copper) all posted strong performance for the year. Also reversing recent history with a rebound in performance were oil and natural gas. Precious metals, consistent with a risk-on attitude from investors, lagged the overall commodity market and the other main sectors.

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, 2016 AND DECEMBER 31, 2015
(\$ In THOUSANDS)**

	2016		2015	
	457	401K	457	401K
ASSETS:				
Investments at contract value	\$ 942,288	\$ 1,165,593	\$ 861,989	\$ 1,064,401
Investments at fair value- net asset value	1,320,685	1,910,555	1,207,195	1,730,582
Total investments	2,262,973	3,076,148	2,069,184	2,794,983
Other plan investments:				
Participant loans receivable	69,815	136,075	67,361	129,902
Total other plan investments	69,815	136,075	67,361	129,902
Total assets	2,332,788	3,212,223	2,136,545	2,924,885
LIABILITIES:				
Administrative expense reimbursement	390	501	375	472
Total liabilities	390	501	375	472
TOTAL NET POSITION				
RESTRICTED FOR BENEFITS	\$ 2,332,398	\$ 3,211,722	\$ 2,136,170	\$ 2,924,413

See notes to financial statements.

**METROPOLITAN TRANSPORTATION AUTHORITY
DEFERRED COMPENSATION PROGRAM**

**STATEMENTS OF CHANGES IN PLANS NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

(\$ In THOUSANDS)

	2016		2015	
	457	401K	457	401K
ADDITIONS:				
Investment income:				
Net appreciation in fair value of investments	\$ 117,182	\$ 164,042	\$ 36,997	\$ 49,879
Total investment income	117,182	164,042	36,997	49,879
Contributions:				
Employee contributions, net	172,395	229,329	175,952	226,386
Participant rollovers	5,456	21,025	5,079	17,471
Employer contributions	-	3,973	-	4,875
Total contributions	177,851	254,327	181,031	248,732
Other additions:				
Loan repayments - interest	2,964	5,713	2,762	5,336
Total additions	297,997	424,082	220,790	303,947
DEDUCTIONS:				
Distribution to participants	50,121	63,286	47,642	58,729
Transfers to other plans	48,242	69,068	43,881	71,819
Net loan initiations/repayments	(126)	(152)	(116)	(201)
Loan defaults/offsets	1,861	2,531	1,894	2,749
Loan fees transfers to other plans	225	517	247	518
Other deductions	1,056	1,022	1,442	1,828
Administrative expense	390	501	375	472
Total deductions	101,769	136,773	95,365	135,914
Increase in net position	196,228	287,309	125,425	168,033
TOTAL NET POSITION				
RESTRICTED FOR BENEFITS				
Beginning of year	2,136,170	2,924,413	2,010,745	2,756,380
End of year	\$ 2,332,398	\$ 3,211,722	\$ 2,136,170	\$ 2,924,413

See notes to financial statements.

METROPOLITAN TRANSPORTATION AUTHORITY

DEFERRED COMPENSATION PROGRAM

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(\$ 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 Target-Year Lifecycle Funds, which are comprised of a mix of several funds, most of which are available separate investments in the Deferred Compensation Program. The particular mix of investments for each Fund is determined by the “target” date, which is the date the money is intended to be needed for retirement income.
- 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 Russell Mid Cap Index.
- 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 a selected index. These institutional strategies provide participants with a diversified array of distinct asset classes, with a single fund option in each class to simplify the decision making process.
- 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 have not adopted any new GASB Statement(s) for this financial reporting period.

Recent Accounting Pronouncements — Not yet adopted

GASB Statement No.	GASB Accounting Standard	MTA DC Program Required Year of Adoption
	<i>Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and</i>	
73	68	2017
84	<i>Fiduciary Activities</i>	2019
85	<i>Omibus 2017</i>	2018

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, 2016 and 2015 are as follows:

Investment at contract value – December 31, 2016	457 Value	401(k) Value
MTA Stable Value Fund	\$884,832,828	\$1,082,051,737
Investment at NAV – December 31, 2016	457 Value	401(k) Value
MTA Large-Cap Core Portfolio	\$280,530,154	\$406,804,304
MTA Large-Cap Core Index Fund	240,743,614	349,565,275
MTA Mid-Cap Core Portfolio	118,951,820	162,505,459

Investment at contract value – December 31, 2015	457 Value	401(k) Value
MTA Stable Value Fund	\$805,593,393	\$984,627,394
Investment at NAV – December 31, 2015	457 Value	401(k) Value
MTA Large-Cap Growth Portfolio	\$228,173,059	\$319,854,420
MTA Large-Cap Core Index Fund	212,164,917	308,799,014
MTA Mid-Cap Core Portfolio	113,520,739	152,803,898

The following table shows the contract and NAV values of investment in the various investment options at December 31, 2016 and 2015.

Investments at Contract and NAV Values at December 31, 2016

<u>Target-Year Lifecycle Funds</u>	<u>457 Value</u>	<u>401k Value</u>
MTA Target-Year Lifecycle 2015 Fund	\$ 41,439,321	\$60,269,953
MTA Target-Year Lifecycle 2020 Fund	33,271,385	46,676,589
MTA Target-Year Lifecycle 2025 Fund	80,062,230	123,544,760
MTA Target-Year Lifecycle 2030 Fund	28,287,285	46,085,679
MTA Target-Year Lifecycle 2035 Fund	56,214,370	92,402,080
MTA Target-Year Lifecycle 2040 Fund	15,416,531	24,323,413
MTA Target-Year Lifecycle 2045 Fund	29,634,556	48,967,006
MTA Target-Year Lifecycle 2050 Fund	17,177,246	18,804,565
MTA Target-Year Lifecycle 2055 Fund	426,527	314,097
MTA Income Fund	35,432,209	49,695,641
 <u>International Equity Funds</u>		
MTA International Portfolio	104,700,421	155,594,670
MTA International Index Fund	12,027,603	15,767,187
 <u>Small-Cap Equity Funds</u>		
MTA Small Cap Core Portfolio	82,828,552	123,467,355
MTA Small Cap Core Index	35,376,572	42,898,369
 <u>Mid-Cap Equity Funds</u>		
MTA Mid Cap Core Portfolio	118,951,820	162,505,459
MTA Mid Cap Core Index Fund	54,763,467	63,245,494
 <u>Large-Cap Equity Funds</u>		
MTA Large Cap Core Index Fund	240,743,614	349,565,275
MTA Large Cap Portfolio	280,530,155	406,804,304
 <u>Bond Funds</u>		
MTA Bond Core Plus Portfolio	90,567,141	138,523,476
MTA Bond Aggregate Index Fund	17,765,958	21,105,184
 <u>Fixed Investment Option</u>		
MTA Stable Value Fund	884,832,829	1,082,051,737
 <u>Self-Directed Investment Account</u>		
	2,522,819	3,535,728
 Total	\$ 2,262,972,611	\$ 3,076,148,021

Investments at Contract and NAV Values at December 31, 2015

<u>Target-Year Lifecycle Funds</u>	<u>457 Value</u>	<u>401k Value</u>
MTA Target-Year Lifecycle 2015 Fund	\$ 44,493,225	\$62,596,459
MTA Target-Year Lifecycle 2020 Fund	31,701,586	43,876,804
MTA Target-Year Lifecycle 2025 Fund	74,885,902	115,481,365
MTA Target-Year Lifecycle 2030 Fund	24,716,722	40,601,292
MTA Target-Year Lifecycle 2035 Fund	52,410,891	85,149,529
MTA Target-Year Lifecycle 2040 Fund	13,328,970	20,399,118
MTA Target-Year Lifecycle 2045 Fund	28,087,895	46,319,157
MTA Target-Year Lifecycle 2050 Fund	14,888,447	16,890,681
MTA Target-Year Lifecycle 2055 Fund	27,804	6,624
MTA Income Fund	33,983,242	45,290,912
 <u>International Equity Funds</u>		
MTA International Portfolio	95,442,289	141,216,984
MTA International Index Fund	10,337,260	13,264,330
 <u>Small-Cap Equity Funds</u>		
MTA Small Cap Core Portfolio	66,531,555	99,416,057
MTA Small Cap Core Index	28,396,091	32,814,357
 <u>Mid-Cap Equity Funds</u>		
MTA Mid Cap Core Portfolio	113,520,739	152,803,898
MTA Mid Cap Core Index Fund	43,009,733	48,694,081
 <u>Large-Cap Equity Funds</u>		
MTA Large Cap Core Index Fund	212,164,017	308,799,014
MTA Large Cap Growth Portfolio	228,173,059	319,854,420
MTA Large Cap Value Portfolio	58,383,202	86,611,075
 <u>Bond Funds</u>		
MTA Bond Core Plus Portfolio	73,243,932	110,850,879
MTA Bond Aggregate Index Fund	13,472,198	15,987,628
 <u>Fixed Investment Option</u>		
MTA Stable Value Fund	805,593,393	984,627,394
 <u>Self-Directed Investment Account</u>		
	2,391,986	3,430,742
 Total	\$ 2,069,184,138	\$ 2,794,982,800

The following tables show the interest and/or dividends earned on investments and net appreciation/ (depreciation) for the years ended December 31, 2016 and 2015.

457 Investments at December 31, 2016

<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	\$ -	\$1,907,176
MTA Target-Year Lifecycle 2020 Fund	-	1,492,000
MTA Target-Year Lifecycle 2025 Fund	-	4,000,485
MTA Target-Year Lifecycle 2030 Fund	-	1,450,686
MTA Target-Year Lifecycle 2035 Fund	-	3,065,539
MTA Target-Year Lifecycle 2040 Fund	-	870,303
MTA Target-Year Lifecycle 2045 Fund	-	1,695,872
MTA Target-Year Lifecycle 2050 Fund	-	982,301
MTA Target-Year Lifecycle 2055 Fund	-	3,867
MTA Income Fund	-	1,573,909
<u>International Equity Funds</u>		
MTA International Portfolio	2	(1,363,178)
MTA International Index Fund	-	543,032
<u>Small-Cap Equity Funds</u>		
MTA Small Cap Core Portfolio	2	15,688,043
MTA Small Cap Core Index	-	5,626,671
<u>Mid-Cap Equity Funds</u>		
MTA Mid Cap Core Portfolio	1	11,761,464
MTA Mid Cap Core Index Fund	-	8,858,418
<u>Large-Cap Equity Funds</u>		
MTA Large Cap Core Index Fund	3	25,580,298
MTA Large Cap Portfolio	2	22,663,970
MTA Large Cap Value Portfolio	-	2,267,800
MTA Large Cap Growth Portfolio	-	(11,279,032)
<u>Bond Funds</u>		
MTA Bond Core Plus Portfolio	5	2,773,516
MTA Bond Aggregate Index Fund	-	246,700
<u>Fixed Investment Option</u>		
MTA Stable Value Fund	5	16,658,539
<u>Self-Directed Investment Account</u>	-	113,252
Total	\$20	\$117,181,631

457 Investments at December 31, 2015

	<u>Cash</u>	<u>Appreciation/Depreciation</u>
<u>Target-Year Lifecycle Funds</u>	<u>Earnings</u>	<u>In Fair Market Value - Net</u>
MTA Target-Year Lifecycle 2010 Fund	\$ -	(\$14,244)
MTA Target-Year Lifecycle 2015 Fund	2	480,156
MTA Target-Year Lifecycle 2020 Fund	-	261,402
MTA Target-Year Lifecycle 2025 Fund	-	596,181
MTA Target-Year Lifecycle 2030 Fund	-	134,993
MTA Target-Year Lifecycle 2035 Fund	-	312,228
		86,426
MTA Target-Year Lifecycle 2040 Fund	45	
MTA Target-Year Lifecycle 2045 Fund	-	234,658
MTA Target-Year Lifecycle 2050 Fund	6	89,305
MTA Target-Year Lifecycle 2055 Fund	-	416
MTA Income Fund	(21)	324,408
 <u>International Equity Funds</u>		
MTA International Portfolio	(14)	381,162
MTA International Index Fund	-	(616,930)
 <u>Small-Cap Equity Funds</u>		
MTA Small Cap Core Portfolio	(3)	28,327
MTA Small Cap Core Index	-	(1,255,518)
 <u>Mid-Cap Equity Funds</u>		
MTA Mid Cap Core Portfolio	(4)	(513,021)
MTA Mid Cap Core Index Fund	-	(1,130,066)
 <u>Large-Cap Equity Funds</u>		
MTA Large Cap Core Index Fund	(3)	3,150,685
MTA Large Cap Growth Portfolio	(6)	21,671,008
MTA Large Cap Value Portfolio	(2)	(1,709,687)
 <u>Bond Funds</u>		
MTA Bond Core Plus Portfolio	43	(556,142)
MTA Bond Aggregate Index Fund	-	45,065
 <u>Fixed Investment Option</u>		
MTA Stable Value Fund	70	15,044,409
 <u>Self-Directed Investment Account</u>	-	(48,528)
 Total	\$113	\$36,996,693

401(k) Investments at December 31, 2016

<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	\$ -	\$2,802,273
MTA Target-Year Lifecycle 2020 Fund	-	2,121,748
MTA Target-Year Lifecycle 2025 Fund	-	6,227,084
MTA Target-Year Lifecycle 2030 Fund	-	2,390,027
MTA Target-Year Lifecycle 2035 Fund	10	5,026,975
MTA Target-Year Lifecycle 2040 Fund	-	1,365,778
MTA Target-Year Lifecycle 2045 Fund	-	2,864,989
MTA Target-Year Lifecycle 2050 Fund	-	1,056,316
MTA Target-Year Lifecycle 2055 Fund	-	24,944
MTA Income Fund	-	2,153,425
<u>International Equity Funds</u>		
MTA International Portfolio	2	(2,078,681)
MTA International Index Fund	-	739,269
<u>Small-Cap Equity Funds</u>		
MTA Small Cap Core Portfolio	(42)	23,418,178
MTA Small Cap Core Index	-	6,783,924
<u>Mid-Cap Equity Funds</u>		
MTA Mid Cap Core Portfolio	(72)	16,078,358
MTA Mid Cap Core Index Fund	(19)	10,375,050
<u>Large-Cap Equity Funds</u>		
MTA Large Cap Core Index Fund	(42)	37,044,450
MTA Large Cap Portfolio	(113)	32,862,868
MTA Large Cap Value Portfolio	(33)	3,509,906
MTA Large Cap Growth Portfolio	45	(15,799,263)
<u>Bond Funds</u>		
MTA Bond Core Plus Portfolio	(26)	4,239,295
MTA Bond Aggregate Index Fund	-	348,844
<u>Fixed Investment Option</u>		
MTA Stable Value Fund	(566)	20,297,512
<u>Self-Directed Investment Account</u>	-	189,658
Total	(\$856)	\$164,042,927

401(k) Investments at December 31, 2015

	<u>Cash Earnings</u>	<u>Appreciation/Depreciation in Fair Market Value - Net</u>
<u>Target-Year Lifecycle Funds</u>		
MTA Target-Year Lifecycle 2010 Fund	\$ -	(\$17,298)
MTA Target-Year Lifecycle 2015 Fund	-	661,014
MTA Target-Year Lifecycle 2020 Fund	-	377,238
MTA Target-Year Lifecycle 2025 Fund	3	914,637
MTA Target-Year Lifecycle 2030 Fund	-	267,156
MTA Target-Year Lifecycle 2035 Fund	-	557,705
MTA Target-Year Lifecycle 2040 Fund	-	140,509
MTA Target-Year Lifecycle 2045 Fund	-	360,969
MTA Target-Year Lifecycle 2050 Fund	-	89,310
MTA Target-Year Lifecycle 2055 Fund	-	27
MTA Income Fund	1	446,354
<u>International Equity Funds</u>		
MTA International Portfolio	(27)	377,593
MTA International Index Fund	-	(721,280)
<u>Small-Cap Equity Funds</u>		
MTA Small Cap Core Portfolio	(49)	(32,359)
MTA Small Cap Core Index	-	(1,556,907)
<u>Mid-Cap Equity Funds</u>		
MTA Mid Cap Core Portfolio	(60)	(665,103)
MTA Mid Cap Core Index Fund	-	(1,192,480)
<u>Large-Cap Equity Funds</u>		
MTA Large Cap Core Index Fund	(101)	4,535,707
MTA Large Cap Growth Portfolio	(107)	30,585,709
MTA Large Cap Value Portfolio	(62)	(2,683,389)
<u>Bond Funds</u>		
MTA Bond Core Plus Portfolio	(103)	(831,452)
MTA Bond Aggregate Index Fund	-	46,064
<u>Fixed Investment Option</u>		
MTA Stable Value Fund	(2,136)	18,308,257
<u>Self-Directed Investment Account</u>	-	(85,689)
	(\$2,641)	\$49,882,292

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 safety of funds invested in the various investment accounts is based upon the performance and stability of the securities in the underlying portfolios. Investment in these funds 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 funds pursuant to investment policy and objectives. When funds are determined to not be meeting the investment policy and objectives, they are closed and replaced.

At December 31, 2016, the following credit quality rating has been assigned by a nationally recognized rating organization to the Fixed Income Portfolio of the Plans:

<u>Quality Rating</u>	<u>457</u>	<u>457</u> Percentage of Fixed Income		<u>401(k)</u> Percentage of Fixed Income	
		<u>Portfolio</u>		<u>Portfolio</u>	
AAA	\$ 508,196,244	42.87%	\$	664,957,825	43.12%
AA	78,691,151	6.64%		101,629,089	6.59%
A	163,177,729	13.76%		209,551,011	13.59%
BBB	132,771,937	11.20%		171,855,686	11.14%
BB	11,519,025	0.97%		17,304,407	1.12%
Below BB	<u>7,788,409</u>	<u>0.66%</u>		<u>12,093,848</u>	<u>0.78%</u>
Credit Risk Debt Securities	902,144,495	76.10%		1,177,391,866	76.34%
U.S. Government Bonds	<u>283,367,025</u>	<u>23.90%</u>		<u>364,860,700</u>	<u>23.66%</u>
Total fixed income securities	1,185,511,520	<u>100.00%</u>		1,542,252,566	<u>100.00%</u>
Other securities not rated - equity, international funds and corporate bonds	<u>1,077,461,091</u>			<u>1,533,895,455</u>	
	<u>\$ 2,262,972,611</u>			<u>\$ 3,076,148,021</u>	

At December 31, 2015, the following credit quality rating has been assigned by a nationally recognized rating organization to the Fixed Income Portfolio of the Plans:

<u>Quality Rating</u>	<u>457</u>	<u>457</u> Percentage of Fixed Income Portfolio	<u>401(k)</u>	<u>401(k)</u> Percentage of Fixed Income Portfolio
AAA	\$ 469,727,691	43.63%	\$ 612,834,150	43.94%
AA	63,380,137	5.89%	80,671,205	5.78%
A	144,495,317	13.42%	185,659,267	13.31%
BBB	116,889,017	10.86%	152,170,862	10.91%
BB	10,162,966	0.94%	14,873,718	1.07%
Credit Risk Debt Securities	808,152,484	75.06%	1,051,072,756	75.36%
U.S. Government Bonds	<u>268,525,761</u>	<u>24.94%</u>	<u>343,612,997</u>	<u>24.64%</u>
Total fixed income securities	1,076,678,245	<u>100.00%</u>	1,394,685,753	<u>100.00%</u>
Other securities not rated - equity, international funds and corporate bonds	<u>992,505,893</u>		<u>1,400,297,047</u>	
	<u>\$ 2,069,184,138</u>		<u>\$ 2,794,982,800</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 interest rate risk. The greater the duration of a portfolio, the greater its price volatility will be in response to a change in interest rate risk and vice versa. Duration is an indicator of bond price's sensitivity to 100 basis point change in interest rates.

2016

<u>Investment Type</u>	<u>457</u>	<u>401(k)</u>	<u>Total</u>	<u>Duration</u>
Stable Value Fund	\$ 884,832,829	\$ 1,082,051,737	\$ 1,966,884,566	3.02 *
Loomis Sayles	29,887,157	45,712,747	75,599,904	6.16
TCW Group	30,792,828	47,097,982	77,890,810	5.57
SSgA BC Aggregate Fund	17,765,958	21,105,184	38,871,142	5.82
SSgA Real Asset Fund	37,045,207	55,792,472	92,837,679	7.83
Wellington World Bond Fund	<u>29,887,156</u>	<u>45,712,747</u>	<u>75,599,903</u>	1.54
Total Fixed Income				
Portfolio Modified Duration	1,030,211,135	1,297,472,869	2,327,684,004	
Investment with no duration reported	<u>1,232,761,476</u>	<u>1,778,675,152</u>	<u>3,011,436,628</u>	
Total investments	<u>\$ 2,262,972,611</u>	<u>\$ 3,076,148,021</u>	<u>\$ 5,339,120,632</u>	

* Average Duration - the price sensitivity to yield and the rate of change of price with respect to yield due

2015

<u>Investment Type</u>	<u>457</u>	<u>401(k)</u>	<u>Total</u>	<u>Duration</u>
Stable Value Fund	\$ 746,246,539	\$ 919,240,506	\$ 1,665,487,045	2.91 *
Loomis Sayles	24,170,497	36,580,790	60,751,287	6.74
TCW Group	24,902,937	37,689,299	62,592,236	4.97
SSgA BC Aggregate Fund	13,472,198	15,987,628	29,459,826	5.69
Wellington World Bond Fund	<u>24,170,497</u>	<u>52,083,487</u>	<u>76,253,984</u>	7.60
Total Fixed Income				
Portfolio Modified Duration	868,083,828	1,098,162,500	1,966,246,328	
Investment with no duration reported	<u>1,201,100,310</u>	<u>1,696,820,300</u>	<u>2,897,920,610</u>	
Total investments	<u>\$ 2,069,184,138</u>	<u>\$ 2,794,982,800</u>	<u>\$ 4,864,166,938</u>	

* Average Duration - the price sensitivity to yield and the rate of change of price with respect to yield due

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:

2016	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>
Australian Dollar	\$ 6,476,036	\$ 9,722,088	\$ 16,198,125
Bermudian Dollar	1,377	1,657	3,033
Brazil Cruzeiro Real	2,967,944	4,484,853	7,452,797
British Pound Sterling	37,059,647	55,964,750	93,024,396
Canadian Dollar	14,025,322	20,980,045	35,005,367
Chilean Peso	139,095	200,545	339,640
Chinese Yuan Renminbi	5,142,674	7,687,577	12,830,251
Colombian Peso	42,413	52,584	94,997
Czech Krone	4,959	6,586	11,545
Danish Krone	3,632,390	5,559,545	9,191,935
Egyptian Pound	4,959	6,586	11,545
Euro	53,545,552	80,572,968	134,118,521
Hong Kong Dollar	5,758,314	8,697,029	14,455,343
Hungarian Forint	204,319	304,116	508,436
Indian Rupee	2,851,831	4,301,066	7,152,897
Indonesia Rupiah	1,380,973	2,091,763	3,472,736
Israeli Shekel	127,703	174,459	302,163
Japanese Yen	35,517,104	53,714,855	89,231,959
Malaysian Ringgit	1,388,595	2,103,663	3,492,257
Mexican Peso	3,117,015	4,742,554	7,859,570
New Zealand Dollar	(417,079)	(659,692)	(1,076,771)
Norwegian Krone	648,657	970,958	1,619,614
Panamanian Balboa	11,248	13,536	24,784
Peruvian Nuevo Sol	21,167	26,707	47,874
Philippine Peso	722,394	1,092,893	1,815,287
Polish Zloty	363,672	551,561	915,233
Qatar Riyal	707,710	1,074,462	1,782,172
Russian Ruble	113,400	150,947	264,347
Singapore Dollar	285,759	410,134	695,893
South African Rand	4,675,375	7,089,314	11,764,689
South Korean Won	4,040,394	6,072,874	10,113,269
Swedish Krona	8,958,161	13,646,666	22,604,827
Swiss Franc	14,377,692	21,776,803	36,154,495
New Taiwan Dollar	3,484,687	5,244,446	8,729,132
Thai Baht	1,261,810	1,910,747	3,172,557
Turkish Lira	167,976	242,372	410,348
United Arab Emirates Dirham	626,207	950,159	1,576,366
Uruguayan Pesos	10,505	12,641	23,146
Total	<u>\$ 213,447,957</u>	<u>\$ 321,946,817</u>	<u>\$ 535,394,774</u>

2015	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>
Australian Dollar	\$ 8,430,411	\$ 12,689,482	\$ 21,119,893
Bermudian Dollar	1,391	1,673	3,064
Brazil Cruzeiro Real	1,009,692	1,509,808	2,519,500
British Pound Sterling	35,032,603	52,780,871	87,813,474
Canadian Dollar	9,374,858	14,010,627	23,385,485
Chilean Peso	28,627	36,412	65,039
Chinese Yuan Renminbi	(451,209)	(701,617)	(1,152,826)
Colombian Peso	29,729	36,486	66,215
Czech Krone	143,862	219,955	363,817
Danish Krone	4,841,981	7,351,495	12,193,476
Egyptian Pound	5,337	6,940	12,277
Euro	48,951,105	73,573,524	122,524,629
Hong Kong Dollar	8,712,557	13,064,287	21,776,844
Hungarian Forint	14,020	19,774	33,794
Indian Rupee	1,647,704	2,457,190	4,104,894
Indonesia Rupiah	282,416	416,379	698,795
Israeli Shekel	1,030,436	1,550,257	2,580,693
Japanese Yen	39,847,052	60,061,720	99,908,772
Malaysian Ringgit	198,440	283,765	482,205
Mexican Peso	3,703,747	5,632,936	9,336,683
Moroccan Dirham	326	491	817
New Zealand Dollar	1,721,989	2,640,247	4,362,236
Norwegian Krone	3,138,391	4,762,057	7,900,448
Panamanian Balboa	8,346	10,038	18,384
Peruvian Nuevo Sol	8,782	10,692	19,474
Philippine Peso	637,023	958,871	1,595,894
Polish Zloty	783,320	1,191,763	1,975,083
Qatar Riyal	20,280	26,374	46,654
Russian Ruble	3,202	4,164	7,366
Singapore Dollar	1,272,760	1,895,486	3,168,246
South African Rand	1,751,658	2,628,060	4,379,718
South Korean Won	1,698,329	2,486,961	4,185,290
Swedish Krona	6,669,738	10,088,802	16,758,540
Swiss Franc	11,149,261	16,747,359	27,896,620
New Taiwan Dollar	1,498,041	2,212,870	3,710,911
Thai Baht	262,231	387,339	649,570
Turkish Lira	480,527	712,243	1,192,770
United Arab Emirates Dirham	155,571	232,462	388,033
Uruguayan Pesos	5,564	6,692	12,256
Total	<u>\$ 194,100,098</u>	<u>\$ 292,004,935</u>	<u>\$ 486,105,032</u>

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)**

	2016			
	December 31, 2016	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
457 Plan				
Equity Securities:				
Comingled large-cap equity funds	\$ 311,453	\$ -	Daily	None
Large-cap equity mutual fund	274,680	-	Daily	None
Comingled mid-cap equity funds	120,765	-	Daily	None
Mid-cap equity mutual fund	66,001	-	Daily	None
Comingled small-cap equity funds	131,256	-	Daily	None
Comingled international equity fund	12,028	-	Daily	None
International equity mutual funds	194,235	-	Daily	None
Total equity securities	1,110,418	-		
Debt Securities				
Comingled debt funds	170,699		Daily	None
Total debt securities	170,699	-		
Real assets				
Comingled real asset equity fund	37,045	-	Daily	None
Total real assets	37,045	-		
Other:				
Self direct investment option	2,523	-	Daily	None
Total other	2,523	-		
Total investments measured at the NAV	1,320,685	-		
Investments measured at Contract Value	942,288	-		
Total investments	\$ 2,262,973	\$ -		

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

	2016			
	December 31, 2016	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
401k Plan				
Equity Securities:				
Comingled large-cap equity funds	\$ 453,635	\$ -	Daily	None
Large-cap equity mutual fund	401,826	-	Daily	None
Comingled mid-cap equity funds	154,476	-	Daily	None
Mid-cap equity mutual fund	91,230	-	Daily	None
Comingled small-cap equity funds	186,321	-	Daily	None
Comingled international equity fund	15,767	-	Daily	None
International equity mutual funds	292,437	-	Daily	None
Total equity securities	1,595,692	-		
Debt Securities				
Comingled debt funds	255,535	-	Daily	None
Total debt securities	255,535	-		
Real assets				
Comingled real asset equity fund	55,792	-	Daily	None
Total real assets	55,792	-		
Other:				
Self direct investment option	3,536	-	Daily	None
Total other	3,536	-		
Total investments measured at the NAV	1,910,555	-		
Investments measured at Contract Value	1,165,593	-		
Total investments	\$ 3,076,148	\$ -		

Investments measured at Contract and NAV values
(In thousands)

	2015			
	December 31, 2015	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
457 Plan				
Equity Securities:				
Comingled large-cap equity funds	\$ 315,376	\$ -	Daily	None
Large-cap equity mutual fund	243,865	-	Daily	None
Comingled mid-cap equity funds	105,817	-	Daily	None
Mid-cap equity mutual fund	62,807	-	Daily	None
Comingled small-cap equity funds	107,020	-	Daily	None
Comingled international equity fund	10,337	-	Daily	None
International equity mutual funds	178,836	-	Daily	None
Total equity securities	1,024,058	-		
Debt Securities				
Comingled debt funds	145,624	-	Daily	None
Total debt securities	145,624	-		
Real assets				
Comingled real asset equity fund	35,121	-	Daily	None
Total real assets	35,121	-		
Other:				
Self direct investment option	2,392	-	Daily	None
Total other	2,392	-		
Total investments measured at the NAV	1,207,195	-		
Investments measured at Contract Value	861,989	-		
Total investments	\$ 2,069,184	\$ -		

Investments measured at Contract and NAV values
(In thousands)

	2015			
	December 31, 2015	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
401k Plan				
Equity Securities:				
Comingled large-cap equity funds	\$ 449,853	\$ -	Daily	None
Large-cap equity mutual fund	357,245	-	Daily	None
Comingled mid-cap equity funds	134,303	-	Daily	None
Mid-cap equity mutual fund	85,609	-	Daily	None
Comingled small-cap equity funds	150,644	-	Daily	None
Comingled international equity fund	13,264	-	Daily	None
International equity mutual funds	267,887	-	Daily	None
Total equity securities	1,458,805	-		
Debt Securities				
Comingled debt funds	216,263	-	Daily	None
Total debt securities	216,263	-		
Real assets				
Comingled real asset equity fund	52,083	-	Daily	None
Total real assets	52,083	-		
Other:				
Self direct investment option	3,431	-	Daily	None
Total other	3,431	-		
Total investments measured at the NAV	1,730,582	-		
Investments measured at Contract Value	1,064,401	-		
Total investments	\$ 2,794,983	\$ -		

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, mid-cap, small-cap 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.

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

LargerMidCap 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

Matching 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 - 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 makes 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, 2016 and 2015, 34.2% and 34.3% of the eligible employees were enrolled in the 457 Plan and 48.93% and 48.17% of the eligible employees were enrolled in the 401(k) Plan, respectively. There are 30,557 and 30,293 active participants in the 457 Plan and 42,189 and 40,990 active participants in the 401(k) Plan. The average account balance in the 457 Plan is \$57,423 and \$54,319 and in the 401(k) Plan is \$59,705 and \$57,058 in 2016 and 2015, 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 to take direct payments; 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

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 COA contributions, MTA Business Service Center, Matching Contributions and Roth Elective Deferrals. The net loans outstanding for the 457 plan is \$69.82 million and \$67.36 million at December 31, 2016 and 2015, respectively, and for the 401(k) plan was \$136.07 million and \$129.90 million at December 31, 2016 and 2015, 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 could have deferred up to \$18,000 plus an additional \$6,000 for participants age 50 and over in calendar years 2016 and 2015. However, 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. Alternatively, participants age 50 and over

could have deferred an additional \$18,000 in 2016 and 2015, irrespective of prior contributions (“Age 50 Catch-Up”). Participants may not make both the Retirement Catch-Up and the Age 50 Catch-Up to the 457 Plan in the same year.

Participants in both the 457 Plan and the 401(k) Plan are permitted to contribute the maximum to each Plan. **Membership** – As of December 31, 2016 and 2015, the Plans' membership with balances consisted of:

2016	457	401(k)
Active employees	30,557	42,189
Terminated/Inactive employees	<u>8,839</u>	<u>9,259</u>
Total active and inactive members	<u><u>39,396</u></u>	<u><u>51,448</u></u>
Vested employees	39,396	51,258

2015	457	401(k)
Active employees	30,293	40,990
Terminated/Inactive employees	<u>7,822</u>	<u>7,617</u>
Total active and inactive members	<u><u>38,115</u></u>	<u><u>48,607</u></u>
Vested employees	38,115	48,453

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

In October 2017, \$646,932,467 in cash and securities were transitioned from investment managers Vanguard, Frontier, Denver and Conestoga to the management of the following small and mid-capitalization (“SMID”) funds: Alliance SMID Value, Dimensional Fund Advisors U.S. Targeted Value, William Blair SMID Growth, and Jackson Square SMID Growth.

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