

Metropolitan Transportation Authority Deferred Compensation Program

Financial Statements as of and for the
Years Ended December 31, 2017 and 2016, 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, 2017 and 2016, 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, 2017 and 2016, and the respective changes in

each of the Plans' net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Deloitte & Touche LLP

January 31, 2019

METROPOLITAN TRANSPORTATION AUTHORITY DEFERRED COMPENSATION PROGRAM

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2017 AND 2016

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, 2017 and 2016. It is meant to assist the reader in understanding the Plans' financial statements by providing an overall review of the financial activities during the year and the effects of significant changes. This discussion and analysis may contain opinions, assumptions, or conclusions by the MTA's management that should not be considered a replacement for, and is intended to be read in conjunction with the Plans' financial statements which begin on page 21.

OVERVIEW OF BASIC FINANCIAL STATEMENTS

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

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

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

Financial Highlights

As a result of various Deferred Compensation Program changes, expanding participant eligibility through collective bargaining, a strong educational program and greater participant satisfaction, the Deferred Compensation Program has continued to grow. The assets of the 457 Plan exceeded its liabilities by \$2.719 billion and the assets of the 401(k) plan exceeded its liabilities by \$3.767 billion as of December 31,

2017. 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 \$2.332 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.

During 2017, the net positions held in trust for the 457 Plan and the 401(k) Plan increased by \$387.096 million and \$555.248 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 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.

Deductions from the Plans' net position consist primarily of distributions to participant and transfers to other plans, and plan expenses in the amounts of \$102.243 million and \$101.769 million for the 457 Plan and \$145.334 million and \$136.773 million for the 401(k) Plan for the year ended December 31, 2017 and 2016, respectively.

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

457 Plan

				Amount of Change		Percentage Change	
	2017	2016	2015	(2017 - 2016)	(2016 - 2015)	(2017 - 2016)	(2016 - 2015)
ASSETS:							
Investments	\$ 2,645,243	\$ 2,262,973	\$ 2,069,184	\$ 382,270	\$ 193,789	16.9%	9.4%
Participant loans receivable	74,607	69,815	67,361	4,792	2,454	6.9	3.6
Total assets	2,719,850	2,332,788	2,136,545	387,062	196,243	16.6	9.2
LIABILITIES:							
Administrative expense reimbursement	356	390	375	(34)	15	(8.7)	4.0
Total liabilities	356	390	375	(34)	15	(8.7)	4.0
TOTAL NET POSITION RESTRICTED FOR BENEFITS							
	\$ 2,719,494	\$ 2,332,398	\$ 2,136,170	\$ 387,096	\$ 196,228	16.6%	9.2%

401K Plan

				Amount of Change		Percentage Change	
	2017	2016	2015	(2017 - 2016)	(2016 - 2015)	(2017 - 2016)	(2016 - 2015)
ASSETS:							
Investments	\$ 3,621,298	\$ 3,076,148	\$ 2,794,983	\$ 545,150	\$ 281,165	17.7%	10.1%
Participant loans receivable	146,347	136,075	129,902	10,272	6,173	7.5	4.8
Total assets	3,767,645	3,212,223	2,924,885	555,422	287,338	17.3	9.8
LIABILITIES:							
Administrative expense reimbursement	675	501	472	174	29	34.7	6.1
Total liabilities	675	501	472	174	29	34.7	6.1
TOTAL NET POSITION RESTRICTED FOR BENEFITS							
	\$ 3,766,970	\$ 3,211,722	\$ 2,924,413	\$ 555,248	\$ 287,309	17.3%	9.8%

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

457 Plan

				Amount of Change		Percentage Change	
	2017	2016	2015	(2017 - 2016)	(2016 - 2015)	(2017 - 2016)	(2016 - 2015)
ADDITIONS:							
Investment income:	\$ 292,040	\$ 117,182	\$ 36,997	\$ 174,858	\$ 80,185	149.2 %	216.7 %
Contributions and additional deposits	194,089	177,851	181,031	16,238	(3,180)	9.1	(1.8)
Loan repayments - interest	3,210	2,964	2,762	246	202	8.3	7.3
Total additions	489,339	297,997	220,790	191,342	77,207	64.2	35.0
DEDUCTIONS:							
Distribution to participants	53,784	50,120	47,642	3,664	2,478	7.3	5.2
Transfers to other plans	45,145	48,242	43,881	(3,097)	4,361	(6.4)	9.9
Net participant loan activity	1,938	1,735	1,778	203	(43)	11.7	(2.4)
Other	1,376	1,672	2,064	(296)	(392)	(17.7)	(19.0)
	102,243	101,769	95,365	474	6,404	0.5	6.7
Increase in net position	387,096	196,228	125,425	190,868	70,803	97.3	56.5
TOTAL NET POSITION RESTRICTED FOR BENEFITS							
Beginning of year	2,332,398	2,136,170	2,010,745	196,228	125,425	9.2	6.2
End of year	\$ 2,719,494	\$ 2,332,398	\$ 2,136,170	\$ 387,096	\$ 196,228	16.6 %	9.2 %

401K Plan

				Amount of Change		Percentage Change	
	2017	2016	2015	(2017 - 2016)	(2016 - 2015)	(2017 - 2016)	(2016 - 2015)
ADDITIONS:							
Investment income:	\$ 416,584	\$ 164,042	\$ 49,879	\$ 252,542	\$ 114,163	153.9 %	228.9 %
Contributions and additional deposits	277,661	254,327	248,732	23,334	5,595	9.2	2.3
Loan repayments - interest	6,337	5,713	5,336	624	377	10.9	7.1
Total additions	700,582	424,082	303,947	276,500	120,135	65.2	39.5
DEDUCTIONS:							
Distribution to participants	73,733	63,287	58,729	10,446	4,558	16.5	7.8
Transfers to other plans	66,031	69,067	71,819	(3,036)	(2,752)	(4.4)	(3.8)
Net participant loan activity	2,789	2,379	2,548	410	(169)	17.2	(6.6)
Other	2,781	2,040	2,818	741	(778)	36.3	(27.6)
	145,334	136,773	135,914	8,561	859	6.3	0.6
Increase in net position	555,248	287,309	168,033	267,939	119,276	93.3	71.0
TOTAL NET POSITION RESTRICTED FOR BENEFITS							
Beginning of year	3,211,722	2,924,413	2,756,380	287,309	168,033	9.8	6.1
End of year	\$ 3,766,970	\$ 3,211,722	\$ 2,924,413	\$ 555,248	\$ 287,309	17.3 %	9.8 %

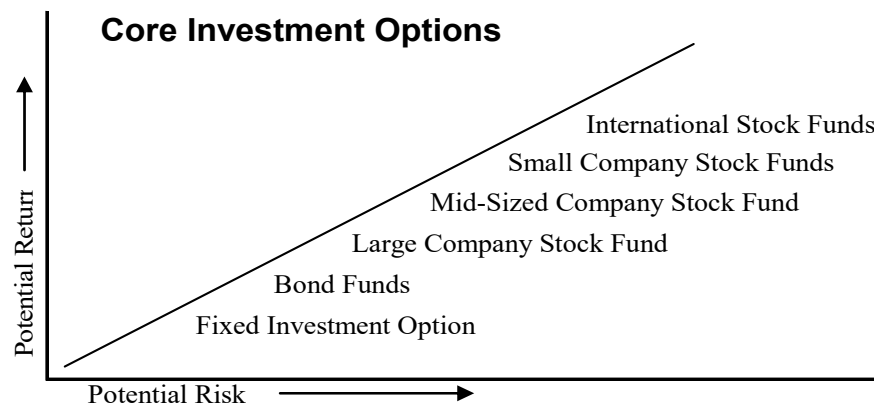
Investment Options

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

<u>Fund Name</u>	<u>Asset Class</u>	<u>Portfolio Allocations</u>
MTA Target-Year Lifecycle 2015 Fund	Large Cap 12.00% Small - Mid Cap 3.60% Intl Equity 15.50% Market Bonds 17.10% Stable Value 41.30% Real Asset 10.50%	MTA Large Cap Equity Index Fund 6.00% MTA Large Cap Equity Fund 6.00% MTA Small-Mid Cap Equity Fund 3.6% MTA International Equity Fund 15.50% MTA Bond Fund 17.10% MTA Real Asset Fund 10.50% MTA Stable Value Fund 41.30%
MTA Target-Year Lifecycle 2020 Fund	Large Cap 16.30% Small - Mid Cap 4.20% Intl Equity 20.50% Market Bonds 18.20% Stable Value 30.80% Real Asset 10.00%	MTA Large Cap Equity Index Fund 8.20% MTA Large Cap Equity Fund 8.10% MTA Small-Mid Cap Equity Fund 4.20% MTA International Equity Fund 20.50% MTA Bond Fund 18.20% MTA Real Asset Fund 10.00% MTA Stable Value Fund 30.80%
MTA Target-Year Lifecycle 2025 Fund	Large Cap 21.20% Small - Mid Cap 5.80% Intl Equity 27.00% Market Bonds 18.20% Stable Value 17.80% Real Asset 10.00%	MTA Large Cap Equity Index Fund 12.70% MTA Large Cap Equity Fund 8.50% MTA Small-Mid Cap Equity Fund 5.80% MTA International Equity Fund 27.00% MTA Bond Fund 18.20% MTA Real Asset Fund 10.00% MTA Stable Value Fund 17.80%
MTA Target-Year Lifecycle 2030 Fund	Large Cap 24.90% Small - Mid Cap 9.00% Intl Equity 33.80% Market Bonds 13.70% Stable Value 8.60% Real Asset 10.00%	MTA Large Cap Equity Index Fund 15.40% MTA Large Cap Equity Fund 9.50% MTA Small-Mid Cap Equity Fund 9.00% MTA International Equity Fund 33.80% MTA Bond Fund 13.70% MTA Real Asset Fund 10.00% MTA Stable Value Fund 8.60%
MTA Target-Year Lifecycle 2035 Fund	Large Cap 26.40% Small - Mid Cap 11.60% Intl Equity 38.00% Market Bonds 12.60% Stable Value 1.40% Real Asset 10.00%	MTA Large Cap Equity Index Fund 14.80% MTA Large Cap Equity Fund 11.60% MTA Small-Mid Cap Equity Fund 11.60% MTA International Equity Fund 38.00% MTA Bond Fund 12.60% MTA Real Asset Fund 10.00% MTA Stable Value Fund 1.40%

<u>Fund Name</u>	<u>Asset Class</u>	<u>Portfolio Allocations</u>
MTA Target-Year Lifecycle 2040 Fund	Large Cap 26.20% Small - Mid Cap 14.00% Intl Equity 40.40% Market Bonds 9.40% Real Asset 10.00%	MTA Large Cap Equity Index Fund 12.10% MTA Large Cap Equity Fund 14.10% MTA Small-Mid Cap Equity Fund 14.00% MTA International Equity Fund 40.40% MTA Bond Fund 9.40% MTA Real Asset Fund 10.00%
MTA Target-Year Lifecycle 2045 Fund	Large Cap 26.60% Small - Mid Cap 15.60% Intl Equity 42.20% Market Bonds 5.60% Real Asset 10.00%	MTA Large Cap Equity Index Fund 11.00% MTA Large Cap Equity Fund 15.60% MTA Small-Mid Cap Equity Fund 15.60% MTA International Equity Fund 42.20% MTA Bond Fund 5.60% MTA Real Asset Fund 10.00%
MTA Target-Year Lifecycle 2050 Fund	Large Cap 26.70% Small - Mid Cap 15.80% Intl Equity 42.50% Market Bonds 5.00% Real Asset 10.00%	MTA Large Cap Equity Index Fund 9.30% MTA Large Cap Equity Fund 17.40% MTA Small-Mid Cap Equity Fund 15.80% MTA International Equity Fund 42.50% MTA Bond Fund 5.00% MTA Real Asset Fund 10.00%
MTA Target-Year Lifecycle 2055 Fund	Large Cap 26.70% Small - Mid Cap 15.80% Intl Equity 42.50% Market Bonds 5.00% Real Asset 10.00%	MTA Large Cap Equity Index Fund 8.90% MTA Large Cap Equity Fund 17.80% MTA Small-Mid Cap Equity Fund 15.80% MTA International Equity Fund 42.50% MTA Bond Fund 5.00% MTA Real Asset Fund 10.00%
MTA Target-Year Lifecycle 2060 Fund	Large Cap 27.70% Small - Mid Cap 15.80% Intl Equity 42.50% Market Bonds 5.00% Real Asset 10.00%	MTA Large Cap Equity Index Fund 8.90% MTA Large Cap Equity Fund 17.80% MTA Small-Mid Cap Equity Fund 15.80% MTA International Equity Fund 42.50% MTA Bond Fund 5.00% MTA Real Asset Fund 10.00%
MTA Target-Year Lifecycle 2065 Fund	Large Cap 27.70% Small - Mid Cap 15.80% Intl Equity 42.50% Market Bonds 5.00% Real Asset 10.00%	MTA Large Cap Equity Index Fund 8.90% MTA Large Cap Equity Fund 17.80% MTA Small-Mid Cap Equity Fund 15.80% MTA International Equity Fund 42.50% MTA Bond Fund 5.00% MTA Real Asset Fund 10.00%
MTA Income Fund	Large Cap 9.50% Small - Mid Cap 2.40% Intl Equity 11.90% Market Bonds 13.20% Stable Value 51.00% Real Asset 12.00%	MTA Large Cap Equity Index Fund 4.80% MTA Large Cap Equity Fund 4.70% MTA Small-Mid Cap Equity Fund 2.40% MTA International Equity Fund 11.90% MTA Bond Fund 13.20% MTA Real Asset Fund 12.00% MTA Stable Value Fund 51.00%

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

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

Small-Mid Cap Equity Fund

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

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

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

Large-Cap Equity Funds

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

1. **T. Rowe Price US Large Cap Value Equity Fund** (Large Cap Stock-Value) - The 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.

Bond Funds

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

MTA Bond Fund (Fixed Income-Domestic) - The Portfolio is managed by three complementary, but independent managers. The balances in the investments are rebalanced regularly to maintain the 34%/33%/33% split. By employing three managers, this 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

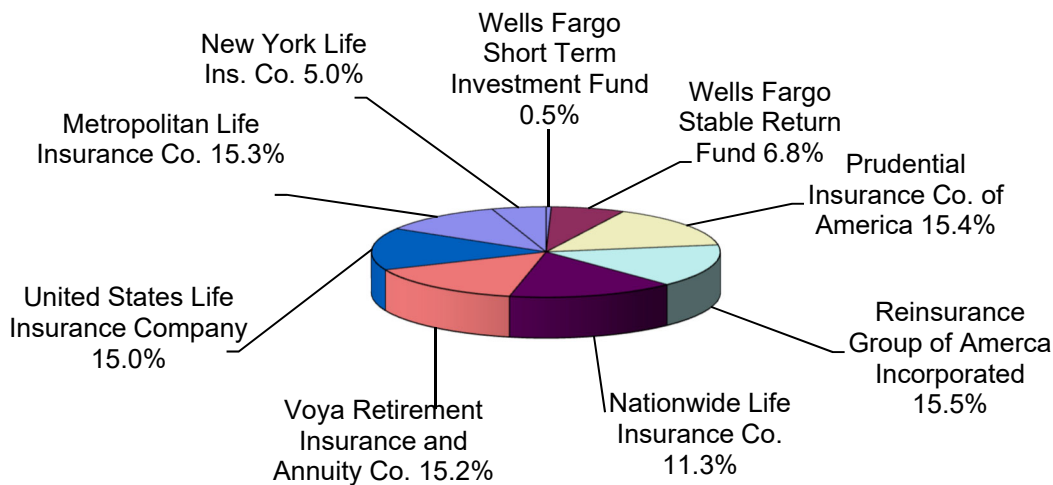
MTA Stable Value Fund (Stable Value) - The fund seeks to provide safety of principal and a stable credited rate of interest, while generating competitive returns over time compared to other comparable investments. The fund is managed by Galliard Capital Management and is primarily comprised of investment 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.

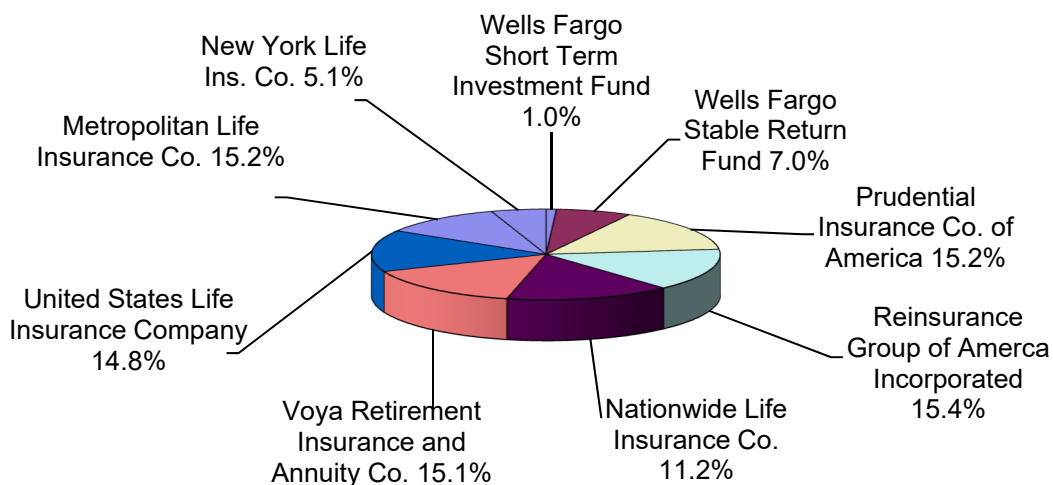
The following chart shows the underlying investments of the MTA Stable Value Fund as of December 31, 2017 and 2016.

**Stable Income Fund
Wrap Provider Distribution as of December 31, 2017**



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

**Stable Income Fund
Wrap Provider Distribution as of December 31, 2016**



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

*The Wells Fargo

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, 2017

Stable Value

	3 Months	1 Year	3 Years	5 Years	7 Years
MTA Stable Value	0.5%	2.0%	2.0%	2.0%	2.3%
Galliard 3YrCMT+50bps	0.6%	2.1%	1.8%	1.8%	1.8%

Fixed Income

	3 Months	1 Year	3 Years	5 Years	7 Years
SSgA Aggregate Bond Index Fund	0.4%	3.5%	2.2%	2.1%	3.2%
Barclays U.S. Aggregate	0.4%	3.5%	2.2%	2.1%	3.2%
Loomis Sayles Core Plus Bond	0.8%	5.4%	NA	NA	NA
Barclays U.S. Aggregate	0.4%	3.5%	2.2%	2.1%	3.2%
TCW MetWest Core Plus Fixed Income	0.4%	3.4%	NA	NA	NA
Barclays U.S. Aggregate	0.4%	3.5%	2.2%	2.1%	3.2%
Wellington World Bond Fund	0.6%	2.7%	NA	NA	NA
Citigroup World Government Bond	1.0%	7.5%	1.7%	0.1%	1.2%

Domestic Equity

	3 Months	1 Year	3 Years	5 Years	7 Years
Vanguard Institutional Index Fund Institutional Plus	6.6%	21.8%	11.4%	15.8%	13.8%
S&P 500	6.6%	21.8%	11.4%	15.8%	13.8%
T Rowe Price Large Cap Value Fund (Prudential Separate Account)	5.5%	16.9%	9.5%	NA	NA
Russell 1000 Value	5.3%	13.7%	8.7%	14.0%	12.5%
Jennison Large Cap Growth (Prudential Separate Account)	6.8%	36.1%	14.9%	17.9%	15.0%
Russell 1000 Growth	7.9%	30.2%	13.8%	17.3%	14.8%
SSgA Small/Mid Cap Index Fund	4.9%	18.2%	10.0%	14.6%	12.3%
Russell Small Cap Completeness Index	4.9%	18.3%	10.0%	14.7%	12.3%
AB US SMID Cap Value Equity (Separate Account)	6.0%	12.9%	10.0%	14.8%	11.8%
Russell 2500 Value Index	4.3%	10.4%	9.3%	13.3%	11.5%
DFA US Targeted Value Fund (MTA)	4.5%	9.6%	9.4%	14.1%	11.6%
Russell 2500 Value Index	4.3%	10.4%	9.3%	13.3%	11.5%
William Blair SMID Growth (Separate Account)	5.6%	29.0%	13.1%	17.4%	14.0%
Russell 2500 Growth Index	6.3%	24.5%	10.9%	15.5%	13.0%
Jackson Square SMID Cap Growth Focus (Separate Account)	5.6%	21.1%	12.1%	15.5%	13.8%
Russell 2500 Growth Index	6.3%	24.5%	10.9%	15.5%	13.0%

Performance Summary

Year ended December 31, 2017 (continued)

International Equity

	3 Months	1 Year	3 Years	5 Years	7 Years
SSgA MSCI ACWI ex-U.S. IMI Index	5.2%	28.1%	8.8%	7.2%	NA
MSCI AC Wld ex US IMI Net	5.2%	27.8%	8.4%	7.2%	5.2%
William Blair Institutional International Growth Fund	5.1%	30.6%	8.4%	8.1%	6.7%
MSCI AC Wld ex U.S. Growth Net WHT	6.0%	32.2%	9.7%	8.3%	5.8%
Mondrian ACWI ex US CIT	3.8%	22.3%	NA	NA	NA
MSCI AC Wld ex US Value Net WHT	4.2%	22.7%	6.3%	5.6%	4.2%

Diversified Inflation

	3 Months	1 Year	3 Years	5 Years	7 Years
SSgA Real Asset	3.8%	8.6%	2.1%	0.1%	1.0%
SSgA Custom Real Asset Index	3.8%	8.6%	2.2%	0.2%	1.1%

Lifecycle

	3 Months	1 Year	3 Years	5 Years	7 Years
MTA Income	2.0%	7.7%	4.5%	3.8%	4.3%
MTA Income Composite Index	2.2%	7.7%	4.4%	3.8%	4.3%
MTA 2015	2.4%	10.0%	5.2%	5.0%	5.2%
MTA 2015 Composite Index	2.5%	10.0%	5.1%	5.0%	5.2%
MTA 2020	2.8%	11.9%	5.8%	5.8%	5.8%
MTA 2020 Composite Index	3.0%	11.8%	5.7%	5.8%	5.8%
MTA 2025	3.4%	14.7%	6.8%	7.3%	6.9%
MTA 2025 Composite Index	3.7%	14.7%	6.8%	7.2%	6.9%
MTA 2030	4.1%	16.5%	7.4%	7.9%	7.3%
MTA 2030 Composite Index	4.3%	16.5%	7.4%	7.8%	7.3%
MTA 2035	4.4%	18.0%	7.9%	8.5%	7.8%
MTA 2035 Composite Index	4.7%	18.0%	7.9%	8.4%	7.8%
MTA 2040	4.6%	20.3%	8.8%	10.0%	8.7%
MTA 2040 Composite Index	4.9%	19.8%	8.7%	9.9%	8.7%
MTA 2045	4.7%	21.7%	9.2%	10.9%	9.2%
MTA 2045 Composite Index	5.1%	21.1%	9.0%	10.7%	9.1%
MTA 2050	4.7%	21.8%	9.2%	11.1%	9.3%
MTA 2050 Composite Index	5.1%	21.1%	8.9%	10.8%	9.2%
MTA 2055	4.7%	21.8%	NA	NA	NA
MTA 2055 Composite Index	5.1%	21.1%	8.9%	10.8%	9.2%
MTA 2060	NA	NA	NA	NA	NA
MTA 2060 Composite Index	5.1%	NA	NA	NA	NA
MTA 2065	NA	NA	NA	NA	NA
MTA 2065 Composite Index	5.1%	NA	NA	NA	NA

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

The table below summarizes the Plans' investments by category at December 31, 2017:

FUND INVESTMENT SUMMARY

Investment at Contract and NAV Values	457		401k	
	Allocation		Allocation	
Target-Year Lifecycle Funds	\$419,330,251	15.85%	\$623,334,937	17.21%
International Equity Funds	169,649,376	6.41	246,458,903	6.81
Small-Mid Cap Equity Funds	356,271,176	13.47	472,377,231	13.05
Large-Cap Equity Funds	672,142,635	25.41	966,983,440	26.70
Bond Funds	127,315,865	4.81	190,275,365	5.25
Stable Income Fund	897,665,767	33.94	1,117,748,970	30.87
Self-Directed Investment Option	2,867,973	0.11	4,118,703	0.11
Total Investments	\$2,645,243,043	100%	\$3,621,297,549	100%

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%

At December 31, 2017, the investment option holding the largest portion of participants' funds in both the 457 and 401(k) Plans was the Stable Income Funds with 33.94% and 30.87% of invested funds, respectively. This was followed by the Large-Cap Equity Funds with 25.41% and 26.70% of invested 457 and 401(k) funds, respectively.

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.

Economic Factors

Market Overview and Outlook – 2017

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

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

Macro Themes

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

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

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

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

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

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

United States

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

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

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

International Developed

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

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

Emerging Markets

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

dollar, returned (+10.3%) in 2017. Local currency bonds, which are issued in the local currency, returned (+15.2%) for the year.

Commodities

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

Contact Information

This financial report is designed to provide a general overview of the Metropolitan Transportation Authority 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, 2017 AND DECEMBER 31, 2016
(\$ In THOUSANDS)**

	2017		2016	
	457	401K	457	401K
ASSETS:				
Investments at contract value	\$ 971,709	\$ 1,224,190	\$ 942,288	\$ 1,165,593
Investments at fair value- net asset value	1,673,534	2,397,108	1,320,685	1,910,555
Total investments	2,645,243	3,621,298	2,262,973	3,076,148
 Other plan investments:				
Participant loans receivable	74,607	146,347	69,815	136,075
Total other plan investments	74,607	146,347	69,815	136,075
 Total assets	2,719,850	3,767,645	2,332,788	3,212,223
 LIABILITIES:				
Administrative expense reimbursement	356	675	390	501
Total liabilities	356	675	390	501
 TOTAL NET POSITION				
RESTRICTED FOR BENEFITS	\$ 2,719,494	\$ 3,766,970	\$ 2,332,398	\$ 3,211,722

See notes to financial statements.

**METROPOLITAN TRANSPORTATION AUTHORITY
DEFERRED COMPENSATION PROGRAM**

**STATEMENTS OF CHANGES IN PLANS NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(\$ In THOUSANDS)**

	2017		2016	
	457	401K	457	401K
ADDITIONS:				
Investment income:				
Net appreciation in fair value of investments	\$ 292,040	\$ 416,584	\$ 117,182	\$ 164,042
Total investment income	292,040	416,584	117,182	164,042
Contributions:				
Employee contributions, net	186,703	251,122	172,395	229,329
Participant rollovers	7,386	22,430	5,456	21,025
Employer contributions	-	4,109	-	3,973
Total contributions	194,089	277,661	177,851	254,327
Other additions:				
Loan repayments - interest	3,210	6,337	2,964	5,713
Total additions	489,339	700,582	297,997	424,082
DEDUCTIONS:				
Distribution to participants	53,784	73,733	50,121	63,286
Transfers to other plans	45,145	66,031	48,242	69,068
Net loan initiations/repayments	(91)	(196)	(126)	(152)
Loan defaults/offsets	2,029	2,985	1,861	2,531
Loan fees transfers to other plans	242	556	225	517
Other deductions	778	1,550	1,056	1,022
Administrative expense	356	675	390	501
Total deductions	102,243	145,334	101,769	136,773
Increase in net position	387,096	555,248	196,228	287,309
TOTAL NET POSITION RESTRICTED FOR BENEFITS				
Beginning of year	2,332,398	3,211,722	2,136,170	2,924,413
End of year	\$ 2,719,494	\$ 3,766,970	\$ 2,332,398	\$ 3,211,722

See notes to financial statements.

METROPOLITAN TRANSPORTATION AUTHORITY

DEFERRED COMPENSATION PROGRAM

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(\$ in Thousands)

1. PLANS BACKGROUND AND DESCRIPTION

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The Deferred Compensation Program's ("Program") financial statements are prepared on the accrual basis of accounting under which deductions are recorded when the liability is incurred and revenues are recognized in the accounting period in which they are earned. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plans. Contributions from members are recorded when the employer makes payroll deductions from plans' members. Additions to the Plans consist of contributions (member and employer) and net investment income. Investment purchases and sales are recorded as of trade date.

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

New Accounting Standards Adopted – The Plans have not adopted any new GASB Statement(s) for this financial reporting period. GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*. There was no material impact on the Program’s financial statements as a result of the implementation of GASB Statement No. 73.

Recent Accounting Pronouncements — Not yet adopted

GASB Statement No.	GASB Accounting Standard	MTA DC Program Required Year of Adoption
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, 2017 and 2016 are as follows:

Investment at contract value – December 31, 2017	457 Value	401(k) Value
MTA Stable Value Fund	\$897,665,768	\$1,117,748,971

Investment at NAV – December 31, 2017	457 Value	401(k) Value
MTA Large-Cap Core Portfolio	\$361,001,732	\$523,266,729
MTA Large-Cap Core Index Fund	311,140,903	443,716,711
MTA Small-Mid Cap Equity	243,343,575	340,756,221
MTA International Portfolio	144,536,799	215,207,216

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 Growth 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

The following table shows the contract and NAV values of investment in the various investment options at December 31, 2017 and 2016.

Investments at Contract and NAV Values at December 31, 2017

<u>Target-Year Lifecycle Funds</u>	<u>457 Value</u>	<u>401k Value</u>
MTA Target-Year Lifecycle 2015 Fund	\$ 44,162,152	\$63,373,256
MTA Target-Year Lifecycle 2020 Fund	39,353,130	56,067,904
MTA Target-Year Lifecycle 2025 Fund	99,905,559	151,105,187
MTA Target-Year Lifecycle 2030 Fund	37,156,645	56,991,883
MTA Target-Year Lifecycle 2035 Fund	71,322,343	114,855,869
MTA Target-Year Lifecycle 2040 Fund	21,836,250	33,388,279
MTA Target-Year Lifecycle 2045 Fund	38,476,400	61,975,198
MTA Target-Year Lifecycle 2050 Fund	22,249,815	25,152,601
MTA Target-Year Lifecycle 2055 Fund	1,881,412	2,159,684
MTA Target-Year Lifecycle 2060 Fund	87,721	29,297
MTA Target-Year Lifecycle 2065 Fund	336,563	210,492
MTA Income Fund	42,562,260	58,025,287
<u>International Equity Funds</u>		
MTA International Portfolio	144,536,799	215,207,217
MTA International Index Fund	25,112,577	31,251,686
<u>Small- Mid Cap Equity Funds</u>		
MTA Small-Mid Cap Portfolio	243,343,576	340,756,222
MTA Small-Mid Cap Index	112,927,600	131,621,009
<u>Large-Cap Equity Funds</u>		
MTA Large Cap Portfolio	361,001,732	523,266,729
MTA Large Cap Core Index Fund	311,140,903	443,716,711
<u>Bond Funds</u>		
MTA Bond Core Plus Portfolio	109,178,205	168,338,190
MTA Bond Aggregate Index Fund	18,137,660	21,937,174
<u>Fixed Investment Option</u>		
MTA Stable Value Fund	897,665,768	1,117,748,971
<u>Self-Directed Investment Account</u>	2,867,973	4,118,703
Total	\$ 2,645,243,043	\$ 3,621,297,549

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

The following tables show the interest and/or dividends earned on investments and net appreciation/ (depreciation) for the years ended December 31, 2017 and 2016.

457 Investments at December 31, 2017

<u>Target-Year Lifecycle Funds</u>	<u>Cash Earnings</u>	<u>Appreciation/Depreciation In Fair Market Value - Net</u>
MTA Target-Year Lifecycle 2015 Fund	\$ -	\$4,052,728
MTA Target-Year Lifecycle 2020 Fund	-	4,077,533
MTA Target-Year Lifecycle 2025 Fund	-	12,255,066
MTA Target-Year Lifecycle 2030 Fund	-	4,975,535
MTA Target-Year Lifecycle 2035 Fund	-	10,613,612
MTA Target-Year Lifecycle 2040 Fund	-	3,383,477
MTA Target-Year Lifecycle 2045 Fund	-	6,515,291
MTA Target-Year Lifecycle 2050 Fund	-	3,799,618
MTA Target-Year Lifecycle 2055 Fund	-	194,991
MTA Target-Year Lifecycle 2060 Fund	-	2,451
MTA Target-Year Lifecycle 2065 Fund	-	10,850
MTA Income Fund	(32)	2,895,302
<u>International Equity Funds</u>		
MTA International Portfolio	-	28,478,383
MTA International Index Fund	-	4,214,019
<u>Small-Mid-Cap Equity Funds</u>		
MTA Small-Mid Cap Portfolio	-	22,211,261
MTA Small-Mid Cap Index Fund	-	9,823,723
MTA Small Cap Core Portfolio	-	4,674,966
MTA Small Cap Core Index	-	1,904,992
MTA Mid Cap Core Portfolio	(452)	14,136,064
MTA Mid Cap Core Index Fund	-	3,499,431
<u>Large-Cap Equity Funds</u>		
MTA Large Cap Portfolio	-	73,986,281
MTA Large Cap Index Fund	-	53,978,392
<u>Bond Funds</u>		
MTA Bond Portfolio	-	3,667,169
MTA Bond Index Fund	-	574,868
<u>Fixed Investment Option</u>		
MTA Stable Value Fund	590	17,739,251
<u>Self-Directed Investment Account</u>	-	375,144
Total	\$106	\$292,040,398

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

401(k) Investments at December 31, 2017

<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	\$ -	\$5,879,723
MTA Target-Year Lifecycle 2020 Fund	-	5,710,028
MTA Target-Year Lifecycle 2025 Fund	-	18,595,814
MTA Target-Year Lifecycle 2030 Fund	-	7,891,204
MTA Target-Year Lifecycle 2035 Fund	-	17,110,203
MTA Target-Year Lifecycle 2040 Fund	-	5,219,254
MTA Target-Year Lifecycle 2045 Fund	-	10,710,957
MTA Target-Year Lifecycle 2050 Fund	-	4,279,846
MTA Target-Year Lifecycle 2055 Fund	-	212,408
MTA Target-Year Lifecycle 2060 Fund	-	2,804
MTA Target-Year Lifecycle 2065 Fund	-	3,093
MTA Income Fund	291	3,969,445
<u>International Equity Funds</u>		
MTA International Portfolio	(112)	42,378,226
MTA International Index Fund	152	5,289,746
<u>Small-Mid Cap Equity Funds</u>		
MTA Small-Mid Cap Portfolio	26	31,126,551
MTA Small-Mid Cap Index Fund	16	11,521,852
MTA Small Cap Core Portfolio	-	6,973,340
MTA Small Cap Core Index	-	2,309,598
MTA Mid Cap Core Portfolio	(56)	19,139,073
MTA Mid Cap Core Index Fund	-	4,094,206
<u>Large-Cap Equity Funds</u>		
MTA Large Cap Portfolio	(5,389)	107,585,793
MTA Large Cap Core Index Fund	(117)	77,775,644
<u>Bond Funds</u>		
MTA Bond Portfolio	10	5,646,930
MTA Bond Index Fund	3	704,006
<u>Fixed Investment Option</u>		
MTA Stable Value Fund	(1,246)	21,908,722
<u>Self-Directed Investment Account</u>	-	545,928
Total	(\$6,422)	\$416,584,394

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

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, 2017, 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>	457		401(k)	
	<u>457</u>	<u>Percentage of Fixed Income Portfolio</u>	<u>401(k)</u>	<u>Percentage of Fixed Income Portfolio</u>
AAA	\$ 469,594,684	39.47%	\$ 615,206,323	39.40%
AA	71,494,230	6.01	93,214,177	5.97
A	189,845,683	15.96	247,553,852	15.85
BBB	139,889,488	11.76	182,374,091	11.68
BB	9,536,646	0.80	14,561,400	0.93
Below BB	<u>9,498,940</u>	<u>0.80</u>	<u>14,647,426</u>	<u>0.94</u>
Credit Risk Debt Securities	889,859,671	74.80	1,167,557,269	74.77
U.S. Government Bonds	<u>299,826,616</u>	<u>25.20</u>	<u>394,031,513</u>	<u>25.23</u>
Total fixed income securities	1,189,686,287	<u>100.00%</u>	1,561,588,782	<u>100.00%</u>
Other securities not rated - equity, international funds and corporate bonds	<u>1,455,556,756</u>		<u>2,059,708,767</u>	
Total investments	<u>\$ 2,645,243,043</u>		<u>\$ 3,621,297,549</u>	

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> <u>Percentage of</u> <u>Fixed Income</u> <u>Portfolio</u>	<u>401(k)</u>	<u>401(k)</u> <u>Percentage of</u> <u>Fixed Income</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>	
Total investments	<u>\$ 2,262,972,611</u>		<u>\$ 3,076,148,021</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.

2017

<u>Investment Type</u>	<u>457</u>	<u>401(k)</u>	<u>Total</u>	<u>Duration</u>
Stable Value Fund	\$ 897,665,768	\$ 1,117,748,970	\$ 2,015,414,738	2.99 *
Loomis Sayles	36,028,808	55,551,603	91,580,411	5.95
TCW Group	37,120,588	57,234,985	94,355,573	5.68
SSgA Aggregate Bonfd Index Fund	18,137,660	21,937,174	40,074,834	5.94
SSgA Real Asset Fund	43,005,081	63,810,866	106,815,947	7.67
Wellington World Bond Fund	<u>36,028,807</u>	<u>55,551,603</u>	<u>91,580,410</u>	1.51
Total Fixed Income				
Portfolio Modified Duration	1,067,986,712	1,371,835,201	2,439,821,913	
Investment with no duration reported	<u>1,577,256,331</u>	<u>2,249,462,348</u>	<u>3,826,718,679</u>	
Total investments	<u>\$ 2,645,243,043</u>	<u>\$ 3,621,297,549</u>	<u>\$ 6,266,540,592</u>	

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

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 to the passage of time.

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

2017	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	\$ 4,371,594	\$ 6,153,851	\$ 10,525,445
Bermudian Dollar	1,557	1,906	3,463
Brazil Cruzeiro Real	2,457,448	3,706,592	6,164,040
British Pound Sterling	48,864,611	72,679,843	121,544,454
Canadian Dollar	21,597,869	31,619,714	53,217,583
Chilean Peso	(7,946)	(16,553)	(24,499)
Chinese Yuan Renminbi	420,469	636,531	1,057,000
Colombian Peso	85,195	120,473	205,668
Czech Krone	29,543	45,482	75,025
Danish Krone	8,789,516	13,249,489	22,039,005
Egyptian Pound	516	650	1,166
Euro	75,260,037	111,343,273	186,603,310
Hong Kong Dollar	13,520,765	20,243,745	33,764,510
Hungarian Forint	(1,537)	(7,701)	(9,238)
Indian Rupee	2,224,363	3,361,740	5,586,103
Indonesia Rupiah	624,592	942,698	1,567,290
Israeli Shekel	384,422	544,508	928,930
Japanese Yen	47,044,922	69,617,801	116,662,723
Malaysian Ringgit	2,132,147	3,220,675	5,352,822
Mexican Peso	2,190,765	3,317,046	5,507,811
New Zealand Dollar	(137,376)	(225,304)	(362,680)
Norwegian Krone	2,392,576	3,630,896	6,023,472
Panamanian Balboa	11,342	13,881	25,223
Peruvian Nuevo Sol	65,548	98,022	163,570
Philippine Peso	31,085	38,625	69,710
Polish Zloty	1,424,107	2,189,430	3,613,537
Qatar Riyal	562,504	850,498	1,413,002
Russian Ruble	119,052	183,559	302,611
Singapore Dollar	6,690,302	10,037,539	16,727,841
South African Rand	2,066,093	3,114,835	5,180,928
South Korean Won	4,706,825	7,100,085	11,806,910
Swedish Krona	12,339,870	18,611,548	30,951,418
Swiss Franc	16,322,702	23,987,762	40,310,464
New Taiwan Dollar	2,547,361	3,849,592	6,396,953
Thai Baht	1,100,413	1,664,793	2,765,206
Turkish Lira	694,143	1,036,541	1,730,684
United Arab Emirates Dirham	452,373	684,076	1,136,449
Uruguayan Pesos	83,079	125,141	208,220
Total	<u>\$ 281,462,847</u>	<u>\$ 417,773,282</u>	<u>\$ 699,236,129</u>

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>

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)**

	2017			
	December 31, 2017	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
457 Plan				
Equity Securities:				
Commingled large-cap equity funds	\$ 759,673	\$ -	Daily	None
Commingled Small-mid cap equity funds	112,928	-	Daily	None
Separate Manager Account: Small-Mid cap equity funds	186,233	-	Daily	None
Small-Mid cap equity mutual fund	91,727	-	Daily	None
Commingled international equity fund	158,435	-	Daily	None
Separate Manager Account: International equity mutual fund	133,322	-	Daily	None
Total equity securities	1,442,318	-		
Debt Securities				
Commingled debt funds	128,493	-	Daily	None
Separate Manager Account: debt funds	56,850	-	Daily	None
Total debt securities	185,343	-		
Real assets				
Commingled real asset equity fund	43,005	-	Daily	None
Total real assets	43,005	-		
Other:				
Self direct investment option	2,868	-	Daily	None
Total other	2,868	-		
Total investments measured at the NAV	1,673,534	-		
Investments measured at Contract Value	971,709	-		
Total investments	\$ 2,645,243	\$ -		

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

	2017			
	December 31, 2017	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
401k Plan				
Equity Securities:				
Commingled large-cap equity funds	\$ 1,098,377	\$ -	Daily	None
Commingled Small-mid cap equity funds	131,621	-	Daily	None
Separate Manager Account: Small-Mid cap equity funds	263,107	-	Daily	None
Small-Mid cap equity mutual fund	129,590	-	Daily	None
Commingled international equity fund	230,496	-	Daily	None
Separate Manager Account: International equity mutual fund	199,244	-	Daily	None
Total equity securities	2,052,435	-		
Debt Securities				
Commingled debt funds	190,109	-	Daily	None
Separate Manager Account: debt funds	86,634	-	Daily	None
Total debt securities	276,743	-		
Real assets				
Commingled real asset equity fund	63,811	-	Daily	None
Total real assets	63,811	-		
Other:				
Self direct investment option	4,119	-	Daily	None
Total other	4,119	-		
Total investments measured at the NAV	2,397,108	-		
Investments measured at Contract Value	1,224,190	-		
Total investments	\$ 3,621,298	\$ -		

Investments measured at Contract and NAV values
(In thousands)

	2016			
	December 31, 2016	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
457 Plan				
Equity Securities:				
Commingled large-cap equity funds	\$ 311,453	\$ -	Daily	None
Large-cap equity mutual fund	274,680	-	Daily	None
Commingled mid-cap equity funds	120,765	-	Daily	None
Mid-cap equity mutual fund	66,001	-	Daily	None
Commingled small-cap equity funds	131,256	-	Daily	None
Commingled international equity fund	12,028	-	Daily	None
International equity mutual funds	194,235	-	Daily	None
Total equity securities	1,110,418	-		
Debt Securities				
Commingled debt funds	170,699	-	Daily	None
Total debt securities	170,699	-		
Real assets				
Commingled 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:				
Commingled large-cap equity funds	\$ 453,635	\$ -	Daily	None
Large-cap equity mutual fund	401,826	-	Daily	None
Commingled mid-cap equity funds	154,476	-	Daily	None
Mid-cap equity mutual fund	91,230	-	Daily	None
Commingled small-cap equity funds	186,321	-	Daily	None
Commingled international equity fund	15,767	-	Daily	None
International equity mutual funds	292,437	-	Daily	None
Total equity securities	1,595,692	-		
Debt Securities				
Commingled debt funds	255,535	-	Daily	None
Total debt securities	255,535	-		
Real assets				
Commingled 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	\$ -		

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, 2017 and 2016, 38.9% and 34.2% of the eligible employees were enrolled in the 457 Plan and 55.7% and 48.93% of the eligible employees were enrolled in the 401(k) Plan, respectively. There are 31,806 and 30,557 active participants in the 457 Plan and 44,631 and 42,189 active participants in the 401(k) Plan. The average account balance in the 457 Plan is \$63,859 and \$57,423 and in the 401(k) Plan is \$65,772 and \$59,705 in 2017 and 2016, 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 Commanding Officers’ Association contributions, MTA Business Service Center, Matching Contributions and Roth Elective Deferrals. The net loans outstanding for the 457 plan is \$74.61 million and \$69.82 million at December 31, 2017 and 2016, respectively, and for the 401(k) plan was \$146.35 million and \$136.07 million at December 31, 2017 and 2016, 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 2017 and 2016. 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 2017 and 2016, 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, 2017 and 2016, the Plans' membership with balances consisted of:

	2017		2016	
	457	401(k)	457	401(k)
Active employees	31,806	44,631	30,557	42,189
Terminated/Inactive employees	9,612	10,369	8,839	9,259
Total active and inactive members	<u>41,418</u>	<u>55,000</u>	<u>39,396</u>	<u>51,448</u>
Vested employees	41,418	54,757	39,396	51,258

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

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

8. TRUSTEE AND OTHER PROFESSIONAL SERVICES

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

9. SUBSEQUENT EVENTS

On January 11, 2018, the 401(k) Plan was amended to allow certain eligible Metro North employees who receive retroactive pay adjustments to receive related employer contributions after their last day of employment.

On June 21, 2018, the 401(k) Plan was amended to adopt rules applicable to distributions on account of a “hardship,” pursuant to the Bipartisan Budget Act of 2018. Effective January 1, 2019, a Participant will not be required to cease regular payroll contributions for six months after taking a hardship distribution. Further, a Participant will not be required to take a loan prior to taking a hardship distribution. Hardship withdrawals may be taken from before-tax contribution accounts, including earnings and losses.

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