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

(A Fiduciary Component Unit of the Metropolitan Transportation Authority)

Financial Statements as of and for the
Years Ended December 31, 2023 and 2022
Supplemental Schedules, and
Independent Auditor’s Report

# METROPOLITAN TRANSPORTATION AUTHORITY
# OTHER POST EMPLOYMENT BENEFITS PLAN

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# INDEPENDENT AUDITOR'S REPORT

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

## Opinion

We have audited the accompanying statements of fiduciary net position of the Metropolitan Transportation Authority Retiree Welfare Benefits Plan (the "Plan") as of December 31, 2023 and 2022, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the fiduciary net position as of December 31, 2023 and 2022, and the respective changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Changes in Employers' Net OPEB Liability and Related Ratios-Schedule I, Schedule of Employer Contributions- Schedule II, and Schedule of Investment Returns- Schedule III be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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

October 22, 2024

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

This management's discussion and analysis of the Plan's financial performance provides an overview of the Plan's financial activities for the years ended December 31, 2023 and 2022. It is meant to assist the reader in understanding the Plan's financial statements by providing an overall review of the financial activities during the year and the effects of significant changes. This discussion and analysis may contain opinions, assumptions, or conclusions by the MTA's management that should not be considered a replacement for, and is intended to be read in conjunction with, the Plan's financial statements which begin on page 9.

**Overview of Basic Financial Statements**

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

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

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

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

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

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

**Financial Highlights**

**Fiduciary Net Position**
**December 31, 2023, 2022 and 2021**
**(Dollars in thousands)**

| | | | | Amount of Change | | Percentage Change | |
|---|---|---|---|---|---|---|---|
| | **2023** | **2022** | **2021** | **(2023 - 2022)** | **(2022 - 2021)** | **(2023 - 2022)** | **(2022 - 2021)** |
| ASSETS: | | | | | | | |
| Investments | $ 1,362,791 | $ 11,698 | $ 107 | $ 1,351,093 | $ 11,591 | 11550.0 % | 10832.7 % |
| Receivables and other assets | 11,708 | 38 | - | 11,670 | 38 | 30,710.5 | 100.0 |
| TOTAL ASSETS | 1,374,499 | 11,736 | 107 | 1,362,763 | 11,629 | 11,611.8 | 10,868.2 |
| LIABILITIES: | | | | | | | |
| Benefits payable and accrued expenses | 594 | 1 | 24 | 593 | (23) | 59,300.0 | (95.8) |
| TOTAL LIABILITIES | 594 | 1 | 24 | 593 | (23) | 59,300.0 | (95.8) |
| NET POSITION RESTRICTED FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS | $ 1,373,905 | $ 11,735 | $ 83 | $ 1,362,170 | $ 11,652 | 11607.8 % | 14038.6 % |

Plan net position is held in trust for the payment of future benefits to members and beneficiaries. The assets of the Plan exceeded its liabilities by $1,373.9 million and $11.7 million as of December 31, 2023 and 2022. The net increase in Plan value in 2023 compared to 2022 is a result of the MTA contribution of $1.3 billion to the OPEB Trust in 2023.

**Changes in Fiduciary Net Position**
**For the Years Ended December 31, 2023, 2022, and 2021**

| **(Dollars in thousands)** | | | | **Amount of Change** | | **Percentage Change** | |
|---|---|---|---|---|---|---|---|
| | **2023** | **2022** | **2021** | **(2023 - 2022)** | **(2022 - 2021)** | **(2023 - 2022)** | **(2022 - 2021)** |
| ADDITIONS: | | | | | | | |
| Total investment income | $ 43,596 | $ 11,828 | $ - | $ 31,768 | $ 11,828 | 268.6 % | 100.0 % |
| Less: | | | | | | | |
| Investment expenses | 565 | - | - | 565.0 | - | 100 | - |
| Net investment income | 43,031 | 11,828 | - | 31,203 | 11,828 | 263.8 | 100.0 |
| Add: | | | | | | | |
| Employer contributions | 2,139,096 | 788,310 | 740,051 | 1,350,786 | 48,259 | 171.4 | 6.5 |
| Implicit rate subsidy contribution | 62,445 | 57,989 | 52,933 | 4,456 | 5,056 | 7.7 | 9.6 |
| Total additions | 2,244,572 | 858,127 | 792,984 | 1,386,445 | 65,143 | 161.6 | 8.2 |
| DEDUCTIONS | | | | | | | |
| Benefit payments | 819,815 | 788,310 | 740,051 | 31,505 | 48,259 | 4.0 | 6.5 |
| Implicit rate subsidy payments | 62,445 | 57,989 | 52,933 | 4,456 | 5,056 | 7.7 | 9.6 |
| Administrative expenses | 142 | 176 | 47 | (34) | 129 | (19.3) | 274.5 |
| Total deductions | 882,402 | 846,475 | 793,031 | 35,927 | 53,444 | 4.2 | 6.7 |
| Net increase/(decrease) in net position | 1,362,170 | 11,652 | (47) | 1,350,518 | 11,699 | 11,590.4 | (24,891.5) |
| NET POSITION RESTRICTED FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS | | | | | | | |
| Beginning of year | 11,735 | 83 | 130 | 11,652 | (47) | 14,038.6 | (36.2) |
| End of year | $ 1,373,905 | $ 11,735 | $ 83 | $ 1,362,170 | $ 11,652 | 11607.8 % | 14038.6 % |

The Plan's net position held in trust increased by $1,373.9 million and $11.7 million in 2023 and 2022, respectively. The change in 2023 is due to the $1.3 billion contribution to the OPEB Trust by the MTA whereas the 2022 increase was due to the recognition of the lawsuit settlement from AllianzGI Structured Alpha Funds.

## Investments

The table below summarizes the Plan's investment measured at fair value.

| **December 31, 2023 (Dollars in thousands)** | **Fair Value** | **Allocation** |
|---|---|---|
| **Type of Investments** | | |
| Investment measured at readily determined fair value | $ 1,362,791 | 100 % |
| | $ 1,362,791 | 100 % |

| December 31, 2022<br>(Dollars in thousands) | Fair Value | Allocation |
|---|---|---|
| **Type of Investments** | | |
| Investment measured at readily determined fair value | $ 11,698 | 100 % |
| | $ 11,698 | 100 % |

## Economic Factors

***Market Overview – 2023***

The year 2023 was a surprisingly strong year for markets and was characterized by disinflation, hawkish central banks, stronger than expected global GDP growth, the AI technological boom, and U.S. equity outperformance driven by the Magnificent 7. These positive developments came about despite three significant shocks. The first was higher than expected short-term and long-term interest rates due to central bank reaction functions (four 25pb rate hikes in the U.S.) to better than expected growth data. Second was the U.S. and European banking sector instability early in the year. And third was the heightened geopolitical risk arising from the Israel-Hamas war. Following the tumultuous conditions of 2022, the economic conditions in 2023 brought with it strong increases in global economic growth rate forecasts, declines in unemployment projections, and suppressed recession concerns. In the US, disinflation, increased interest income, and steady real wages supported above trend line consumption. U.S. household credit usage increased, while debt service ratios still had room to expand, and the unemployment rate remained favorable. Global assets broadly increased, treasury yield volatility increased, the dollar remained strong, and the yield curve has remained sharply inverted for the longest period on record.

Except for commodities, global risk assets had strong performance across the board. The strong shift upwards in correlations between equity and fixed income markets that was experienced in 2022 remained positive in 2023, which resulted in the one of the better years for the 60/40 equity bond mix portfolio. In foreign exchange markets, the U.S. Dollar remained strong due to high interest rate differentials, posting gains against the Yen, and losses against the Euro.

***Macro Themes***

- Higher interest rates for a longer period of time
- Geopolitical risk and deglobalization
- Innovation and AI
- Priced in rate cutting for the Fed in 2024

***United States***

The U.S. economy surprised to the upside, a 2.5% increase in Real GDP growth in 2023, compared to a 1.9% increase in 2022. The unemployment rate increased but remained low, finishing 2023 at 3.7% compared to 3.5% in 2022. Consumer Prices rose only 3.4% in 2023 compared to 6.5% in 2022, while core inflation, which excludes the volatile food and energy components, rose 3.9% in 2023 compared to 5.7% in 2022.

U.S. equities were positive across the board, with the S&P 500 (26.3%) and Russell 1000 (26.5%) indices posting double digit returns. Across capitalizations, Large Cap (S&P 500 Index: 26.3%), Mid Cap (S&P 400 Index: 16.4%), and Small Cap (Russell 2000 Index:16.9%) also posted double digit returns. Across styles, Growth (Russell 1000 Growth Index: 42.7%) significantly outperformed Value (Russell 1000 Value Index: 11.5%). Growth was driven by unprecedented concentration and outperformance from the Magnificent 7 (AAPL, AMZN, GOOGL, META, MSFT, NVDA, and TSLA). In 2023, the Magnificent 7 returned 104.7% which accounted for 62.2% of the S&P 500's total return for the year.

U.S. Treasury yields were volatile in 2023 and the yield curve remained inverted amid the Federal Reserve's four rate hikes. Credit spreads broadly tightened in 2023 except for securitized credit. Diversified fixed income posted positive returns (Bloomberg U.S. Aggregate Index: 5.5%) with strong performance from Convertibles (Bloomberg US Convertibles Index: 14.6%), High Yield (Bloomberg High Yield Index: 13.4%) and Credit (Bloomberg Credit Index: 8.2%). Positive returns were also realized in Treasuries (Bloomberg US Treasury Index: 4.1%) and Treasury Inflation Protected Securities (Bloomberg TIPS Index: 3.9%).

***International Developed***

International developed equity markets (MSCI EAFE Index: 18.2%) posted strong results in 2023 but underperformed the U.S. large cap equity markets. Leading the way was the Japanese (MSCI Japan Index: 20.8%) and European (MSCI Europe Index: 20.7%) markets. The International developed Small Cap (MSCI EAFE SC Index: 13.2%) market also posted double digit returns, but not as high as the International large cap counterpart.

***Emerging Markets***

Emerging markets posted positive but weaker relative returns in 2023 compared to both the U.S. and international developed equity markets. The broad EM Market (MSCI EM Index: 9.8%) garnished high single digit returns, despite having negative returns from Chinese (MSCI EM China Index: -11.2%) equities. Geopolitical risk, weak demand, and high unemployment dampened sentiment in the Chinese market. However, the EM Small Cap (MSCI EM Small Cap Index: 23.9%) market posted much better returns compared to EM large cap market.

The EM fixed income markets were positive in 2023. Both hard currency bonds, which are bonds predominately issued in U.S. Dollars, and local currency bonds, posted double digit returns. Local currency bonds (JPMorgan GBI-EM Global Diversified Index: 12.7%) outperformed hard currency bonds (JPMorgan EMBI Global Diversified Index: 11.1%).

***Commodities***

Commodities (S&P Goldman Sachs Commodity Index: -4.3%) were the laggards and had negative performance in 2023. The index was largely influenced by a -28.6% change in Natural Gas Prices. Commodity futures remain backwardated, although the roll yield has declined. Precious Metals and Softs (agricultural products) were the best performers in this category, with Gold spot prices up 13.0% and Cocoa spot prices up 61.4% for the year.

***Market Outlook – 2024***

Through the first quarter of 2024, equity markets were mostly higher with gains in the low double digits. Growth equities have continued to lead the way, adding on to their 2023 gains. Despite the hawkish Fed, growth and momentum continued to outperform in 2024 driven by strong earnings and the AI secular growth theme. Fixed income markets had a mixed start to 2024, with returns flat to slightly negative for the quarter. Fed speak has been hawkish as inflation has been stickier than expected going into 2024, but rate cuts are still expected towards the end of the year. The only negative area was in the Real Estate asset class due to continued pressure from high interest rates. Markets are expected to be more volatile this year than in 2023, but participants appear to be cautiously optimistic.

2024's macroeconomic backdrop will likely be dominated by the private consumption, the Fed's willingness to cut rates, geopolitical tensions, tight credit markets, artificial intelligence, and the 2024 U.S. presidential race. Coming out of 2023, a positive year for risk assets, market participants are optimistic for 2024. Several roadblocks to high growth still loom such as the staggering Commercial Real Estate maturity wall, tight credit markets with low deal flow in private markets, the inverted yield curve, high U.S. government debt, and high equity multiples. Global growth optimism stems from real disposable income growth in a lower inflation environment, strong labor markets, pain from hawkish monetary policy being behind us, global manufacturing activity expected to recover, and that the central banks have proven that they do not need a recession to bring inflation down.

**Contact Information**

This financial report is designed to provide a general overview of the Metropolitan Transportation Authority Other Postemployment Benefits Plan's finances. Questions concerning any data provided in this report or requests for additional information should be directed to the Deputy Chief, Controller's Office, Metropolitan Transportation Authority, 2 Broadway, 15th Floor, New York, NY 10004.

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## METROPOLITAN TRANSPORTATION AUTHORITY
## OTHER POSTEMPLOYMENT BENEFITS PLAN

### STATEMENTS OF FIDUCIARY NET POSITION
### AS OF DECEMBER 31, 2023 AND 2022
### (In thousands)

| | 2023 | 2022 |
|---|---|---|
| ASSETS: | | |
| Investments at fair value (Notes 3 and 4): | | |
| Investments measured at readily determined fair value | $ 1,362,791 | $ 11,698 |
| Interest receivable | 11,708 | 38 |
| Total assets | 1,374,499 | 11,736 |
| LIABILITIES: | | |
| Benefits payable and accrued expenses | 594 | 1 |
| Total liabilities | 594 | 1 |
| NET POSITION RESTRICTED FOR POSTEMPLOYEMENT BENEFITS OTHER THAN PENSIONS | $ 1,373,905 | $ 11,735 |

See notes to financial statements.

(Concluded)

## METROPOLITAN TRANSPORTATION AUTHORITY
## OTHER POSTEMPLOYMENT BENEFITS PLAN

### STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
### FOR THE YEAR ENDED DECEMBER 31, 2023 AND 2022
### (In thousands)

| | 2023 | 2022 |
|---|---|---|
| ADDITIONS: | | |
| Net realized and unrealized gains | $ 10,400 | $ 11,671 |
| Dividends | - | 3 |
| Interest | 33,196 | 154 |
| Total investment income | 43,596 | 11,828 |
| Less: | | |
| Investment expenses | 565 | - |
| Total investment income | 43,031 | 11,828 |
| Add: | | |
| Employer contributions | 2,139,096 | 788,310 |
| Implicit rate subsidy contribution | 62,445 | 57,989 |
| Total additions | 2,244,572 | 858,127 |
| DEDUCTIONS: | | |
| Benefit Payments | 819,815 | 788,310 |
| Implicit rate subsidy payments | 62,445 | 57,989 |
| Administrative expenses | 142 | 176 |
| Total deductions | 882,402 | 846,475 |
| Net increase in net position | 1,362,170 | 11,652 |
| NET POSITION RESTRICTED FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS: | | |
| Beginning of year | 11,735 | 83 |
| End of year | $ 1,373,905 | $ 11,735 |

See notes to financial statements.

(Concluded)

## 1. BACKGROUND AND ORGANIZATION

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

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

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

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

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

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

the persons holding the following positions:

(i) the Chairperson of the MTA;
(ii) the MTA Chief Financial Officer; and
(iii) the MTA Director of Labor Relations.

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

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

**OPEB Funding -** During 2012, MTA funded $250 million into a Trust allocated between MTA Headquarters and MTA New York City Transit and funded an additional $50 million during 2013 allocated between MTA Long Island Rail Road and MTA Metro-North Railroad. During 2023, MTA Headquarters transferred in-kind Treasury securities totaling $1,319.3 million in Trust contributions during the year. Although the asset value increased significantly, the balance would be projected to be depleted after two years of pay-as-you-go payments. Therefore, in accordance with GASB 74, the discount rate is set equal to the municipal bond index. MTA elected the Bond Buyer 20-Bond GO Index. As a result, the discount rates as of December 31, 2023 and 2022 are 3.26% and 3.72%, respectively.

| **Blended and Age-adjusted Premium (in thousands)** | **2023 Retirees** | **2022 Retirees** |
|---|---|---|
| Total blended premiums | $819,815 | $788,310 |
| Employment payment for retiree healthcare | 62,445 | 57,989 |
| Net Payments | $882,260 | $846,299 |

The $62,445 and $57,989 employer payments for retiree healthcare shown in the preceding table are cash payments in the years 2023 and 2022, respectively. Based on the premium rate structure of NYSHIP, it is part of the employers' payments for active-employee healthcare benefits; and reflects the higher costs among retirees than actives. The $62,445 and $57,989, therefore, is not a payment for active-employee benefits; rather, but represents benefit payments for healthcare coverage for the years 2023 and 2022 for retirees.

## 2. PLAN DESCRIPTION, ELIGIBILITY AND MEMBERSHIP INFORMATION

The benefits provided by the MTA Group include medical, pharmacy, dental, vision, life insurance and a Medicare supplemental plan. The different types of benefits provided vary by MTA agency and relevant collective bargaining agreements. Certain benefits are provided upon retirement. “Retirement” is defined by the applicable pension plan. Certain MTA Group agencies provide benefits to certain former employees if separated from service within 5 years of attaining retirement eligibility. Employees of the MTA Group are members of the following pension plans: the MTA Defined Benefit Pension Plan (“MTADBPP”), the MTA Long Island Rail Road Plan for Additional Pensions, the Metro-North Cash Balance Plan, the Manhattan and Bronx Surface Transit Operating Authority (“MaBSTOA”) Pension Plan, the New York City Employees’ Retirement System (“NYCERS”) and the New York State and Local Employees’ Retirement System (“NYSLERS”). Certain represented employees of Metro-North Railroad participate in the Thrift Plan for Employees of MTA, its Subsidiaries and Affiliates (“401(k) Plan”). Eligible employees of the MTA Group may elect to join the New York State Voluntary Defined Contribution Plan (“VDC”).

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

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

GASB 74 requires employers to perform periodic actuarial valuations to determine annual accounting costs, and to keep a running tally of the extent to which these amounts are over or under funded. The valuation must be performed at least biennially. The most recent biennial valuation was performed with a valuation date of July 1, 2023. The total number of plan participants as of July 1, 2023 receiving retirement benefits was approximately 51,123.

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

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

- Surviving Spouse and Other Dependents:

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

(ii) Represented retired employees must follow the guidelines of their collective bargaining agreements regarding continued health coverage for a surviving spouse or domestic partner and surviving dependents. For represented employees of MTA New York City Transit and MTA Staten Island Railway retiring on or after May 21, 2014 for TWU Local 100, September 24, 2014 for ATU Local 726, October 29, 2014 for ATU Local 1056, March, 25, 2015 for TCU and December 16, 2015 for UTU and ATDA, surviving spouse coverage continues until spouse is eligible for Medicare.

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

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

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

**Plan Membership** - As permitted under GASB 74, the Plan has elected to use July 1, 2023 as the valuation date of the OPEB actuarial valuation. The Plan's combined membership consisted of the following at July 1, 2023 and July 1, 2022, the date of the most recent OPEB actuarial valuation:

| | July 1, 2023 | July 1, 2021 |
|---|---|---|
| Active Plan members | 71,454 | 68,672 |
| Inactive Plan members currently receiving Plan benefit payments | 51,123 | 48,888 |
| Inactive Plan members entitled to but not yet receiving benefit payments | 55 | 131 |
| Total number of participating employees | 122,632 | 117,691 |

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

GASB Statement No. 72, *Fair Value Measurement and Application* ("GASB 72"), requires the Funds to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach, or an income approach. GASB 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. GASB 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that were used for the fair value measurements.

**New Accounting Standards Adopted -** The Plan adopted the following GASB Statement in 2023:

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, was issued to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

The adoption of this Statement has no material impact on the financial net position of MTA's OPEB Plan.

GASB Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

The adoption of this Statement has no material impact on the financial net position of MTA's OPEB Plan.

**Accounting Standards Issued but Not Yet Adopted**

| GASB Statement No. | GASB Accounting Standard | MTA OPEB Plan Required Year of Adoption |
|---|---|---|
| 100 | *Accounting Changes and Error Corrections* | 2024 |
| 101 | *Compensated Absences* | 2024 |
| 102 | *Certain Risk Disclosures* | 2025 |
| 103 | *Financial Reporting Model Improvements* | 2025 |

**Investments -** The Plan's investments are those which are held in the Trust. Investments are reported on the statement of fiduciary net position at fair value based on quoted market prices. Investment income, including changes in the fair value of investments, is reported on the statement of changes in fiduciary net position during the reporting period.

**Benefit Payments -** The Plan Sponsor ("The MTA") makes direct payments of insurance premiums for healthcare benefits to OPEB Plan members or beneficiaries. Payments made directly to the insurers by the Plan Sponsor which bypass the trust are treated as additions and deductions from the Plan's net position. Additionally, premium payments on behalf of retirees have been adjusted to reflect age-based claims cost.

**Administrative Expenses -** Administrative expenses of the Plan are paid for by the Plan.

## 4. INVESTMENTS

**Investment Policy -** The investments of the Trust will be made for the exclusive benefit of the Plan participants and their beneficiaries. Policy guidelines may be amended by the Board of Managers upon consideration of the advice and recommendations of investment professionals.

In order to have a reasonable probability of achieving the target return at an acceptable risk level, the Board has adopted the asset allocation policy outlined below. The actual asset allocation will be reviewed on, at least, annually. The following was the Board of Managers adopted asset allocation policy as at December 31, 2023.

| Asset Class | Target Allocation (%) | Policy Benchmark |
|---|---|---|
| Global Equity | 35 | MSCI ACWI |
| Fixed Income | 18 | Manager Specific |
| Global Asset Allocation* | 30 | 50% World Equity/ 50% Citigroup WGBI unhedged |
| Absolute Return | 12 | Manager Specific |
| Real Assets | 5 | Manager Specific |
| Total | 100 | |

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

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

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

**Investment Objective -** The investment objective of the Plan is to achieve the actuarial return target with an appropriate risk position.

**Investment Guidelines** - The Board of Managers of the MTA Retiree Welfare Benefits Plan is in the process of creating investment guidelines with the Plan's investment advisor ("NEPC") that will address and execute investment management agreements with professional investment management firms to manage the assets of the Plan.

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

| | 2023 | | 2022 | |
|---|---|---|---|---|
| **Investment Fund** | **Fair Value** | **Duration** | **Fair Value** | **Duration** |
| Blackrock short term duration bond Fund | $ 1,341,188 | 3.04 | $ - | - |
| | 1,341,188 | | | |
| Portfolio modified duration | | 3.04 | | - |
| Investments with no duration reported | 21,603 | | 11,698 | |
| Total investments | $ 1,362,791 | | $ 11,698 | |

**Credit Risk** - For investments, custodial credit risk is the risk that in the event of the failure of the Trustee Bank, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. Investment securities are exposed to credit risk if the securities are uninsured and are not registered in the name of the Trust. No credit risk was reported for years ended December 31, 2023 and 2022.

**Concentration of Credit Risk** - The Plan places no limit on the amount the Trust may invest in any one issuer of a single issue. Individual investments held by the Plan that represents 5.0% or more of the Plan's net assets available for benefits. In 2023 the Plan held a Separately Managed Account with Blackrock, where concentration of credit risk is the full responsibility of the Plan. The Plan did not report any concentration of credit risk in 2022.

**Foreign Currency Risk** - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. Some of the Plan's investment managers will have foreign currency exposure through holdings of foreign securities, currency derivatives or private investments whose revenue will be non-USD based. No credit risk was reported for years ended December 31, 2023 and 2022.

**GASB 72 Disclosure** - In year 2015, the MTA Retiree Welfare Benefits Plan adopted GASB Statement No. 72 ("GASB 72"), *Fair Value Measurement and Application*. GASB 72 was issued to address accounting and financial reporting issues related to fair value measurements. All investments were redeemed and used to pay benefits, other than cash retained to pay expenses. The fair value of investments reported for years ended December 31, 2023 and 2022 were $1,362.8 million and $11.7 million, respectively. The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Plan have the following recurring fair value measurements as of December 31, 2023 and 2022:

**Investments measured at readily determined fair value (FV)**
**($ In thousands)**

| | 2023 | | | |
|---|---|---|---|---|
| | **December 31, 2023** | **Quoted Price in Active Markets for Identical Assets Level 1** | **Significant Other Observable Inputs Level 2** | **Significant Unobservable Inputs Level 3** |
| Debt Securities: | | | | |
| Short term bond mutual fund | $ 21,603 | 21,603 | - | - |
| Blacrock Short Term Duration Bond Fund | 1,341,188 | - | 1,341,188 | - |
| Total debt investments | 1,362,791 | 21,603 | 1,341,188 | - |

**Investments measured at readily determined fair value (FV)**
**($ In thousands)**

| | 2022 | | | |
|---|---|---|---|---|
| | **December 31, 2022** | **Quoted Price in Active Markets for Identical Assets Level 1** | **Significant Other Observable Inputs Level 2** | **Significant Unobservable Inputs Level 3** |
| Debt Securities: | | | | |
| Short term bond mutual fund | $ 11,698 | 11,698 | - | - |
| Total debt investments | 11,698 | 11,698 | - | - |

## 5. NET OPEB LIABILITY

The components of the net OPEB liability of the Plan for the years ended December 31, 2023 and 2022 were as follows (in thousands):

| | **December 31, 2023** | **December 31, 2022** |
|---|---|---|
| Total OPEB liability | $ 21,603,051 | $ 22,446,401 |
| Fiduciary net position | 1,373,905 | 11,735 |
| Net OPEB liability | 20,229,146 | 22,434,666 |
| Fiduciary net position as a percentage of the total OPEB liability | 6.36% | 0.05% |

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

Covered payroll is based on salary information provided as of the valuation date.

## Additional Important Actuarial Valuation Information

| | 2023 | 2022 |
|---|---|---|
| Valuation date | July 1, 2023 | July 1, 2021 |
| Measurement date | December 31, 2023 | December 31, 2022 |
| Reporting date | December 31, 2023 | December 31, 2022 |
| Actuarial cost method | Entry Age Normal | Entry Age Normal |
| Normal cost increase factor | 4.25% | 4.25% |

**Discount Rate –** 3.26% per annum as of December 31, 2023 (Bond Buyer General Obligation 20-Bond Municipal Bond Index) and 3.72% per annum as of December 31, 2022.

| | 2023 | 2022 |
|---|---|---|
| Discount rate | 3.26% | 3.72% |
| Long-term expected rate of return, net of investment expense | 4.25% | 3.72% |
| Bond Buyer General Obligation 20-Bond Municipal Bond Index | 3.26% | 3.72% |

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

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

The following presents the net OPEB liability of the Authority, calculated using the discount rate of 3.26% percent; as well as what the Authority’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.26 percent) or 1-percentage point higher (4.26 percent) than the current rate:

**2023**
**(in thousands)**

| | 1% Decrease 2.26% | Current Discount Rate 3.26% | 1% Increase 4.26% |
|---|---|---|---|
| Net OPEB liability | $23,153,304 | $20,229,146 | $17,810,727 |

The following presents the net OPEB liability of the Authority, calculated using the discount rate of 3.72 percent; as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.72 percent) or 1-percentage point higher (4.72 percent) than the current rate:

**2022**
**(in thousands)**

| | 1% Decrease 2.72% | Current Discount Rate 3.72% | 1% Increase 4.72% |
|---|---|---|---|
| Net OPEB liability | $25,527,147 | $22,434,666 | $19,880,017 |

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

**2023**
**(in thousands)**

| | 1% Decrease | * Current Trend Rate | 1% Increase |
|---|---|---|---|
| Net OPEB liability | $17,310,279 | $20,229,146 | $23,893,435 |

* See Health Care Cost Trend Rates table on page 27 of report.

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

**2022**
**(in thousands)**

| | 1% Decrease | * Current Trend Rate | 1% Increase |
|---|---|---|---|
| Net OPEB liability | $19,236,720 | $22,434,666 | $26,461,563 |

* See Health Care Cost Trend Rates table on page 27 of report.

**Calculation on Money-Weighted Rate of Return**

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

## 2023 Schedule of Calculations of Money-Weighted Rate of Return

**(in dollars)**

| | Net External Cash Flows | Periods Invested | Period Weight | Net External Cash Flows With Interest |
|---|---|---|---|---|
| Beginning Value - January 1, 2023 | $11,735,450 | 12.00 | 1.00 | $12,286,392 |
| Monthly net external cash flows: | | | | |
| January | (11,867) | 11.50 | 0.96 | (12,401) |
| February | (11,867) | 10.50 | 0.88 | (12,355) |
| March | (11,867) | 9.50 | 0.79 | (12,305) |
| April | 1,002,742,380 | 8.50 | 0.71 | 1,035,943,140 |
| May | 316,514,471 | 7.50 | 0.63 | 325,796,296 |
| June | (11,867) | 6.50 | 0.54 | (12,164) |
| July | (11,867) | 5.50 | 0.46 | (12,120) |
| August | (11,867) | 4.50 | 0.38 | (12,075) |
| September | (11,867) | 3.50 | 0.29 | (12,026) |
| October | (11,867) | 2.50 | 0.21 | (11,981) |
| November | (11,867) | 1.50 | 0.13 | (11,938) |
| December | (11,867) | 0.50 | 0.04 | (11,888) |
| Ending Value - December 31, 2023 | | | | $1,373,904,575 |
| | | | | |
| Money-Weighted Rate of Return | 4.69% | | | |

**2022 Schedule of Calculations of Money-Weighted Rate of Return**

**(in dollars)**

| | Net External Cash Flows | Periods Invested | Period Weight | Net External Cash Flows With Interest |
|---|---|---|---|---|
| Beginning Value - January 1, 2022 | $83,414 | 12.00 | 1.00 | $19,153,603 |
| Monthly net external cash flows: | | | | |
| January | (14,661) | 11.50 | 0.96 | (2,708,490) |
| February | (14,661) | 10.50 | 0.88 | (1,753,260) |
| March | (14,661) | 9.50 | 0.79 | (1,074,868) |
| April | (14,661) | 8.50 | 0.71 | (695,784) |
| May | (14,661) | 7.50 | 0.63 | (450,395) |
| June | (14,661) | 6.50 | 0.54 | (276,123) |
| July | (14,661) | 5.50 | 0.46 | (178,740) |
| August | (14,661) | 4.50 | 0.38 | (115,702) |
| September | (14,661) | 3.50 | 0.29 | (70,933) |
| October | (14,661) | 2.50 | 0.21 | (45,913) |
| November | (14,661) | 1.50 | 0.13 | (29,723) |
| December | (14,661) | 0.50 | 0.04 | (18,222) |
| Ending Value - December 31, 2022 | | | | $11,735,450 |
| | | | | |
| Money-Weighted Rate of Return | 22862.10% | | | |

## Calculation on Long-Term Expected Rate of Return

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Milliman's investment consulting practice as of December 31, 2023 and 2022.

**SCHEDULE OF LONG TERM EXPECTED RATE OF RETURN FOR 2023**

| Asset Class | Index | Target Allocation* | Long-Term Expected Arithmetic Real Rate of Return |
|---|---|---|---|
| US Cash | BAML 3-Mon Tbill | 1.50% | 3.07% |
| US Short (1-3 Years) Government/Credit Bonds | Bloomberg US Short Government/Credit Bonds (1-3 Years) Treasury USD | 98.50% | 4.39% |
| | | | |
| Assumed Inflation - Mean | | | 2.31% |
| Assumed Inflation - Standard Deviation | | | 1.44% |
| Portfolio Nominal Mean Return | | | 4.37% |
| Portfolio Standard Deviation | | | 0.49% |
| Long-Term Expected Rate of Return selected by MTA | | | 4.25% |

**SCHEDULE OF LONG TERM EXPECTED RATE OF RETURN FOR 2022**

| Asset Class | Index | Target Allocation* | Long-Term Expected Arithmetic Real Rate of Return |
|---|---|---|---|
| US Short (1-3 Years) | Bloomberg US Short | 100.00% | 1.31% |
| Assumed Inflation - Mean | | | 2.33% |
| Assumed Inflation - Standard Deviation | | | 1.41% |
| Portfolio Nominal Mean Return | | | 3.64% |
| Portfolio Standard Deviation | | | 2.05% |
| Long-Term Expected Rate of Return selected by MTA | | | 3.72% |

* Based on March 2014 Investment Policy

## 6. OPEB ACTUARIAL COSTS AND ASSUMPTIONS

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

**Actuarial Assumptions -** The non-healthcare assumptions described below were adopted by the Authority based on experience analyses covering the period from January 1, 2012 – December 31, 2017 dated October 4, 2019 for members of the MaBSTOA Pension Plan and the MTA DB Plan, in addition to a postretirement mortality study covering the period from January 1, 2015 – December 31, 2020 dated April 21, 2022. In addition, demographic assumptions are based on those used in the most recent NYCERS or NYSLRS actuarial valuations for MTA employees participating in these city-wide or state-wide pension plans.

**Actuarial Cost Method -** In accordance with GASB 74 and 75, the Entry Age Normal cost method was used for determining service costs and the Total OPEB liability. Costs are determined as a level percent of pay.

Census data was collected as of July 1, 2023, which is the valuation date. Liabilities as of December 31, 2023 were determined using roll-forward methods, assuming no liability gains and losses. Past and future normal costs were assumed to increase 4.25% per year.

**Significant Changes –** This valuation reflects changes contained in 2023 union agreements between the MTA and the following unions: TWU, TSO, SSSA and UFLEO. These changes modified the underlying health plans or the availability of certain health plans for current and future retirees and is reflected as an experience gain under GASB 74. Effective January 1, 2024, TWU Local 100 retirees of Transit and MTA Bus were migrated from the Aetna Basic Medicare Plan to the Aetna Option 1 Medicare Advantage Plan and into the EGWP Option 1 prescription drug plan. This change decreased plan liabilities by $3,405.5 million as the cost of the Option 1 medical and prescription drug plans are much lower than the Aetna Basic Medicare Plan and the Standard EGWP and non-EGWP prescription drug plans.

Active TSO members of Transit and MTA Bus and SSSA/UFLEO members of Transit currently receiving union health benefits administered by NYC Transit previously could have elected to receive NYSHIP benefits upon meeting the applicable waiting period that varied between 3 and 10 years. The actuarial valuation had assumed that this waiting period would have been met upon retirement. Effective January 1, 2024, any member who has not met the waiting period must continue with the union health benefits and any member who had met the requirement had a one time option to elect NYSHIP. This valuation assumes that any member provided with union health benefits would continue to receive union health benefits upon retirement. This change decreased plan liabilities by $342.7 million.

Including other experience losses occurring since the prior valuation, the net demographic gain resulted in a decrease of $3,06.3 million in plan liabilities as of December 31, 2023.

In addition, this valuation reflects updates to the healthcare per capita costs and trend assumptions, along with implementing a 3-year age difference assumption such that female spouses would be 3 years younger than males. The net effect of these changes was a decrease in plan liabilities of $20.8 million. Furthermore, the discount rate decreased from 3.72% as of December 31, 2022 to 3.26% as of December 31, 2023 based on the Bond Buyer GO 20-Bond Municipal Bond Index, which increased plan liabilities by $1,167.5 million. The net effect of all assumption changes was an increase of $1,146.7 million as of December 31, 2023.

Finally, the TWU agreement included an increase in the monthly supplemental benefit provided to Medicare- eligible retirees (not receiving a full Medicare Part B reimbursement) from $24.80 per month to $41.67 per month plus an additional $41.67 per month for a Medicare-eligible spouse. This change is treated as a plan change under GASB 74 and resulted in an increase in plan liabilities of $74.2 million.

**Changes since Prior Valuation –**

- The discount rate has been changed from 3.72% as of December 31, 2022 to 3.26% as of December 31, 2023, due to changes in the applicable municipal bond index.
- The investment return assumption was changed from the discount rate as of December 31, 2022 to 4.25% to reflect the Trust contributions made during the year.
- Per capita claims costs, healthcare trends, spouse age difference, and election assumptions were updated to reflect current expectations.
- The percentage of vestee members electing coverage at retirement was updated based on the July 2023 Development of Recommended Actuarial Assumptions for New York State/SUNY GASB 45/75 Valuation report provided to Participating Employers of NYSHIP.
- Changes to per capita claims cost, healthcare trends and coverage election assumptions due to the migration of future and current TWU Local 100 members of NYC Transit and MTA Bus Company were reflected as experience changes since the availability of the underlying health plans has changed.

**Inflation Rate** – 2.30% per annum compounded annually.

**Development of Per Capita Claim Costs** (“PCCC”) – For Separate per capita costs are developed for members that participate in New York State Health Insurance Program (NYSHIP) versus those plans administered by NYC Transit. Information on health assumptions is provided below in accordance with the Actuarial Standard of Practice (ASOP) No. 6 effective for measurement dates on or after March 31, 2015.

<u>NYSHIP Medical and Prescription Drug Benefits</u>
Medical and Prescription Drug benefits are provided through the New York State Health Insurance Program (NYSHIP). Empire PPO plan premium rates paid by Participating Agencies for 2023 were

adjusted to reflect differences by age in accordance with ASOP No. 6. Premiums paid by Participating Agencies differ based on Medicare-eligible status whereas premiums paid by Participating Employers do not. Since the NYSHIP plan coordinates with Medicare, we assumed Participating Agency premium rates reflect the effect of Medicare coverage within NYSHIP. Retirees claim costs are based on actual 2023 NYSHIP Empire plan rates effective July 1, 2023, adjusted for age, status (retiree or dependent) and gender. Factors that would adjust the average age cost per life into per life costs over a range of ages, separately by gender and status are based on Milliman's *Health Cost Guidelines,* Empire PPO plan design information, the ERS retiree distribution from the 2022 ACFR, and actuarial judgment. Pre and post-65 NYSHIP premium rates were adjusted separately to be consistent with the way in which demographic factors were developed.

**Representative 2023 Annual Premiums**

| Age | Male Retirees | Female Retirees | Male Spouses | Female Spouses |
|---|---|---|---|---|
| 45 | 18,175 | 27,300 | 15,849 | 19,716 |
| 50 | 20,778 | 26,096 | 18,444 | 21,874 |
| 55 | 23,717 | 25,347 | 21,330 | 23,778 |
| 60 | 27,341 | 27,375 | 24,972 | 25,948 |
| 64 | 32,727 | 30,256 | 29,670 | 28,436 |
| 65 | 5,743 | 5,365 | 5,743 | 5,365 |
| 70 | 6,864 | 6,206 | 6,864 | 6,206 |
| 75 | 7,824 | 6,791 | 7,824 | 6,791 |
| 80 | 8,310 | 6,993 | 8,310 | 6,993 |
| 85 | 8,100 | 6,662 | 8,100 | 6,662 |
| 90 | 7,686 | 6,202 | 7,686 | 6,202 |

Health Plans Administered by NYC Transit

For the union medical and pharmacy plans administered by NYC Transit, per capita costs were determined for 2023 based upon a combination of MTA claim experience, actual gross premium rates, summarized medical (Aetna Basic and Aetna Select plans) and pharmacy claim experience (Employer Group Waiver Plan ("EGWP") and non-EGWP plan), split between those eligible and not eligible for Medicare, for covered retirees of MTA Bus Company, NYC Transit, and Staten Island Railway for 2022 and trended to 2023. In addition, MTA provided associated premium rates for each of the plans. Enrollment data was based on covered members provided by MTA as of the valuation date. Milliman used the HCGs to develop relativity factors that varied by benefit type, age and gender. Costs for child dependents were included in under age 65 spouse per capita costs. Finally, per capita costs were adjusted by an administrative load. Administrative costs were provided on a per contract basis by MTA and were $39.35 per month for Aetna Basic under 65, $41.23 for Aetna Select and $18.29 for Aetna Basic 65 and over.

In addition, PCCCs were developed for the Aetna Medicare Advantage plans based on the premium rates provided, inclusive of corresponding dental plan costs, and reflect relativity factors by age and gender based on Medicare slopes developed by Milliman.

EGWP PCCCs are based on the premium equivalents provided reflecting the Medicare subsidies available to this plan. Non-EGWP PCCCs are based on actual claim experience net of prescription drug rebates. Relativity factors varying by age and gender are based on Medicare slopes developed by Milliman. Effective January 1, 2024, the basic pharmacy plan was eliminated for TWU Local 100 members of NYC Transit and MTA Bus

Company. All current retirees in this plan were mapped to the TWU EGWP Option 1. Separate per capita costs were developed for TWU EGWP Option 1 and Option 2 plans.

Annual Medical Per Capita Claim Cost

| Age | Male Retirees | Female Retirees | Male Spouses | Female Spouses |
|---|---|---|---|---|
| | | Aetna Basic | | |
| 45 | 11,747 | 18,323 | 11,048 | 13,968 |
| 50 | 13,454 | 17,238 | 12,739 | 15,195 |
| 55 | 15,410 | 16,382 | 14,636 | 16,144 |
| 60 | 17,899 | 17,580 | 17,103 | 17,453 |
| 64 | 22,007 | 19,968 | 20,647 | 19,496 |
| 65 | 2,267 | 2,446 | 2,267 | 2,446 |
| 70 | 2,816 | 2,852 | 2,816 | 2,852 |
| 75 | 3,417 | 3,212 | 3,417 | 3,212 |
| 80 | 3,889 | 3,451 | 3,889 | 3,451 |
| 85 | 4,133 | 3,592 | 4,133 | 3,592 |
| 90 | 4,255 | 3,678 | 4,255 | 3,678 |
| | | Aetna Select | | |
| 45 | 10,705 | 16,680 | 9,939 | 12,593 |
| 50 | 12,256 | 15,694 | 11,475 | 13,708 |
| 55 | 14,033 | 14,916 | 13,199 | 14,570 |
| 60 | 16,296 | 16,005 | 15,441 | 15,759 |
| 64 | 20,028 | 18,175 | 18,661 | 17,616 |
| | | Aetna Medicare Option 1 | | |
| 65 | 462 | 463 | 462 | 463 |
| 70 | 448 | 447 | 448 | 447 |
| 75 | 448 | 442 | 448 | 442 |
| 80 | 467 | 453 | 467 | 453 |
| 85 | 505 | 476 | 505 | 476 |
| 90 | 544 | 500 | 544 | 500 |
| | | Aetna Medicare Option 2 | | |
| 65 | 227 | 228 | 227 | 228 |
| 70 | 220 | 220 | 220 | 220 |
| 75 | 220 | 218 | 220 | 218 |

Annual Pharmacy Per Capita Claim Cost

| Age Group | Male Retirees | Female Retirees | Male Spouses | Female Spouses |
|---|---|---|---|---|
| | | Basic Rx Plan | | |
| 45 | 3,064 | 4,165 | 2,571 | 2,963 |
| 50 | 3,406 | 4,100 | 2,939 | 3,379 |
| 55 | 3,790 | 4,166 | 3,340 | 3,824 |
| 60 | 4,218 | 4,503 | 3,804 | 4,182 |
| 64 | 4,580 | 4,534 | 4,155 | 4,230 |
| 65 | 7,654 | 6,299 | 7,654 | 6,299 |
| 70 | 8,352 | 6,914 | 8,352 | 6,914 |
| 75 | 9,073 | 7,325 | 9,073 | 7,325 |
| 80 | 9,379 | 7,366 | 9,379 | 7,366 |
| 85 | 8,703 | 6,607 | 8,703 | 6,607 |
| 90 | 7,868 | 5,758 | 7,868 | 5,758 |
| | | EGWP Rx Plan | | |
| 65 | 2,676 | 2,494 | 2,676 | 2,494 |
| 70 | 2,657 | 2,413 | 2,657 | 2,413 |
| 75 | 2,613 | 2,339 | 2,613 | 2,339 |
| 80 | 2,558 | 2,241 | 2,558 | 2,241 |
| 85 | 2,433 | 2,044 | 2,433 | 2,044 |
| 90 | 2,301 | 1,858 | 2,301 | 1,858 |
| | | TWU EGWP Option 1 Rx Plan | | |
| 65 | 2,339 | 2,180 | 2,339 | 2,180 |
| 70 | 2,323 | 2,109 | 2,323 | 2,109 |
| 75 | 2,284 | 2,045 | 2,284 | 2,045 |
| 80 | 2,235 | 1,959 | 2,235 | 1,959 |
| 85 | 2,127 | 1,786 | 2,127 | 1,786 |
| 90 | 2,012 | 1,624 | 2,012 | 1,624 |
| | | TWU EGWP Option 2 Rx Plan | | |
| 65 | 1,991 | 1,855 | 1,991 | 1,855 |
| 70 | 1,977 | 1,795 | 1,977 | 1,795 |
| 75 | 1,944 | 1,740 | 1,944 | 1,740 |
| 80 | 1,903 | 1,668 | 1,903 | 1,668 |
| 85 | 1,810 | 1,521 | 1,810 | 1,521 |
| 90 | 1,712 | 1,382 | 1,712 | 1,382 |

Monthly Medicare Part B premiums were assumed to be $164.90 for 2023 per month and increases based on income level.

Premium rates for dental and vision benefits as specified in the Plan provisions were used as provided by the Agencies.

**Health Cost Trend** – The Society of Actuaries ("SOA") developed and regularly updates a long-term medical trend model based on detailed research performed by a committee of economists and actuaries. This model is used as the foundation for the trend for postretirement healthcare valuations, with certain adjustments designed to produce trends that are appropriate for employer plans. These adjustments include incorporating assumed administrative cost trend where applicable and removing the impact of age-related morbidity (since age-related morbidity assumptions are applied separately in the valuation when applicable). Trend rates also reflect the expected impact of short-term inflation.

The Medicare Part B inflation rates were based on recent history and expected changes for the near future. Ultimate rates were determined considering historic and projected rates of real growth, long-term inflation and additional growth attributable to technology, and medical costs as a component of gross domestic product (GDP).

Trend rates were developed separately for NYSHIP benefits and self-insured plans administered by New York City Transit ("Union Health Plans"). The following table provides the healthcare trend assumptions for the NYSHIP benefits and associated Medicare Part B reimbursements, as well as for dental and vision benefits.

**Health Care Cost Trend Rates**

| Fiscal Year | NYSHIP | | TBTA No Rx | | Medicare | Dental/ |
|---|---|---|---|---|---|---|
| | < 65 | >=65 | < 65 | >=65 | Part B | Vision |
| 2023 | 6.7 | 5.9 | 7.0 | 4.9 | 7.0 | 4.0 |
| 2024 | 7.0 | 6.6 | 7.2 | 6.1 | 7.3 | 4.0 |
| 2025 | 6.4 | 6.4 | 6.4 | 6.4 | 7.2 | 4.0 |
| 2026 | 5.8 | 5.8 | 5.8 | 5.8 | 7.7 | 4.0 |
| 2027 | 5.1 | 5.1 | 5.1 | 5.1 | 6.5 | 4.0 |
| 2028 | 4.9 | 4.9 | 4.9 | 4.9 | 7.0 | 4.0 |
| 2029 | 4.7 | 4.7 | 4.7 | 4.7 | 5.5 | 4.0 |
| 2030 | 4.5 | 4.5 | 4.5 | 4.5 | 6.1 | 4.0 |
| 2031 | 4.3 | 4.3 | 4.3 | 4.3 | 6.2 | 4.0 |
| 2032 to 2039 | 4.1 | 4.1 | 4.1 | 4.1 | 5.6 | 4.0 |
| 2040 to 2049 | 4.1 | 4.1 | 4.1 | 4.1 | 4.2 | 4.0 |
| 2050 | 4.1 | 4.1 | 4.1 | 4.1 | 3.8 | 4.0 |
| 2051 to 2064 | 4.2 | 4.2 | 4.2 | 4.2 | 3.8 | 4.0 |
| 2065 to 2066 | 4.1 | 4.1 | 4.1 | 4.1 | 3.8 | 4.0 |
| 2067 to 2068 | 4.0 | 4.0 | 4.0 | 4.0 | 3.8 | 4.0 |
| 2069 to 2070 | 3.9 | 3.9 | 3.9 | 3.9 | 3.8 | 3.9 |
| 2071 to 2073 | 3.8 | 3.8 | 3.8 | 3.8 | 3.8 | 3.8 |
| 2074 to 2089 | 3.7 | 3.7 | 3.7 | 3.7 | 3.8 | 3.7 |
| 2090+ | 3.7 | 3.7 | 3.7 | 3.7 | 3.6 | 3.7 |

The trends for the Union Health Plans for post-65 retirees were developed separately for medical and Rx benefits by plan type using a weighted average of actual medical and prescription drug cost experience by plan and the Aetna Medicare Advantage and EGWP premium rates. These trends apply to the benefit plans for applicable represented employees of NYC Transit, SIRTOA and MTA Bus Company. For TWU Local 100 members of NYC Transit and MTA Bus Company, the post-65 trends reflect the Medicare Advantage and EGWP Option 1 and Option 2 plans only.

The following table provides the healthcare trend assumptions for the Union Health Plans. The trends shown above for Medicare Part B reimbursements and dental and vision benefits also apply to members receiving the Union Health Plans, if applicable.

| Fiscal Year | Union Health Plans < 65 | Union Health Plans >=65 | TWU MA | Union Health Plans Rx < 65 | Union Health Plans Rx >=65 | TWU PDP |
|---|---|---|---|---|---|---|
| 2023 | 7.2 | 4.7 | 0.0 | 5.8 | 6.7 | 6.4 |
| 2024 | 7.4 | 6.4 | 12.5 | 6.7 | 7.1 | 6.9 |
| 2025 | 6.6 | 6.4 | 6.5 | 6.6 | 6.6 | 6.5 |
| 2026 | 5.9 | 5.8 | 5.8 | 5.9 | 5.9 | 5.8 |
| 2027 | 5.2 | 5.1 | 5.1 | 5.2 | 5.2 | 5.1 |
| 2028 | 5.0 | 4.9 | 4.9 | 5.0 | 5.0 | 4.9 |
| 2029 | 4.8 | 4.7 | 4.7 | 4.8 | 4.8 | 4.7 |
| 2030 | 4.6 | 4.5 | 4.5 | 4.6 | 4.6 | 4.5 |
| 2031 | 4.4 | 4.3 | 4.3 | 4.4 | 4.4 | 4.3 |
| 2032 | 4.2 | 4.1 | 4.2 | 4.2 | 4.2 | 4.2 |
| 2033 to 2034 | 4.2 | 4.1 | 4.1 | 4.2 | 4.2 | 4.2 |
| 2035 to 2046 | 4.2 | 4.1 | 4.1 | 4.2 | 4.2 | 4.1 |
| 2047 to 2048 | 4.2 | 4.1 | 4.1 | 4.2 | 4.2 | 4.2 |
| 2049 to 2050 | 4.2 | 4.1 | 4.2 | 4.2 | 4.2 | 4.2 |
| 2051 to 2064 | 4.2 | 4.2 | 4.2 | 4.2 | 4.2 | 4.2 |
| 2065 to 2066 | 4.1 | 4.1 | 4.1 | 4.1 | 4.1 | 4.1 |
| 2067 | 4.0 | 4.0 | 4.0 | 4.1 | 4.0 | 4.0 |
| 2068 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 |
| 2069 | 4.0 | 3.9 | 3.9 | 4.0 | 3.9 | 3.9 |
| 2070 | 3.9 | 3.9 | 3.9 | 3.9 | 3.9 | 3.9 |
| 2071 | 3.9 | 3.8 | 3.8 | 3.9 | 3.9 | 3.8 |
| 20720 to 2073 | 3.8 | 3.8 | 3.8 | 3.8 | 3.8 | 3.8 |
| 2074+ | 3.7 | 3.7 | 3.7 | 3.7 | 3.7 | 3.7 |

For purposes of applying the Entry Age Normal cost method, the healthcare trend prior to the valuation date is based on the ultimate rates as described in the tables above. Monthly contributions, if any, are assumed to increase at the same rate as the increases above.

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

**OPEB Participation By Agency as at July 1, 2023**

| | MTA New York City Transit | MTA Long Island Rail Road | MTA Metro-North Rail Road | MTA Bridges & Tunnels | MTAHQ | MTA Long Island Bus * | MTA Staten Island Railway | MTA Bus Company | Total |
|---|---|---|---|---|---|---|---|---|---|
| Active Members | | | | | | | | | |
| Number | 49,054 | 7,838 | 6,561 | 1,026 | 2,779 | N/A | 347 | 3,849 | 71,454 |
| Average Age | 48.4 | 45.0 | 45.2 | 49.4 | 42.2 | N/A | 41.2 | 48.9 | 47.5 |
| Average Service | 12.2 | 13.3 | 12.0 | 16.7 | 8.6 | N/A | 9.5 | 11.8 | 12.2 |
| Retirees | | | | | | | | | |
| Single Medical Coverage | 16,595 | 896 | 533 | 626 | 347 | 117 | 53 | 1,166 | 20,333 |
| Employee/Spouse Coverage | 18,980 | 2,401 | 1,114 | 848 | 766 | 223 | 90 | 850 | 25,272 |
| Employee/Child Coverage | 1,189 | 127 | 91 | 48 | 34 | 27 | 3 | 44 | 1,563 |
| No Medical Coverage | 986 | 2,301 | 1,093 | 75 | 20 | 300 | 37 | 136 | 4,948 |
| Total Number | 37,750 | 5,725 | 2,831 | 1,597 | 1,167 | 667 | 183 | 2,196 | 52,116 |
| Average Age of Retiree | 72.3 | 71.0 | 68.2 | 70.9 | 66.0 | 71.4 | 68.7 | 71.3 | 71.7 |
| Total Number with Dental | 9,854 | 1,109 | 818 | 491 | 1,112 | 50 | 44 | 279 | 13,757 |
| Total Number with Vision | 34,120 | 1,109 | 818 | 491 | 1,112 | 50 | 146 | 2,037 | 39,883 |
| Total No. with Supplement | 23,730 | 1,810 | 949 | 935 | - | 366 | 133 | 1,467 | 29,390 |
| Average Monthly Supplement Amount (Excluding Part B Premium) | $ 47 | $ 206 | $ 100 | $ 257 | $ - | N/A | $ 59 | $ 38 | $ 65 |
| Total No. with Life Insurance | 9,119 | 5,377 | 1,247 | 484 | 1,037 | 429 | 168 | 2,108 | 19,969 |
| Average Life Insurance Amount | $ 2,316 | $18,669 | $3,913 | $ 5,413 | $ 5,000 | $ 10,245 | $ 2,607 | $12,811 | $ 8,314 |

* MTA LI Bus had 55 vestees as of date of valuation

## Demographic Assumptions:

*Mortality* — All mortality rates (except accidental death for active police members) are projected on a generational basis using the Society of Actuaries Mortality Improvement Scale MP-2021. As generational tables, they reflect mortality improvement both before and after the measurement date. The post-retirement mortality assumption is based on an experience analysis covering the period from January 1, 2015 to December 31, 2020 for the MTA-sponsored pension plans. The mortality rates vary by employee type:

i) Headquarters Non-Police Members: PubG.H-2010 Mortality Table, headcount weighted for general employees for males and females with separate rates for employees, healthy annuitants and disabled annuitants.

ii) Headquarters Police Members: Rates from the June 30, 2019 (Lag) Actuarial Valuation for NYCERS dated October 2, 2023 as follows: Service Retirees for Housing Police and Transit Police, Disabled Retirees for Housing Police and Transit Police and Active Members for Transit and TBTA Ordinary Death and Accidental Death. No adjustments were made to convert from lives-weighted to amounts-weighted. Base year is 2012 for mortality improvement purposes.

iii) Rail Members (MTA Long Island Bus, LIRR, Metro-North, and SIRTOA): Pri.H-2012(BC) Mortality Table, headcount weighted with blue collar adjustments for males and females with separate rates for employees, healthy annuitants and disabled annuitants. Employee and healthy annuitant male rates are multiplied by 97%.

iv) Transit Members (Bridges and Tunnels, MTA Bus, and Transit): Pri.H-2012(BC) Mortality Table, headcount weighted with blue collar adjustments for males and females with separate rates for employees, healthy annuitants and disabled annuitants. Employee and healthy annuitant male rates are multiplied by 92%.

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

For the Union Health Medical plans, 2/3rd are assumed to elect Aetna Basic and 1/3rd are assumed to elect Aetna Select for coverage prior to age 65 for NYC Transit and Staten Island Railway. For MTA Bus, 80% are assumed to elect Aetna Basic and 20% are assumed to elect Aetna Select for coverage prior to age 65. For Medicare coverage, all current and future Aetna Basic members are assumed to maintain Aetna Basic coverage. All current and future Aetna Select members are assumed to elect an Aetna Medicare Advantage Plan – 50% are assumed to elect Aetna Option 1 and 50% are assumed to elect Aetna Option 2. Actual elections are used for retirees. For under age 65 retirees who are indicated as having a Medicare-eligible plan, the age 65 per capita cost of the applicable medical plan applies to all ages less than 65. These rates are based on current elections of the eligible group.

Effective January 1, 2024, the Aetna Basic Medicare plan was eliminated for TWU Local 100 members of NYC Transit and MTA Bus Company. All current retirees in this plan were mapped to the Aetna Option 1 plan. All current and future Aetna Basic pre-65 members are assumed to elect an Aetna Medicare Advantage Plan – 50% are assumed to elect Aetna Option 1 and 50% are assumed to elect Aetna Option 2.

**Dependent Coverage -** Female spouses are assumed to be 3 years younger than male employees/retirees and male spouses are assumed to be 3 years older than female employees/retirees. 80% of male and 35% of female eligible members participating in NYSHIP are assumed to elect family coverage upon retirement and 65% of male and 25% of female eligible members participating in Union Health Plans are assumed to cover a dependent. Actual coverage elections for current retirees are used. Under age 65 spouses of over age 65 retirees are assumed to have elected the Aetna Select plan if the retiree elected Aetna Option 1 or Option 2.

**Vestee Coverage** — For members that participate in NYSHIP, Vestees (members who have terminated employment, but are not yet eligible to retire) are eligible for NYSHIP benefits provided by the Agency upon retirement but must maintain NYSHIP coverage at their own expense from termination to retirement. Certain NYC Transit and MaBSTOA members maintain benefits at no cost from termination to retirement. Vestees are assumed to retire at first eligibility and would continue to maintain NYSHIP coverage based on the following percentages. This assumption is based on the July 2023 Development of Recommended Actuarial Assumptions for New York State/SUNY GASB 45/75 Valuation report provided to Participating Employers of NYSHIP. These percentages were also applied to current vestees based on age at valuation date.

| Age at Termination | Percent Electing |
|---|---|
| < 35 | 0 % |
| 35–41 | 5 |
| 42–45 | 10 |
| 46–47 | 15 |
| 48–53 | 35 |
| 54 | 75 |

## 7. TRUSTEE, CUSTODIAL AND OTHER PROFESSIONAL SERVICES

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

## 8. SUBSEQUENT EVENTS

The Plan has evaluated all subsequent events through October 22, 2024, to ensure that these financial statements include appropriate recognition and disclosure of recognized events in the financial statements as of December 31, 2023. As of October 22, 2024, there were no subsequent events that required recognition or disclosure.

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# REQUIRED SUPPLEMENTARY INFORMATION

**METROPOLITAN TRANSPORTATION AUTHORITY**
**OTHER POSTEMPLOYMENT BENEFITS PLAN**

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

| | | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|---|---|
| Total OPEB liability: | | | | | | | | |
| Service cost | $ | 991,091 | 1,240,342 | 1,250,950 | 1,097,051 | 928,573 | 1,011,981 | 876,723 |
| Interest | | 855,614 | 530,983 | 535,642 | 610,160 | 840,532 | 758,494 | 757,860 |
| Changes of benefit terms | | 74,166 | - | - | - | - | 8,543 | 24,446 |
| Differences between expected and actual experience | | (3,036,310) | 14,299 | 292,154 | (43,890) | 247,871 | (569,165) | (44,082) |
| Changes of assumptions | | 1,154,349 | (3,449,438) | (738,829) | 1,939,528 | 311,286 | (1,964,746) | 921,007 |
| Benefit payments and withdrawals | | (882,260) | (846,299) | (792,984) | (724,741) | (730,677) | (691,122) | (650,994) |
| Net change in total OPEB liability | | (843,350) | (2,510,113) | 546,933 | 2,878,108 | 1,597,585 | (1,446,015) | 1,884,960 |
| Total OPEB liability – beginning | | 22,446,401 | 24,956,514 | 24,409,581 | 21,531,473 | 19,933,888 | 21,379,903 | 19,494,943 |
| Total OPEB liability – ending (a) | | 21,603,051 | 22,446,401 | 24,956,514 | 24,409,581 | 21,531,473 | 19,933,888 | 21,379,903 |
| Plan fiduciary net position: | | | | | | | | |
| Employer contributions | | 2,201,541 | 846,299 | 792,984 | 387,371 | 730,677 | 691,122 | 650,994 |
| Member contributions | | - | - | - | - | - | - | - |
| Net investment income | | 43,031 | 11,828 | - | (77,118) | 63,647 | (18,916) | 47,370 |
| Benefit payments and withdrawals | | (882,260) | (846,299) | (792,984) | (724,741) | (730,677) | (691,122) | (650,994) |
| Administrative expenses & Transfer to investments | | (142) | (176) | (47) | (209) | (200) | (56) | - |
| Net change in plan fiduciary net position | | 1,362,170 | 11,652 | (47) | (414,697) | 63,447 | (18,972) | 47,370 |
| Plan fiduciary net position – beginning | | 11,735 | 83 | 130 | 414,827 | 351,380 | 370,352 | 322,982 |
| Plan fiduciary net position – ending (b) | | 1,373,905 | 11,735 | 83 | 130 | 414,827 | 351,380 | 370,352 |
| Employer's net OPEB liability – ending (a)-(b) | $ | 20,229,146 | 22,434,666 | 24,956,431 | 24,409,451 | 21,116,646 | 19,582,508 | 21,009,551 |
| Plan fiduciary net position as a percentage of the total OPEB liability | | 6.36% | 0.05% | 0.00% | 0.00% | 1.93% | 1.76% | 1.73% |
| Covered payroll | $ | 7,490,519 | 6,848,347 | 5,501,627 | 5,604,690 | 5,608,536 | 5,394,332 | 5,041,030 |
| Employer's net OPEB liability as a percentage of covered payroll | | 270.06% | 327.59% | 453.62% | 435.52% | 376.51% | 363.02% | 416.77% |

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

## METROPOLITAN TRANSPORTATION AUTHORITY — SCHEDULE II
## OTHER POSTEMPLOYMENT BENEFITS PLAN

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

| Fiscal Year Ending December 31 | Actuarially Determined Contribution | * Actual Employer Contribution | Contribution Deficiency (Excess) | Covered Payroll | Actual Contribution as a % of Covered Payroll |
|---|---|---|---|---|---|
| 2014 | N/A | $ - | N/A | $ - | N/A |
| 2015 | N/A | - | N/A | - | N/A |
| 2016 | N/A | - | N/A | - | N/A |
| 2017 | N/A | 650,994 | N/A | ** 5,041,030 | 12.91% |
| 2018 | N/A | 691,122 | N/A | 5,394,332 | 12.81% |
| 2019 | N/A | 730,677 | N/A | 5,608,536 | 13.03% |
| 2020 | N/A | 387,371 | N/A | 5,604,690 | 6.91% |
| 2021 | N/A | 792,984 | N/A | 5,501,627 | 14.41% |
| 2022 | N/A | 846,299 | N/A | 6,848,347 | 12.36% |
| 2023 | N/A | 2,201,541 | N/A | 7,490,519 | 29.39% |

* Actual Employer Contribution includes the implicit rate of subsidy adjustment.

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

**METROPOLITAN TRANSPORTATION AUTHORITY** **SCHEDULE III**
**OTHER POSTEMPLOYMENT BENEFITS PLAN**

**Required Supplementary Information (Unaudited)**
**Schedule of Investment Returns**

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

| Fiscal Year Ending December 31 | Net Money-Weighted Rate of Return |
|---|---|
| 2014 | N/A |
| 2015 | N/A |
| 2016 | N/A |
| 2017 | 14.67% |
| 2018 | -5.11% |
| 2019 | 18.12% |
| 2020 | -32.92% |
| 2021 | 0.03% |
| 2022 | 22862.10% |
| 2023 | 4.69% |

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