The Long Island Rail Road Company Plan for Additional Pensions

Financial Statements as of and for the Years Ended
December 31, 2018 and 2017, Supplemental Schedules and
Independent Auditors' Report

THE LONG ISLAND RAIL ROAD COMPANY PLAN FOR ADDITIONAL PENSIONS

TABLE OF CONTENTS

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying statements of plan net position of The Long Island Rail Road Company Plan for Additional Pensions (the "Additional Plan") as of December 31, 2018 and 2017, and the related statements of changes in plan net position for the years then ended, and the related notes to the financial statements, which collectively comprise the Additional Plan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Additional Plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Additional Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net position as of December 31, 2018 and 2017, and the respective changes in plan 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 9 and the Schedule of Changes in the Employers' Net Pension Liability and Related Ratios—Schedule I on page 36; Schedule of Employer Contributions—Schedule II on page 37 - 39; and Schedule of Investment Returns—Schedule III on page 40 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

February 24, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS

Introduction—This management's discussion and analysis ("MD&A") of The Long Island Rail Road Company Plan for Additional Pensions (the "Additional Plan") financial performance for the years ended December 31, 2018 and 2017, provides an overview of the Additional Plan's financial activities. It is meant to assist the reader in understanding the Additional Plan's financial statements by providing an overview of the financial activities and the effects of significant changes, as well as a comparison with the prior year's activities and results. This discussion and analysis is intended to be read in conjunction with the Additional Plan document as well as the Additional Plan's financial statements. Additionally, an analysis of major economic factors and industry decisions that have contributed to significant changes is provided. It should be noted that for purposes of the MD&A, summaries of the financial statements and the various exhibits presented are extracted from the Additional Plan's financial statements, which are prepared in accordance with accounting principles generally accepted in the United States of America.

Overview of Basic Financial Statements

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

- **The Statements of Plan Net Position —** presents the financial position of the Additional Plan at fiscal year-end. It provides information about the nature and amounts of resources with present service capacity that the Additional Plan presently controls (assets), consumption of net assets by the Additional Plan that is applicable to a future reporting period (deferred outflow of resources), present obligations to sacrifice resources that the Additional Plan has little or no discretion to avoid (liabilities), and acquisition of net assets by the Additional 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 Plan Net Position -** present the results of activities during the year. All changes affecting the assets and liabilities of the Additional Plan are reflected on an accrual basis when the activity occurred regardless of the timing of the related cash flows. In that regard, changes in the fair values of investments are included in the year's activity as net appreciation (depreciation) in fair value of investments.

- **The Notes to Financial Statements -** provides 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 Government Accounting Standards Board ("GASB") includes the Schedule of Changes in the Employer's Net Pension Liability and Related Ratios, Schedule of Employer Contributions, and Schedule of Investment returns.

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

Financial Highlights

Financial Analysis Plan
Net Position
As of December 31, 2018, 2017 and 2016
(Amounts in thousands)

	2018	2017	2016	Increase/(Decrease) Amount of Change 2018–2017	% Change 2018–2017	Amount of Change 2017–2016	% Change 2017–2016
Cash	$ 2,484	$ 1,575	$ 1,076	$ 909	58 %	$ 499	46 %
Investments, at fair value	817,757	949,800	770,199	(132,043)	(14)%	179,601	23 %
Receivables	666	703	6,519	(37)	(5)%	(5,816)	(89)%
Total assets	820,907	952,078	777,794	(131,171)	-14%	174,284	22 %
Due to broker for securities purchased	507	900	577	(393)	(44)%	323	56 %
Forward Currency & Margin contracts	55	-	-	55	100 %	-	-
Due to broker for investment fee	1,035	(149)	-	1,184	(795)%	(149)	-
Due to broker for admin. fee	(7)	-	-	(7)	(100)%	-	-
Total liabilities	1,590	751	577	839	112 %	174	30 %
Plan net position restricted for pensions	$ 819,317	$ 951,327	$ 777,217	$ (132,010)	(14)%	$ 174,110	22 %

December 31, 2018 versus December 31, 2017

The assets of the Additional Plan exceeded its liabilities by $819 million and $951 million as of December 31, 2018 and 2017, respectively. Plan net position restricted for pensions are held for the payment of future benefits to members and pensioners.

The Additional Plan's net position restricted for pensions decreased by $132 million during 2018, representing a decrease of 14% over 2017. The decrease in 2018 was primarily due to a weak investment activity in the fourth quarter of 2018

Investments at December 31, 2018, were $818 million representing a decrease of $132 million from 2017. The decrease is a result of negative investment returns and no additional infusion of employer contributions from the MTA, as was done in the prior two years. The composite 2018 investment returns by money-weighted rate of return, for the fund was -3.49% as opposed to the 2017 return of 13.98%.

Payables for investments purchased at December 31, 2018, amounted to $.5 million. Investments are purchased on a trade-date settlement basis and that generate timing differences in settlement dates, like receivables for investments sold.

December 31, 2017 versus December 31, 2016

The assets of the Additional Plan exceeded its liabilities by $951 million and $777 million as of December 31, 2017 and 2016, respectively. Plan net position restricted for pensions are held for the payment of future benefits to members and pensioners.

The Additional Plan's net position restricted for pensions increased by $174 million during 2017, representing an increase of 22% over 2016. The increase in 2017 was primarily due to $145 million for additional non-employer contributions from the, Metropolitan Transportation Authority ("MTA") as an infusion towards improving the funding for the Plan's unfunded pension liability.

Investments at December 31, 2017, were $950 million representing an increase of $180 million from 2016. The increase is a result of positive investment gains and reflective of the additional contributions invested in the portfolio during 2017. The composite 2017 investment returns for the fund was 14.94% as opposed to the 2016 return of 7.97%.

Payables for investments purchased at December 31, 2017, amounted to $0.9 million. Investments are purchased on a trade-date settlement basis and that generate timing differences in settlement dates, like receivables for investments sold.

CHANGES IN PLAN NET POSITION

For the Years Ended December 31, 2018, 2017 and 2016
(Amounts in thousands)

				Increase/(decrease)			
	2018	2017	2016	Amount of Change 2018–2017	% Change 2018–2017	Amount of Change 2017–2016	% Change 2017–2016
Additions:							
Net investment income	$ (31,098)	$ 112,614	$ 58,239	$ (143,712)	(128)%	$ 54,375	93 %
Employer contributions	59,500	76,523	81,079	(17,023)	(22)%	(4,556)	(6)%
Non - Employer contributions	-	145,000	70,000	(145,000)	100%	75,000	107 %
Employee contributions	333	760	905	(427)	(56)%	(145)	(16)%
Total additions	28,735	334,897	210,223	(306,162)	(91)%	124,674	59 %
Deductions:							
Benefits paid directly to participants	159,565	159,717	158,593	(152)	0%	1,124	1%
Administrative expenses	1,180	1,070	717	110	10%	353	49 %
Other	-	-	(106)	-	0%	106	(100)%
Total deductions	160,745	160,787	159,204	(42)	(0)%	1,583	1 %
Net (decrease) increase	(132,010)	174,110	51,019	$ (306,120)	-176%	$ 123,091	241 %
Plan net position restriced for penions							
Beg of Year	951,327	777,217	726,198				
End of year	$ 819,317	$ 951,327	$ 777,217				

December 31, 2018 versus December 31, 2017

At the end of 2018, the net investment income amounted to ($31) million. This represents a decrease of $144 million over the prior year, due to strong stock market conditions resulting in an increase in the investment portfolio in 2018.

Employer, non-employer and employee contributions for the year ended December 31, 2018, totaled $60 million, which represents a decrease of 73% from 2017. This decrease was the result of no additional non-employer contributions made by the MTA in 2018.

Benefit payments for the year ended December 31, 2018, totaled $160 million, which was consistent with benefit payments made in 2017.

December 31, 2017 versus December 31, 2016

At the end of 2017, the net investment income amounted to $113 million. This represents an increase of $54 million over the prior year, due to strong stock market conditions resulting in an increase in the investment portfolio in 2017.

Employer, non-employer and employee contributions for the year ended December 31, 2017, totaled $222 million, which represents a 46% increase from 2016. This increase was the result of the additional $145 million in non-contributing employer contributions the MTA infused into the plan in 2017.

Benefit payments for the year ended December 31, 2017, totaled $160 million, which was 1% higher than 2016.

ECONOMIC FACTORS AND INDUSTRY DECISIONS

<u>Market Overview and Outlook – 2018</u>

Risk aversion and volatility marked the end of 2018, with geopolitical developments and concerns about slowing growth both contributing to the sell-off in global equity markets. U.S. stocks led the decline, contributing to the first calendar year with negative returns since 2008. Amid the equity underperformance, credit spreads widened, developed market yields fell, and the U.S. dollar weakened. In addition, the Federal Reserve ("Fed") hiked interest rates as expected, though trimmed its forecast for hikes in 2019.

Several factors contributed to heightened market volatility throughout 2018—most importantly, investor concerns brought on by rising trade tensions, particularly between the U.S. and China, the apparent shift to a moderately tighter monetary policy by central banks in major developed countries; and the potential for slower growth, especially in China and Europe. Most major indices closed in negative territory at the end fourth quarter. After a difficult start, emerging markets ("EM") held up better than their developed world counterparts in the fourth quarter, but still trailed for 2018 overall. The U.S. market was among the bottom-performing indices in the last quarter but led most major indices for the year, notwithstanding the S&P 500 Index's worst performance since the conclusion of the global financial crisis. As a result, global financial markets proved to be a challenging environment during the fourth quarter of 2018.

From a monetary policy perspective, the Fed raised rates 25bps as expected in December and signaled a slower pace of tightening in 2019 as it continued to unwind its extensive balance sheet. Investors divined a more dovish tone from the Fed's 2019 projections, but markets remained volatile through the end of the year. Globally, most developed-world central banks began moving towards modestly tighter stances, including the European Central Bank ("ECB"), which formally announced the end of its bond-buying program in December, concluding a roughly €2.6 trillion program. Across the channel, the Bank of England raised rates twice since the country's Brexit referendum in June 2016, but recently indicated it was prepared to pivot as necessary once the formal exit takes place in early 2019. The Bank of Japan has long been in its own monetary policy lane, remaining by far the most accommodative of the major global central banks.

Macro Themes

- Major indices post worst year since 2008 as trade, economic outlook and monetary policy weigh on investors
- Global growth modestly decelerates but remains positive
- Trade uncertainty

After reaching a new high in September, the S&P 500 lost nearly 14% during the fourth quarter to end the year, down more than 4.4%. The Dow Jones Industrial Index was off 11% for the quarter, as was Europe's Stoxx Limited Index, which ended the quarter 600 points lower. China's Shanghai Composite also lost 12% over the last quarter and nearly 25% for the year. The year's sharp drawdown seemed unlikely at the outset of 2018, given the relatively robust outlook at the time. The silver lining is that share prices now appear cheap from a forward price/earnings perspective compared to long-run averages and the outlook, although more challenging, is still largely positive for 2019.

Global growth slowed, rather than stalled, in the second half of 2018. The U.S. outperformed its peers in end-of-year data with annualized GDP up 3.4% in the third quarter. In contrast, growth in the Eurozone dropped to 0.2% in the third quarter (and 1.7% year-on-year). The German economy contracted due to disruption to the auto industry from tougher emissions rules, while the Italian economy stalled over its now-resolved budget standoff with the European Union. China's growth fell to 6.5% in the third quarter, although the government expects to beat its 6.5% growth target for the full year.

The extent of global growth deceleration is one unknown for markets; how central banks will react is another. The Fed softened its tone on potential hikes in 2019 but nevertheless, it remained too hawkish for some as it stuck to plans to unwind its balance sheet, contributing to year-end market volatility. In December, the ECB ended its bond-buying program but gave no guidance when negative interest rates might end. Loose monetary conditions also remained in force in the UK and Japan as policymakers balanced the competing needs of fragile growth, inflation and the desire to wean economies off support. Despite fears of heavy-handedness, the global approach remained measured.

The greatest concern for markets continues to be the tariff war. The pause in the dispute following the G20 meeting between the U.S. and China provided hope that a more permanent solution could be reached. However, stocks in China, as well as international companies with exposure to China, were affected by weakening sentiment and actual fallout. Apple became the latest U.S. corporation to point the finger at the trade war when it announced that fourth quarter revenues would be lower than expected. Declining consumer confidence in China and cheaper domestic alternatives were significant contributing factors.

The issue of confidence also hindered business. Uncertainty surrounding trade and political issues, such as further concern about a no-deal Brexit in the UK, held back capital investment, as Chief Executive Officers awaited greater clarity, thus creating a silver lining for equity investors. Supercharged earnings growth in 2018 resulted in record share buybacks as announced, and U.S. stock repurchases broke through the $1 trillion mark in December. Following the market retreat in the fourth quarter, more buybacks can be anticipated in the future. At the very least, the challenges of the fourth quarter present active investors with a more reasonable valuation and a very attractive starting point for 2019.

EM central banks have meanwhile faced their own travails, primarily centered around the security of central bank independence, particularly in Turkey and India. For now, the question in both countries seems to be largely settled in favor of independence—a positive for markets; but as is often the case in EM, that does not preclude the issue resurfacing down the road.

United States

Through mid-2018, U.S. capital markets enjoyed the longest equity bull market in their history. Valuations of stocks reached levels rarely-- and for some valuations measures, never-- seen before. However, in the fourth quarter of 2018, markets in the U.S. weakened tremendously with the S&P 500 ending the year down 13.5% with U.S. equities underperforming in 2018 compared to 2017.

Large Cap stocks were strongly negative, with the S&P 500 and Russell 1000 indices posting returns of (-4.4%) and (-4.84%), respectively. Small Cap and Mid Cap indices underperformed large cap. Small Cap, as measured by the Russell 2500 Index, returned (-10.0%). The Russell Mid Cap Index measured by the Russell 2000 Index lagged the Small Cap and posted a return loss of (-11.0%). Of note, growth oriented investments outperformed the value counterpart with the Russell 1000 Growth (-1.5%) outpacing the Russell 1000 Value (-8.3%).

Fixed income markets took the four rate hikes by the Fed in stride in 2018. Treasuries returned (+0.9%) for the year, with the assets strongest quarter coming in the first quarter of 2018. Municipal credit outperformed Treasuries for the year, with (+4.8%), posting positive returns for four straight quarters. Following strong results in 2017, high yield debt underperformed and ended its upward trend in 2018, returning (-2.1%).

International Developed

International equity markets posted very weak results in 2018 and lagged behind U.S. equity markets, returning (-9.4%) as measured by the Morgan Stanley Capital International ("MSCI") All Country World Index. In U.S. dollars, both Europe and Japan equities posted negative performance in 2018 with MSCI Europe returning (-14.9%) and MSCI Japan returning (-12.9%). Weak returns in Europe were driven by the global negative market performance in the last quarter of 2018. The Small Cap portion of international developed markets posted even weaker returns in 2018, (-17.9%).

Fixed income markets in Europe and Japan are largely centered on government bonds, with corporate and asset-backed issuance making up a fraction of the overall markets. Global Treasuries were negative in 2018, following a positive year in 2017.

Emerging Markets

Emerging markets posted very weak returns in 2018 with performance lower than both U.S. and international developed markets across equity and debt. The broad emerging markets index returned (-14.6%) for the year. Brazil was the best performing country, buoyed by President-elect Jair Bolsonaro's pick for chief economic advisor and his pledge to sell state owned companies. Within the EM group, Asia lagged, pulled down by declines in China, Korea and Taiwan. Healthcare and information technology were among the worst performing EM sectors, losing 15.4% and 15.1%, respectively.

The bond markets of emerging markets underperformed in 2018. Both hard currency and local currency bond posted very weak years in performance. Hard currency bonds, which are predominately issued in U.S. dollars, returned (-4.3%) in 2018. Local currency bonds, which are issued in the local currency, returned
(-6.2%) for the year.

Commodities

Commodities posted negative results in 2018, with the broad Bloomberg Commodity Index down (-11.2%). Energy was the worst performing sub-sector, as oil prices were dampened by concerns of oversupply based on high inventories and stronger-than-expected production in Iran. Natural gas posted losses of -2.3% in a volatile quarter marked by low inventory levels and fluctuating weather forecasts. Natural gas consumption is projected to decrease slightly in the residential and commercial sectors, as expected milder weather will require less energy for space heating in the winter and air conditioning in the summer, largely based on temperature projections from the National Oceanic and Atmospheric Administration. On the other hand, precious metals strengthened towards the end of 2018, bolstered by the sell-off in equities and expectations for higher real interest rates.

Market Outlook
Global economic growth is likely to slow modestly in 2019, but the prevalent view is that investors' worst fears are likely exaggerated, as most of the world's economies will continue to expand rather than contract. Therefore, for the time being there is not – expectation of recession on the horizon.

There are many reasons for investors to be to be optimistic. U.S. corporate profit margins should remain high after the boost from 2018 tax cuts, which should result in earnings growth in the high single-digits or better. Furthermore, a more dovish stance from the Fed could signal a cyclical peak for the U.S. dollar, helping U.S. manufacturing and also providing some welcome relief for embattled EM companies facing higher dollar-denominated borrowing costs.

The Eurozone is expected to increase economic activities in the first half of 2019. Disruption to the German auto industry from new emissions standards, potential for increased fiscal stimulus across major economies in the bloc and the positive developments in Italy signaling a stronger unity in the European Union ("EU") can be potential catalysts for improving growth. Nevertheless, the intense uncertainty around Brexit will be a drag on the UK in the first quarter of 2019 and may extend its impact across Europe should Britain leave the EU without a deal on March 29$^{th, 2019}$.

An agreement between Organization Petroleum Exporting Countries ("OPEC") and its oil-producing allies to cut output can lead to greater price stability in 2019. But oil, and the broader commodity sector, remains a leading global growth concern.

Intense uncertainty on global trade remains the big issue gripping investors. The pause in the U.S.-China trade war could pave the way for a more comprehensive agreement. Nonetheless, significant obstacles remain, such as China's real desire to follow through on promises to open up its economy and end forced technology transfers.

Objectively, there can be little doubt there are multiple risks globally in this late-cycle phase. However, the outlook is far from bleak, and there is substantial consensus that 2019 could be a good year for portfolio reallocations, taking advantage of dislocated sectors, oversold opportunities and market outperformance.

CONTACT INFORMATION

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

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THE LONG ISLAND RAIL ROAD COMPANY PLAN FOR ADDITIONAL PENSIONS

STATEMENTS OF PLAN NET POSITION
AS OF DECEMBER 31, 2018 AND 2017
(Amounts in thousands)

	2018	2017
ASSETS:		
Cash	$ 2,484	$ 1,575
Investments at fair value (Notes 2 and 3):		
Investments measured at readily determined fair value	147,855	183,875
Investments measured at net asset value	669,902	765,925
Total investments	817,757	949,800
Receivables:		
Participant and union contributions	-	(6)
Accrued interest and dividends	516	399
Securities sold	58	363
Forward currency contract receivable	89	-
Other	3	(53)
Total receivables	666	703
Total assets	820,907	952,078
LIABILITIES:		
Due to broker for securities purchased	507	900
Forward Currency & Margin contracts	55	-
Due to broker for admin. fees	(7)	-
Due to broker for investment fee	1,035	(149)
Total liabilities	1,590	751
PLAN NET POSITION RESTRICTED FOR PENSIONS	$ 819,317	$ 951,327

See notes to financial statements.

THE LONG ISLAND RAIL ROAD COMPANY PLAN FOR ADDITIONAL PENSIONS

STATEMENTS OF CHANGES IN PLAN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Amounts in thousands)

	2018	2017
ADDITIONS:		
Investment (loss) / income:		
Net realized and unrealized (losses) / gains	$ (35,344)	$ 115,106
Interest income	1,715	1,036
Dividend income	11,441	7,599
Total investment (loss) / income	(22,188)	123,741
Less investment expenses	(8,910)	(11,127)
Total Net investment income	(31,098)	112,614
Contributions (Note 5):		
Employer	59,500	76,523
Non-Employer	-	145,000
Participant and union	333	760
Total contributions	59,833	222,283
Total additions	28,735	334,897
DEDUCTIONS:		
Benefits paid to participants	159,565	159,717
Administrative expenses	1,180	1,070
Total deductions	160,745	160,787
NET (DECREASE) / INCREASE IN PLAN NET POSITION	(132,010)	174,110
PLAN NET POSITION RESTRICTED FOR PENSIONS		
Beginning of year	951,327	777,217
End of year	$ 819,317	$ 951,327

See notes to financial statements.

1. PLAN DESCRIPTION

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

General—Effective July 1, 1971, The Long Island Rail Road Company (the "Company") adopted two fully integrated defined benefit pension plans, The Long Island Rail Road Company Pension Plan (the "Plan") and the Additional Plan. These plans cover employees hired before January 1, 1988. Effective January 1, 1989, the Plan was amended to limit the accrual of credited service time and determination of average earnings through December 31, 1988. All pension plan benefits were frozen as of that date by virtue of a Plan amendment. All benefit accruals subsequent to that date are provided under the Additional Plan, which was amended to provide for accruals on and after January 1, 1989. The Additional Plan benefits are now the total benefit that would have been paid previously from the sum of the two plans reduced by any portion of benefits that a participant received from the frozen pension plan benefits. The total benefits payable to participants have not been changed. These financial statements do not include any amounts related to the Plan, as all Plan assets were transferred into the MTA Defined Benefit Pension Plan, effective October 2, 2006.

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

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

The total asset allocation of the 2018 Master Trust is 84.19% for the Metropolitan Transportation Authority Defined Benefit Pension Plan and 15.81% for the Long Island Rail Road Company Plan for Additional Pensions for the year ended December 31, 2018.

The total asset allocation of the 2017 Master Trust is 82.54% for the Metropolitan Transportation Authority Defined Benefit Pension Plan and 17.46% for the Long Island Rail Road Company Plan for Additional Pensions for the year ended December 31, 2017.

Pension Benefits—All full-time employees who were hired before January 1, 1988, are eligible for Additional Plan membership. At January 1, 2018 and 2017, the most recent valuation dates, the Additional Plan's membership consisted of the following:

	January 1 2018	January 1 2017
Active plan members	84	146
Terminated vested & other inactives	24	28
Retirees and beneficiaries receiving benefits	5,755	5,833
Total	5,863	6,007

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

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

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

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

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

For participants, the Additional Plan has both non-contributory and contributory requirements. Participants who entered qualifying service before July 1, 1978, are not required to contribute.

Participants who entered qualifying service on or after July 1, 1978, are required to contribute 3% of their wages to the Additional Plan. The Company contributes additional amounts based on actuarially determined amounts that are designed to accumulate sufficient assets to pay benefits when due.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

For financial reporting purposes, The Additional Plan adheres to accounting principles generally accepted in the United States of America. The Additional Plan applies all applicable pronouncements of the Governmental Accounting Standards Board ("GASB").

New Accounting Standards Adopted – The Plan adopted GASB Statement No. *85 Omnibus 2017.*

This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits ("OPEB"). There was no material impact on the Plan's financial statements as a result of the implementation of GASB Statement No. 85.

Recent Accounting Pronouncements — Not yet adopted but currently being evaluated

GASB Statement No.	GASB Accounting Standard	MTA Pension Plan Required Year of Adoption
84	*Fiduciary Activities*	2019

Use of Management's Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates include fair market value of investments, the annual required contribution and the Net Pension liability.

Payment of Benefits—Benefits are recorded when paid.

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

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

3. CASH AND INVESTMENTS

Investment Policy – The Plan's policy statement is issued for the guidance of fiduciaries, including the members of the Board and investment managers, in the course of investing the assets of the Trust. 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 upon consideration of the advice and recommendations of the 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, a quarterly basis and will be readjusted when an asset class weighting is outside its target range. The following was the MTA Defined Benefit Pension Plan Board adopted asset allocation policy, which includes assets of the Additional Plan, as of December 31, 2018.

Asset Class	Target Allocation (%)	Target Range (%)	Policy Benchmark
Equities	29.0	24-34	
Domestic Large Cap	10.0	5-15	S&P 500
Domestic Small Cap	5.5	2-10	Russell 2000
International Developed Markets Equities	10.0	5-15	MSCI EAFE
Emerging Markets Equities	3.5	2-6	MSCI Emerging Markets
Fixed Income	15.0	9-21	Manager Specific
Global Asset Allocation*	20.0	15-33	50% World Equity/ 50% Citigroup WGBI unhedged
Opportunistic Investments	6.0	0-15	Manager Specific
Absolute Return	15.0	10-22	Manager Specific
Real Assets	5.0	0-10	Manager Specific
Real Estate	3.0	0-10	Manager Specific
Private Equity	7.0	0-10	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 funds is to achieve consistent positive real returns and to maximize long-term total return within prudent levels of risk through a combination of income and capital appreciation.

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

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

The overall capital structure targets and permissible ranges for eligible asset classes of the Trust are detailed within the Investment Policy Statement. Full discretion, within the parameters of the guidelines described herein and in any individual investment policy associated with that allocation, is granted to the investment managers regarding the asset allocation, the selection of securities, and the timing of transactions. It is anticipated that the majority of investment managers will be funded through commingled funds, however, in some cases (likely equity and fixed income mandates) separate account vehicles may be utilized. For separate accounts, individual manager guidelines and/or exemptions are specified in each approved investment management agreement (“IMA”). Should there be conflicts, the individual manager guidelines set forth in the IMA supersede the general guidelines in the Investment Policy Statement. For commingled funds, investment guidelines and/or exemptions are specified in such vehicle’s offering documents. Should there be conflicts, the individual vehicle’s investment guidelines supersede the general guidelines in the Investment Policy Statement.

Individual investment manager benchmarks and performance requirements are specified within the Investment Policy Statement. Performance of the Trust will be evaluated on a regular basis. Evaluation will include the degree to which performance results meet the goals and objectives as herewith set forth. Toward that end, the following standards will be used in evaluating investment performance:

1. The compliance of each investment manager with the guidelines as expressed herein, and
2. The extent to which the total rate of return performance of the Trust achieves or exceeds the targeted goals.

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

- Domestic fixed income investments are permitted, subject to the guidelines reflected in Investment Policy Statement. Yankee bonds, which are dollar denominated foreign securities, may be held by each domestic manager in proportions which each manager shall deem appropriate.

- International fixed income securities are permitted, subject to the guidelines reflected in Investment Policy Statement. Generally defined, the Citigroup World Government Bond Index represents the opportunity set for international developed markets. The J.P. Morgan Emerging Markets Bond Index-Global represents the opportunity set for international emerging markets denominated in USD. The J.P. Morgan GBI-EM Global Diversified Index represents the opportunity set for international emerging markets denominated in local currency. These index references are guidelines and do not prohibit investment in securities outside those indexes.

- Investment managers are responsible for making an independent analysis of the credit worthiness of securities and their suitability as investments regardless of the classifications provided by rating agencies.

- The average duration (interest rate sensitivity) of an actively managed fixed income portfolio shall range within two years of the benchmark's duration.

- For domestic fixed income portfolios, individual manager account for the securities of an individual issuer, excepting the U.S. government and U.S. government agencies, shall not constitute more than 5% at market at any time.

- For international bond portfolios, individual manager account for the securities of any non-governmental issuer shall not constitute more than 5% at market at any time.

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

- Domestic equity investments are permitted, subject to the guidelines. American Depository Receipts (ADRs), which are dollar denominated foreign securities traded on the domestic U.S. stock exchanges (e.g., Reuters, Nestle, Sony) may be held by each domestic stock manager in proportions which each manager shall deem appropriate.

- International equities are permitted, subject to the guidelines. Generally defined, the Morgan Stanley EAFE (Europe, Australasia and the Far East) Index represents the opportunity set for international developed markets. The Morgan Stanley Emerging Markets Free Index represents the opportunity set for international emerging markets. These index references are guidelines and do not prohibit investment in securities outside those indexes.

- The equity specialists may vary equity commitment from 90% to 100% of assets under management.

- Individual manager account may hold no more than 8% at market or 1.5x the manager's benchmark weight (whichever is greater) of any single company's stock.

Overlay Managers

- For a variety of reasons, the investment program may carry large amounts of cash throughout the year. In order to achieve the actuarial assumed returns on the total investment program, the Board may retain a futures overlay manager. The overlay manager shall use exchange traded futures contracts to expose the cash to the long-term target asset allocation.

- In addition, the overlay manager may be utilized for the following:
  a) Expose un-invested assets of domestic and international equity investment managers to their respective equity benchmarks through the use of futures contracts,
  b) Assist the Board in rebalancing, transitions, and/or gaining exposure to approved asset classes,
  c) Provide the market (or "beta") exposures in a portable alpha program.
  d) The overlay manager shall ensure that all futures positions are fully collateralized and the manager is prohibited from leveraging any portion of the portfolio.

Alternative Investments Managers

Alternative investments are broadly categorized into the following categories:

- Opportunistic
- Real assets
- Real estate
- Absolute return
- Private equity

Common features of alternative investments are limited liquidity, the use of derivatives, leverage and shorting, lower regulatory oversight, limited transparency, and high fees. Compensating for these risks, these investments offer the potential of diversification and/or higher rates of return over time.

Derivatives Policy

Where appropriate, investment managers may use derivative securities for the following reasons:

- Hedging. To the extent that the portfolio is exposed to clearly defined risks and there are derivative contracts that can be used to reduce those risks, the investment managers are permitted to use such derivatives for hedging purposes, including cross-hedging of currency exposures.

- Creation of Market Exposures. Investment managers are permitted to use derivatives to replicate the risk/return profile of an asset or asset class provided that the guidelines for the investment manager allow for such exposures to be created with the underlying assets themselves.

- Management of Country and Asset Allocation Exposure. Investment managers charged with tactically changing the exposure of their portfolio to different countries and/or asset classes are permitted to use derivative contracts for these purposes.

- Additional uses of derivatives shall be approved by the Board or set forth in the individual investment guidelines or the offering documents prior to implementation and shall be restricted to those specific investment managers.

Ineligible Investments (Separately Managed Accounts) —Unless specifically approved by the Board or set forth in the individual investment guidelines, certain securities, strategies and investments are ineligible for inclusion within separately managed accounts. Among these are:

- Privately-placed or other non-marketable debt, except securities issued under Rule 144a,
- Lettered, legend or other so-called restricted stock,
- Commodities
- Short sales, and,
- Direct investments in private placements, real estate, oil and gas and venture capital, or funds comprised thereof.

Exceptions:

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

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

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

Risks and Uncertainties— The Plan's investments are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities and level of uncertainty related to changes in the value of investment securities, it is possible that changes in risks in the near term would materially affect the amounts reported in the Plan's financial statements.

The financial markets, both domestically and internationally, have demonstrated significant volatility on a daily basis, which affects the valuation of investments. The Plan utilizes asset allocation strategies that are intended to optimize investment returns over time in accordance with investment objectives and with acceptable levels of risk.

Investments measured at readily determined fair value (FV)

	December 31, 2018	Quoted Price in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Equity Securities:				
Separate account large-cap equity funds	$ 49,096,910	$ 49,096,910	$ -	$ -
Separate account small-cap equity funds	37,058,405	37,058,405	-	-
Separate account real estate investment trust	7,571,850	7,571,850	-	-
Total equity investments	93,727,165	93,727,165	-	-
Debt Securities				
Separate account debt funds	54,127,719	-	54,127,719	-
Total debt investments	54,127,719	-	54,127,719	-
Total investments at readily determined FV	$ 147,854,884	$ 93,727,165	$ 54,127,719	$ -

Investments measured at the net asset value (NAV)

	December 31, 2018	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equity Securities:				
Commingled large cap equity funds	$ 22,912,861	$ -	Daily	None
Commingled international equity funds	89,234,524	-	Daily	None
Commingled emerging market equity funds	21,286,863	-	Daily, monthly	None
Total equity investments measured at the NAV	133,434,248	-		
Debt Securities				
Commingled debt funds	45,843,152	-	Daily, monthly, quarterly	None
Mutual funds	13,949,778	-	Daily	None
Total debt investments measured at the NAV	59,792,930	-		
Absolute return:				
Directional	20,872,200	-	Monthly	3-60 days
Direct lending	33,843,348	9,822,183	Bi-annually	60 plus days
Distressed securities	11,534,338	-	Not eligible	N/A
Credit long	9,681,199	-	Quarterly	3-30 days
Credit long/short	15,165,904	-	Quarterly	3-60 days
Equity long/short	10,415,170	-	Quarterly	3-60 days
Event driven	16,322,094	358,610	Quarterly, Bi-annually	60-120 days
Global macro	17,737,840	-	Monthly	3-30 days
Global tactical asset allocation	45,817,868	-	Daily, monthly	3-30 days
Market neutral	-	-	Quarterly	3-60 days
Multistrategy	20,517,400	-	Quarterly	3-60 days
Risk parity	63,371,780	-	Monthly	3-30 days
Structured credit	1,390,686	-	Not eligible	N/A
Total absolute return measured at the NAV	266,669,827	10,180,793		
Private equity - private equity partnerships	55,327,432	28,963,929	Not eligible	N/A
Real assets				
Commingled real estate funds	102,822,741	2,651,662	Not eligible	N/A
Energy	16,886,417	11,859,259	Not eligible	N/A
Infrastructure	5,316,564	1,399,180	Not eligible	N/A
Total real assets measured at the NAV	125,025,723	15,910,101		
Short term investments measured at the NAV	29,652,175	-		
Total investments measured at the NAV	$ 669,902,334	$ 55,054,823		
Total investments at fair value	$ 817,757,218			

Investments measured at readily determined fair value (FV)

	December 31, 2017	Quoted Price in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Equity Securities:				
Separate account large-cap equity funds	$ 55,376,015	$ 55,376,015	$ -	$ -
Separate account small-cap equity funds	79,011,370	79,011,370	-	-
Separate account real estate investment trust	8,717,470	8,717,470	-	-
Total equity investments	143,104,855	143,104,855	-	-
Debt Securities				
Separate account debt funds	40,770,024	-	40,770,024	-
Total debt investments	40,770,024	-	40,770,024	-
Total investments at readily determined FV	$ 183,874,879	$ 143,104,855	$ 40,770,024	$ -

Investments measured at the net asset value (NAV)

	December 31, 2017	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equity Securities:				
Commingled large cap equity funds	$ 27,225,948	$ -	Daily	None
Commingled international equity funds	114,123,832	-	Daily	None
Commingled emerging market equity funds	29,328,976	-	Daily, monthly	None
Total equity investments measured at the NAV	170,678,756	-		
Debt Securities				
Commingled debt funds	73,497,792	-	Daily, monthly, quarterly	None
Mutual funds	13,455,266	-	Daily	None
Total debt investments measured at the NAV	86,953,058	-		
Absolute return:				
Directional	23,613,108	-	Monthly	3-60 days
Direct lending	33,478,233	2,369,618	Bi-annually	60 plus days
Distressed securities	8,860,531	-	Not eligible	N/A
Credit long	13,446,929	-	Quarterly	3-30 days
Credit long/short	15,571,119	-	Quarterly	3-60 days
Equity long/short	12,633,764	-	Quarterly	3-60 days
Event driven	18,894,170	396,008	Quarterly, Bi-annually	60-120 days
Global macro	17,866,288	-	Monthly	3-30 days
Global tactical asset allocation	57,519,740	-	Daily, monthly	3-30 days
Market neutral	-	-	Quarterly	3-60 days
Multistrategy	24,765,480	-	Quarterly	3-60 days
Risk parity	77,368,296	-	Monthly	3-30 days
Structured credit	3,391,126	-	Not eligible	N/A
Total absolute return measured at the NAV	307,408,784	2,765,626		
Private equity - private equity partnerships	58,569,874	40,015,478	Not eligible	N/A
Real assets				
Commingled real estate funds	104,382,454	-	Not eligible	N/A
Energy	12,048,446	3,779,108	Not eligible	N/A
Infrastructure	5,076,347	1,666,799	Not eligible	N/A
Total real assets measured at the NAV	121,507,247	5,445,907		
Short term investments measured at the NAV	20,807,562	-		
Total investments measured at the NAV	$ 765,925,281	$ 48,227,011		

Total investments at fair value	$ 949,800,160

Concentration of Credit Risk—Individual investments held by the Additional Plan that represent 5% or more of the Additional Plan's net assets available for benefits at December 31, 2018 and 2017, are as follows:

(Amounts in thousands)	**December 31, 2018**	**December 31, 2017**
Investments at fair value as determined by quoted market prices:		
JPMCB Strategic Property Fund	$ 63,559	$ 58,831

Credit Risk—The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations at December 31, 2018 and 2017:

(Amount in thousands) **Quality Rating—S&P**	**2018 Fair Value**	**Percentage of Fixed Income Portfolio**	**2017 Fair Value**	**Percentage of Fixed Income Portfolio**
AAA	$ 23,126	9.28 %	$ 33,492	19.05 %
AA	33,898	13.61	5,924	3.37
A	12,454	5.00	18,145	10.32
BBB	19,221	7.72	25,327	14.41
BB	18,664	7.49	19,705	11.21
B	15,520	6.23	12,820	7.29
CCC	3,519	1.41	1,575	0.90
CC	27	0.01	202	0.11
C	258	0.10	18	0.01
D	1,197	0.48	4	-
Not rated	69,209	27.79	29,254	16.64
Total credit risk debt securities	197,093	79.12	146,466	83.31
U.S. Government bonds*	51,986	20.88	29,346	16.69
Total Fixed Income Securities	$ 249,079	100.00 %	$ 175,812	100.00 %
Other securities not rated — equity, international funds and foreign corporate bonds	568,678		773,988	
Total investments	$ 817,757		$ 949,800	

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

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

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

Interest Rate Risk—Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investment. Duration is a measure of interest rate risk. The greater the duration of a bond or portfolio of bonds, the greater its price volatility will be in response to a change in interest rate risk and vice-versa. Duration is an indicator of bond price's sensitivity to 100-basis point change in interest rates. The lengths of investment maturities (in years), as of December 31, 2018 and 2017 are as follows:

(Amounts in thousands)	**2018**		**2017**	
Investment Type	**Fair Value**	**Duration**	**Fair Value**	**Duration**
Chase	$ 54,128	12.90	$ 40,634	11.44
Wellington Blended Emerging Market Debt	12,842	5.44	16,661	5.70
Bridgewater All Weather Fund	18,012	8.30	18,393	7.70
Wellington Opportunistic Fund	10,157	1.52	7,302	1.70
Bridgewater Pure Alpha Fund	26,690	(0.90)	(25,807)	(7.90)
Bridgewater Markets Fund	(3,091)	(7.10)	(2,948)	(6.80)
Northern Trust William Capital	1,625	-	1,765	-
Park Square Capital Credit Opportunities Fund	6,055	-	6,990	-
Libremax Partners Fund	15,166	2.63	3,317	3.87
Gramercy Distressed Opportunistic Fund	4,221	0.26	2,701	(0.05)
Makuria Credit Fund	3,318	5.38	6,653	5.50
Crescent Capital High Income Fund	9,676	2.56	6,390	2.43
Fir Tree Realization Value Fund	-	-	1	-
Wellington Global Managed Risk Fund	13,819	6.20	21,921	10.60
Orchard Landmark L.P.	17,936	1.44	-	-
PIMCO Distressed Sr Cr Opportunities FD II	9,681	2.18	-	-
Allianz Structured Alpha Fund	20,872	0.13	23,613	0.13
GAM Unconstrained Bond Fund	6,538	0.10	35,595	(0.17)
State Street Long US Treasury	5,294	17.38	-	-
State Street Real Asset Fund	4,519	5.84	5,339	5.84
EIG Energy Fund XV	655	-	869	-
EIG Energy XVI	916	-	1,193	-
Riverstone Credit Partners LP Fund II	3,270	4.00	-	-
RCP II NEPC Syndication Partners	324	4.00	-	-
Park SQ Capital Credit Opportunities Fund III	2,659	-	-	-
Canyon Value Realization Fund	3,797	3.26	5,228	2.50
Total fixed income	$ 249,079		$ 175,810	
Portfolio modified duration		5.20		7.06
Investments with no duration reported	568,678		773,990	
Total investments	$ 817,757		$ 949,800	

Foreign Currency Risk—Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Each investment manager, through the purchase of units in a commingled investment trust fund or international equity mutual fund establishes investments in international equities. The Additional Plan also holds investments in American Depository Receipts (“ADRs”), which are not included in the below schedule since they are denominated in US dollars and accounted for at fair market value.

The Additional Plan's foreign currency exposures as December 31, 2018 and 2017 are follows (amounts in U.S. dollars):

Foreign Currency	2018	2017
Argentina Peso	$ 3,179	$ 831
Australian Dollar	4,255	5,954
Bahraini Dinar	75	91
Bangladesh (Taka)	72	90
Bermudian Dollar	553	177
Botswana Pula	32	34
Brazil Cruzeiro Real	5,862	3,229
British Pound (Sterling)	8,513	15,494
Bulgarian Lev	3	4
Caymanian Dollar	156	-
Chilean Peso	1,394	1,264
China (Yuan Renminbi)	3,239	3,722
Colombian Peso	803	890
Croatia Kuna	97	113
Czech Koruna	242	(215)
Dominican Peso	2	-
Dollar (Canadian)	6,521	4,024
Dollar (Hong Kong)	2,463	3,258
Dollar (New Zealand)	(97)	1,156
Dollar (New Taiwan)	2,009	5,249
Egyptian Pound	225	593
Euro	18,613	16,131
Franc (Swiss)	2,894	2,211
Geogian Lari	181	447
Ghanaian Cedi	35	64
Hungary (Forint)	778	284
Iceland Krona	546	900
Indian Rupee	4,344	5,547
Indonesia Rupiah	1,408	3,339
Israel (Shekel)	268	275
Japanese Yen	2,245	2,006
Jordanian Dinar	72	97
Kazakhstanti Tenge	81	135
Kenyan Shilling	75	89
Krona (Swedish)	1,205	4,722
Krone (Danish)	1,301	528
Krone (Norwegian)	425	1,153
Kuwait Dinar	152	182
Lao Kip	88	-
Lebanese Pound	9	25
Malaysian (Ringgit)	834	1,645
Mauritius (Rupee)	178	196
Mexican New Peso	703	1,435
Morocco Dirham	69	91
Nigerian Naira	78	90
Omanian Rial	62	92
Pakistani Rupee	193	453
Panamanian Balboa	30	35
Peru New Sol	355	562
Philippines Peso	616	469
Polish (New Zloty)	(17)	623
Qatar Riyal	188	246
Romanian Leu	325	125
Russian Federation Ruble	25	1,141
Saudi Riyal	154	91
Singapore Dollar	(779)	1,218
South Africa Rand	2,177	2,042
South Korean Won	3,969	6,442
Sri Lankan Rupee	63	89
Thai Bhat	1,042	1,044
Tunisian Dinar	28	37
Turkish Lira	9	1,010
UAE Dirham	235	460
Ukrainian Hryvnia	13	-
Uruguayan Pesos	4	109
Vietnamese Dong	139	146
Other	1,866	(3,094)
Totals	$ 86,877	$ 100,890

Additional Information—The Additional Plan is part of the MTA Master Trust of which the Additional Plan participates on a percentage basis. JP Morgan Chase is the trustee of the MTA Master Trust. The percentage of the Additional Plan ownership for the years ended December 31, 2018 and 2017, were 15.81% and 17.46%, respectively.

	December 31, 2018		December 31, 2017	
	Master Trust Total	Additional Plan	Master Trust Total	Additional Plan
Total Investments:				
Investments measured at readily determined fair value	$ 935,046	$ 147,855	$ 818,745	$ 142,966
Investments measured at the net asset value	3,834,562	606,343	4,074,473	705,284
Total investments measured at fair value	$ 4,769,608	$ 754,198	$ 4,893,218	$ 848,250

There are additional investments which reside outside of the Master Trust and are presented within these financial statements.

4. NET PENSION LIABILITY

The components of the net pension liability of the Plan at December 31, 2018 and 2017 were as follows (in thousands):

	2018	2017
Total pension liability	$ 1,411,144	$ 1,471,828
Fiduciary net position	819,317	951,327
Net pension liability	$ 591,827	$ 520,501
Fiduciary net position as a percentage of the total pension liability	58.06 %	64.64 %

Actuarial Methods and Assumptions—The total pension liability as of December 31, 2018 was determined by an actuarial valuation date of January 1, 2018, that was updated to roll forward the total pension liability to the respective year-end. Actuarial valuations are performed annually as of January 1.

Discount Rate—The discount rate used to measure the total liability as of December 31, 2018 and 2017 was 7%. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made in accordance with the Employer funding policy as projected by the Plan’s actuary. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate—The following presents the net pension liability of the Plan, calculated using the discount rate of 7.00%; as well as what the Plan's net pension would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate:

2018 **(In thousands)**	**Decrease** **6.00%**	**Discount Rate** **7.00%**	**Increase** **8.00%**
Net pension liability	$ 701,222	$ 591,827	$ 496,547

2017 **(In thousands)**	**Decrease** **6.00%**	**Discount Rate** **7.00%**	**Increase** **8.00%**
Net pension liability	$ 636,713	$ 520,501	$ 419,474

Additional information of the latest actuarial valuation follows:

Valuation date	January 1, 2018	January 1, 2017
Valuation timing	Actuarially determined contributions calculated as of December 31, for the fiscal year and discounted to July 1 to reflect monthly payments throughout the year.	Actuarially determined contributions calculated as of December 31, for the fiscal year and discounted to July 1 to reflect monthly payments throughout the year.
Actuarial cost method	Entry age normal.	Entry age normal.
Amortization method	Period specified in current valuation report (closed 15-year period beginning January 1, 2018) with level dollar payments.	Period specified in current valuation report (closed 16-year period beginning January 1, 2017) with level dollar payments.
Actuarial asset valuation method	Actuarial value equals market value less unrecognized gains/losses over a 5-year period. Gains/losses are based on market value of assets.	Actuarial value equals market value less unrecognized gains/losses over a 5-year period. Gains/losses are based on market value of assets.
Mortality	Based on experience of all MTA members reflecting mortality improvement on a generational basis using Scale AA	Based on experience of all MTA members reflecting mortality improvement on a generational basis using Scale AA
Actuarial assumptions:		
Investment rate of return	7.0%, net of investment expenses	7.0%, net of investment expenses
Projected salary increases	3.0%	3.0%
Inflation/Railroad Retirement wage base	2.5%; 3.5%	2.5%; 3.5%

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

2018 - Schedule of Calculations of Money-Weighted Rate of Return
(Amounts in thousands)

	Net External Cash Flows	Periods Invested	Period Weight	Net External Cash Flows With Interest
Beginning value—January 1, 2017	$ 951,327	12.00	1.00	$ 918,163
Monthly net external cash flows:				
January	(13,368)	12.00	1.00	(12,902)
February	(8,284)	11.00	0.92	(8,018)
March	(8,284)	10.00	0.83	(8,044)
April	(8,284)	9.00	0.75	(8,067)
May	(8,284)	8.00	0.67	(8,090)
June	(8,284)	7.00	0.58	(8,115)
July	(8,284)	6.00	0.50	(8,139)
August	(8,284)	5.00	0.42	(8,162)
September	(8,284)	4.00	0.33	(8,188)
October	(8,284)	3.00	0.25	(8,211)
November	(8,284)	2.00	0.17	(8,234)
December	(4,701)	1.76	0.15	(4,676)
Ending Value—December 31, 2017				$ 819,317
Money—Weighted Rate of Return	-3.49%			

2017 - Schedule of Calculations of Money-Weighted Rate of Return
(Amounts in thousands)

	Net External Cash Flows	Periods Invested	Period Weight	Net External Cash Flows With Interest
Beginning value—January 1, 2017	$ 777,217	12.00	1.00	$ 881,191
Monthly net external cash flows:				
January	(13,336)	12.00	1.00	(15,120)
February	(6,527)	11.00	0.92	(7,327)
March	138,473	10.00	0.83	152,876
April	(6,527)	9.00	0.75	(7,172)
May	(6,527)	8.00	0.67	(7,100)
June	(6,527)	7.00	0.58	(7,020)
July	(6,527)	6.00	0.50	(6,950)
August	(6,527)	5.00	0.42	(6,881)
September	(6,527)	4.00	0.33	(6,803)
October	(6,527)	3.00	0.25	(6,735)
November	(6,527)	2.00	0.17	(6,668)
December	(4,896)	1.33	0.11	(4,964)
Ending Value—December 31, 2017				$ 951,327
Money—Weighted Rate of Return	13.38 %			

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, 2018 and 2017.

SCHEDULE OF LONG TERM EXPECTED RATE OF RETURN FOR 2018

Asset Class	Index	Target Allocation*	Real Rate of Return
US Core Fixed Income	Barclays Aggregate	9.00%	2.03%
US Long Bonds	Barclays LT Gvt/Credit	1.00%	2.44%
US Bank /Leveraged Loans	Credit Suisse Leveraged Loan	7.00%	3.08%
US Inflation-Indexed Bonds	Barclays US TIPs	2.00%	1.16%
US High Yield Bonds	BAML High Yield	4.00%	3.93%
Emerging Markets Bonds	JPM EMBI Plus	2.00%	3.76%
US Large Caps	S&P 500	12.00%	4.71%
US Small Caps	Russell 2000	6.00%	5.93%
Foreigh Developed Equity	MSCI EAFE NR	12.00%	6.15%
Emerging Markets Equity	MSCI EM NR	5.00%	8.22%
Global REITS	FTSE EPRA/NAREIT Developed	1.00%	5.80%
Private Real Estate Property	NCREIF Property	4.00%	3.69%
Commmodities	Bloomberg Commodity	9.00%	9.50%
Private Equity	Cambridge Private Equity	1.00%	2.85%
Hedge Funds - MultiStrategy	HFRI: Fund Wtd Composite	16.00%	3.28%
Hedge Funds - Event-Driven	HFRI: Event-Driven	6.00%	3.38%
Hedge Funds - Equity Hedge	HFRI: Equit Hedge	3.00%	3.85%
Assumed Inflation - Mean			2.50%
Assumed Inflation - Standard Deviation			1.65%
Portfolio Normal Mean Return			7.19%
Portfolio Standard Deviation			10.87%
Long-Term Expected Rate of Return selected by MTA			**7.00%**

SCHEDULE OF LONG TERM EXPECTED RATE OF RETURN FOR 2017

Asset Class	Index	Target Allocation*	Real Rate of Return
US Core Fixed Income	Barclays Aggregate	10.00%	1.96%
US High Yield Bonds	BAML High Yield	8.00%	4.62%
Global Bonds	Citi WGBI	10.00%	0.34%
Emerging Markets Bonds	JPM EMBI Plus	3.00%	3.30%
US Large Caps	S&P 500	10.00%	4.31%
US Small Caps	Russell 2000	5.50%	5.57%
Global Equity	MSCI ACWI NR	10.00%	4.99%
Foreigh Developed Equity	MSCI EAFE NR	10.00%	5.57%
Emerging Markets Equity	MSCI EM NR	3.50%	7.91%
Global REITS	FTSE EPRA/NAREIT Developed	5.00%	5.62%
Private Real Estate Property	NCREIF Property	3.00%	3.64%
Private Equity	Cambridge Private Equity	7.00%	8.99%
Hedge Funds - MultiStrategy	HFRI: Fund Wtd Composite	15.00%	3.35%
Assumed Inflation - Mean			2.50%
Assumed Inflation - Standard Deviation			1.85%
Portfolio Normal Mean Return			6.80%
Portfolio Standard Deviation			11.54%
Long-Term Expected Rate of Return selected by MTA			**7.00%**

* Based on March 2014 Investment Policy

5. CONTRIBUTIONS

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

Upon termination of employment before retirement, vested participants who have been required to contribute must choose to: (1) receive a refund of their own contributions, including accumulated interest at rates established by the Company's Board of Managers of Pensions (1.5% in 2018 and 2017), or (2) leave their contributions in the Additional Plan until they retire and become entitled to the pension benefits. Non-vested participants who have been required to contribute will receive a refund of their own contributions, including accumulated interest at rates established by the Company's Board of Managers of Pensions (1.5% in 2018 and 2017).

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

6. ACTUARIAL METHODS AND ASSUMPTIONS

A. ACTUARIAL VALUATION METHOD

The Plan's actuarial cost method is the Entry Age Normal method. Under this method, a projected benefit is determined at each active participant's assumed retirement age assuming future compensation increases. The plan's normal cost is the sum of each active participant's annual cost for the current year of service determined such that, if it were calculated as a level percentage of compensation each year, it would accumulate at the valuation interest rate over his total prior and future years of service to the assumed retirement date into an amount sufficient to fund the projected benefit. The plan's accrued liability is the (a) present value of each active participant's benefits plus (b) the present value of each inactive participant's future benefits, less (c) the present value of each active participant's normal costs attributable to all future years of service.

B. ASSET VALUATION METHOD

The Asset Valuation method smoothes gains and losses over a 5-year period. The formula for the asset valuation method is as follows:

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

Where:

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

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

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

C. ACTUARIAL ASSUMPTIONS

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

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

Valuation Compensation—The valuation compensation is equal to the annualized base salary as of December 31, 2017 projected six months at the assumed rate of salary increase.

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

Railroad Retirement Wage Base—3.50% per year.

Consumer Price Index—2.50% per year.

Provision for Expenses—Estimated administrative expenses are added to the normal cost. Administrative expenses are based on the average of the prior three years reported administrate expenses and are assumed payable in the middle of the plan year.

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

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

Retirement—Assumed retirement age varies by year of eligibility.

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

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

Post-Termination—95% of the rates from the RP-2000 Healthy Annuitant Mortality Table for Males with blue collar adjustments and 116% of the rates from the RP-2000 Healthy Annuitant Mortality Table for Females, both projected on a generational basis using Scale AA.

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

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

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

Participant Data—Retirement benefits are based on information provided in the JP Morgan file as of the valuation date; however, retirement benefits for members subject to DROs a similar order were reported by the System as such amounts include amounts payable to the member and the alternate payees. For inactive participants, offsets for Railroad Retirement benefits ate estimated and assumed to occur at the member's age 65.

Benefits Not Valued—Since the majority of active plan participants are at or close to retirement eligibility, the disability benefit has not been explicitly valued.

D. CHANGES IN ACTUARIAL ASSUMPTIONS

None.

7. PLAN TERMINATION

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

8. COMMINGLING OF PENSION ASSETS FOR INVESTMENT PURPOSES

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

9. CUSTODIAL AND OTHER PROFESSIONAL SERVICES

JP Morgan Chase Bank is the custodian of plan assets and also provides cash receipt and disbursement services to the Additional Plan. New England Pension Consultants reviews the

Additional Plan's portfolio, the investment policies as stipulated by the Investment Committee and the performance of the Investment Managers. Actuarial services were provided to the Additional Plan by Milliman Inc.

10. SUBSEQUENT EVENTS

As of July 23, 2019, the Plan redeemed its entire investment in the GAM Unconstrained Bond Fund, amid allegations of misconduct by a portfolio manager. The Plan suffered no loss on its investment.

* * * * *

REQUIRED SUPPLEMENTAL SCHEDULES

THE LONG ISLAND RAIL ROAD COMPANY PLAN

FOR ADDITIONAL PENSIONS

SCHEDULE I

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

(In thousands)

	2018	2017	2016	2015	2014
Total pension liability:					
Service cost	$ 1,057	$ 1,874	$ 2,752	$ 3,441	$ 3,813
Interest	97,611	101,477	104,093	106,987	110,036
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	213	1,890	15,801	6,735	-
Changes of assumptions	-	-	-	-	-
Benefit payments and withdrawals	(159,565)	(159,717)	(158,593)	(157,071)	(156,974)
Net change in total pension liability	(60,684)	(54,476)	(35,947)	(39,908)	(43,125)
Total pension liability—beginning	1,471,828	1,526,304	1,562,251	1,602,159	1,645,284
Total pension liability—ending (a)	1,411,144	1,471,828	1,526,304	1,562,251	1,602,159
Plan fiduciary net position:					
Employer contributions	59,500	76,523	81,100	100,000	407,513
Non-Employer contributions	-	145,000	70,000	-	-
Member contributions	333	760	884	1,108	1,304
Net investment income	(31,098)	112,614	58,239	527	21,231
Benefit payments and withdrawals	(159,565)	(159,717)	(158,593)	(157,071)	(156,974)
Administrative expenses	(1,180)	(1,070)	(611)	(1,218)	(975)
Net change in plan fiduciary net position	(132,010)	174,110	51,019	(56,654)	272,099
Plan fiduciary net position—beginning	951,327	777,217	726,198	782,852	510,753
Plan fiduciary net position—ending (b)	819,317	951,327	777,217	726,198	782,852
Employer's net pension liability—ending (a)-(b)	$ 591,827	$ 520,501	$ 749,087	$ 836,053	$ 819,307
Plan fiduciary net position as a percentage of the total pension liability	58.06 %	64.64 %	50.92 %	46.48 %	48.86 %
Covered-employee payroll	$ 7,894	$ 11,046	$ 18,216	$ 25,712	$ 29,334
Employer's net pension liability as a percentage of covered-employee payroll	7,497.18 %	4,711.97 %	4,112.20 %	3,251.65 %	2,793.05 %

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

THE LONG ISLAND RAIL ROAD COMPANY PLAN FOR ADDITIONAL PENSIONS

SCHEDULE II

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEARS ENDED DECEMBER 31
(In thousands)

Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution *	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2009	$ 108,677	$ 108,677	$ 0	$ 72,718	149.45 %
2010	$ 107,249	$ 107,249	$ 0	$ 65,198	164.50 %
2011	$ 108,980	$ 108,285	$ 695	$ 51,159	211.66 %
2012	$ 116,011	$ 116,011	$ 0	$ 40,033	289.79 %
2013	$ 119,325	$ 199,336	$ (80,011)	$ 33,043	603.26 %
2014	$ 112,513	$ 407,513	$ (295,000)	$ 29,334	1,389.22 %
2015	$ 82,382	$ 100,000	$ (17,618)	$ 25,712	388.93 %
2016	$ 83,183	$ 151,100	$ (67,917)	$ 18,216	829.48 %
2017	$ 76,523	$ 221,523	$ (145,000)	$ 11,046	2,005.39 %
2018	$ 59,196	$ 59,500	$ (304)	$ 7,894	753.71 %

* Employer contributions include amounts from both employer and non-employer contributing entities.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Note to Schedule II:
The more significant actuarial assumptions and methods used in the calculation of employer contributions to the Plan are as follows:

Valuation Dates	January 1, 2018	January 1, 2017	January 1, 2016
Actuarial cost method	Entry Age Cost Method	Entry Age Cost Method	Entry Age Cost Method
Amortization method	Period specified in current valuation report (closed 15-year period from January 1, 2018) with level dollar payments.	Period specified in current valuation report (closed 16-year period from January 1, 2017) with level dollar payments.	Period specified in current valuation report (closed 17-year period from January 1, 2016) with level dollar payments.
Actuarial asset valuation method	Actuarial value equals market value less unrecognized gains/losses over a 5-year period. Gains/losses are based on market value of assets.	Actuarial value equals market value less unrecognized gains/losses over a 5-year period. Gains/losses are based on market value of assets.	Actuarial value equals market value less unrecognized gains/losses over a 5-year period. Gains/losses are based on market value of assets.
Interest rate	Net rate of 7.0% for 2018, per annum, net of investment expenses	Net rate of 7.0% for 2017, per annum, net of investment expenses	Net rate of 7.0% for 2016, per annum, net of investment expenses
Inflation	2.5% per annum	2.5% per annum	2.5% per annum
Railroad retirement wage base	3.5% per year	3.5% per year	3.5% per year
Mortality	Based on experience of all LIRR members reflecting mortality improvement on generational basis using Scale AA	Based on experience of all LIRR members reflecting mortality improvement on generational basis using Scale AA	Based on experience of all LIRR members reflecting mortality improvement on generational basis using Scale AA
Separations other than for normal retirement	Tables based on recent experience	Tables based on recent experience	Tables based on recent experience
Rates of normal retirement	Tables based on recent experience. Rates vary by age, years of service at retirement.	Tables based on recent experience. Rates vary by age, years of service at retirement.	Tables based on recent experience. Rates vary by age, years of service at retirement.
Salary increases	3.0% per year	3.0% per year	3.0% per year
Overtime	Earnings in each year increased by 65% for represented employees to account for overtime and by 20% in the year prior to assumed retirement and by 10% in the year prior to termination (other than retirement) for non-represented emplyees to account for unused vacation pay.	Earnings in each year increased by 65% for represented employees to account for overtime and by 20% in the year prior to assumed retirement and by 10% in the year prior to termination (other than retirement) for non-represented emplyees to account for unused vacation pay.	Earnings in each year increased by 65% for represented employees to account for overtime and by 20% in the year prior to assumed retirement and by 10% in the year prior to termination (other than retirement) for non-represented emplyees to account for unused vacation pay.
Provision for expenses	The provision for administrative expenses was modified to equal an average of the prior three years.	The provision for administrative expenses was modified to equal an average of the prior three years.	The provision for administrative expenses was modified to equal an average of the prior three years.

(Continued)

THE LONG ISLAND RAIL ROAD COMPANY PLAN FOR ADDITIONAL PENSIONS **SCHEDULE II**

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Note to Schedule II:
The more significant actuarial assumptions and methods used in the calculation of employer contributions to the Plan are as follows:

Valuation Dates	January 1, 2015	January 1, 2014
Actuarial cost method	Entry Age Cost Method	Entry Age Cost Method
Amortization method	Period specified in current valuation report (closed 18-year period from January 1, 2015) with level dollar payments.	Period specified in current valuation report (closed 19-year period from January 1, 2014) with level dollar payments.
Actuarial asset valuation method	Actuarial value equals market value less unrecognized gains/losses over a 5-year period. Gains/losses are based on market value of assets.	Actuarial value equals market value less unrecognized gains/losses over a 5-year period. Gains/losses are based on market value of assets.
Interest rate	Net rate of 7.0% for 2015, per annum, net of investment expenses	Net rate of 7.0% for 2014, per annum, net of investment expenses
Inflation	2.5% per annum	2.5% per annum
Railroad retirement wage base	3.5% per year	3.5% per year
Mortality	Based on experience of all LIRR members reflecting mortality improvement on generational basis using Scale AA	Based on experience of all LIRR members reflecting mortality improvement on generational basis using Scale AA
Separations other than for normal retirement	Tables based on recent experience	Tables based on recent experience
Rates of normal retirement	Tables based on recent experience. Rates vary by age, years of service at retirement.	Tables based on recent experience. Rates vary by age, years of service at retirement.
Salary increases	3.0% per year	3.0% per year
Overtime	Earnings in each year increased by 65% for represented employees to account for overtime and by 20% in the year prior to assumed retirement and by 10% in the year prior to termination (other than retirement) for non-represented emplyees to account for unused vacation pay.	Earnings in each year increased by 65% for represented employees to account for overtime and by 20% in the year prior to assumed retirement and by 10% in the year prior to termination (other than retirement) for non-represented emplyees to account for unused vacation pay.
Provision for expenses	$650,000 is added to the normal cost to account for administrative expenses paid by plan assets throughout the year.	$500,000 is added to the normal cost to account for administrative expenses paid by plan assets throughout the year.

(Concluded)

THE LONG ISLAND RAIL ROAD COMPANY PLAN FOR ADDITIONAL PENSIONS **SCHEDULE III**

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF INVESTMENT RETURNS
FOR THE YEARS ENDED DECEMBER 31

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

Year Ended December 31	Net Money-Weighted Rate of Return
2009	N/A
2010	N/A
2011	N/A
2012	N/A
2013	N/A
2014	3.73 %
2015	0.07 %
2016	8.11 %
2017	13.38 %
2018	-3.49 %

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