The New York City Other Postemployment Benefits Plan
(A Fiduciary Component Unit of The City of New York)

Financial Statements as of and For the Years Ended June 30, 2017 and 2016, Required Supplementary Information, and Independent Auditors' Report

MARKS PANETH
ACCOUNTANTS & ADVISORS

THE NEW YORK CITY OTHER POSTEMPLOYMENT BENEFITS PLAN
(A Fiduciary Component Unit of the City of New York)

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MARKS PANETH
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INDEPENDENT AUDITORS' REPORT

To the Management of
The New York City Other Postemployment Benefits Plan
c/o Wells Fargo Bank, N.A.:

Report on the Financial Statements

We have audited the accompanying statements of fiduciary net position of The New York City Other Postemployment Benefits Plan (the "Plan"), a fiduciary component unit of The City of New York ("The City"), as of June 30, 2017 and 2016, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements, which comprise the Plan's basic financial statements.

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 controls relevant to the preparation and fair presentation of the 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 audit 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 controls relevant to the 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 Plan's internal controls. 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 fiduciary financial position as of June 30, 2017 and 2016, and the changes in fiduciary 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, the Schedule of Changes in the City's Net OPEB Liability and Related Ratios, and the Schedule of Plan Expense on pages 3 through 6, 21, and 22 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 audits 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.

Marks Paneth LLP

October 27, 2017

Introduction

This section of the New York City Other Postemployment Benefits Plan's (the "Plan") annual financial report presents management's discussion and analysis of the Plan's financial performance during the years ended June 30, 2017 and 2016. It should be read in conjunction with the Plan's financial statements and accompanying notes.

Background and Highlights

Governmental Accounting Standards Board ("GASB") Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* ("GASB 74") prescribes uniform financial reporting standards for other postemployment benefits ("OPEB") plans of all state and local governments. OPEB refers to postemployment benefits other than pension benefits and includes postemployment healthcare benefits which are covered under the City OPEB plan.

Overview of the Financial Statements

The Plan is a fiduciary component unit of the City. It is comprised of: (1) The New York City Retiree Health Benefits Trust ("NYC RHBT" or the "Trust") which is used to hold and disburse assets accumulated to pay for certain OPEB provided by the City to its eligible retired employees and other eligible beneficiaries and (2) OPEB paid for directly by the City out of its general resources rather than through the Trust ("Non-Trust OPEB"). The accompanying financial statements of the Plan are presented in conformity with accounting principles generally accepted in the United States of America as prescribed by the GASB.

The measurement focus of the Plan is on the flow of economic resources. This focus emphasizes the determination of changes in Plan net position. With this measurement focus, all assets and liabilities associated with the operation of this fiduciary component unit are included on the statement of plan net position. The Plan uses the accrual basis of accounting whereby contributions from the City are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

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

The following is a comparative statement of changes in net position held in trust for the fiscal years ended June 30, 2017, 2016 and 2015 ($ in thousands):

				Changes	
	2017	**2016**	**2015**	**2017 v 2016**	**2016 v 2015**
Additions					
Employer Contributions	$ 3,020,943	$ 2,897,129	$ 3,135,897	$ 123,814	$ (238,768)
Net Investment Income	21,437	20,234	9,522	1,203	10,712
Total Additions	3,042,380	2,917,363	3,145,419	125,017	(228,056)
Deductions					
Benefit Payments	2,424,767	2,277,516	2,127,022	147,251	150,494
Administrative Expenses	41	40	16	1	24
Total Deductions	2,424,808	2,277,556	2,127,038	147,252	150,518
Change in Fiduciary Net Position	617,572	639,807	1,018,381	(22,235)	(378,574)
Fiduciary Net Position Held in Trust					
Beginning of Year	4,036,331	3,396,524	2,378,143	639,807	1,018,381
End of Year	$ 4,653,903	$ 4,036,331	$ 3,396,524	$ 617,572	$ 639,807

Additions

The following is detail information about the components which comprise the employer contributions to the Plan during the fiscal years ended June 30, 2017, 2016 and 2015 ($ in millions):

Employer Contributions ($ millions)				Changes	
	2017	**2016**	**2015**	**2017 v 2016**	**2016 v 2015**
Trust Pay-Go	$ 2,258	$ 2,160	$ 1,988	$ 98	$ 172
Prepayments Contributed	400	-	-	400	-
Deposit to the Trust	100	500	955	(400)	(455)
Receivables	2	-	-	2	-
Contributions to the Trust	2,760	2,660	2,943	100	(283)
Non-Trust OPEB	261	237	192	24	45
				-	
Total Employer Contributions	$ 3,021	$ 2,897	$ 3,135	$ 124	$ (238)

In fiscal year 2017, the City's contributions to the Trust increased by $100 million from the fiscal 2016 level, primarily as a result of an increase in the Trust Pay-Go of $98 million. The Non-Trust OPEB increased in fiscal year 2017 due primarily to an increase in the Implicit Rate Subsidy of $20 million.

In fiscal year 2016, the City's contributions to the Trust decreased by $283 million from the fiscal 2015 level, as a result of a lower discretionary deposit into the Trust of $500 million compared to the previous year's discretionary deposit of $955 million. This was offset by an increase in the Trust Pay-Go of $172 million. The Non-Trust OPEB increased in fiscal year 2016 due primarily to an increase in the Implicit Rate Subsidy of $45 million.

Investment Income

Net Investment Income increased $1.2 million in fiscal year 2017 primarily due to an increase in interest income of $10.8 million, offset by a decrease in the fair value of investments of $8.4 million. Net investment income increased $10.7 million in fiscal year 2016 primarily due to an increase in interest income of $10.5 million.

Deductions

Benefit payments increased by $147.3 million in fiscal year 2017 and $150.5 million in fiscal year 2016 as a result of an increase in health insurance and welfare fund rates, as well as an increase in headcount.

Net position Held in Trust

In fiscal years 2017 and 2016, total net position increased by $618 million and $640 million, respectively, as a result of the changes in additions and deductions discussed above.

Overview of Actuarial Information

The following is a summary of the net OPEB liabilities as of fiscal years 2017, 2016, and 2015 ($ in millions):

				Changes	
	2017	2016	2015	2017 v 2016	2016 v 2015
Fiduciary Net Position	$ 4,654	$ 4,036	$ 3,397	$ 618	$ 639
Total OPEB Liability	(93,053)	(98,513)	(93,130)	5,460	(5,383)
Net OPEB Liability	$ (88,399)	$ (94,477)	$ (89,733)	$ 6,078	$ (4,744)

Actuarial Value of Assets

The actuarial value of assets (which is equal to the Plan's fiduciary net position and the market value of assets) as of June 30, 2017, the date of the most recent OPEB measurement, was $4.7 billion, an increase of $618 million from the prior measurement as of June 30, 2016 of $4.0 billion. The actuarial value of assets as of June 30, 2016, was $4.0 billion, an increase of $640 million from the prior measurement as of June 30, 2015 of $3.4 billion. This reflects the Plan activity for fiscal years 2017 and 2016 discussed above.

Total OPEB Liability

The following is a summary of the changes in the total OPEB liability as of the fiscal years 2017 and 2016 ($ in millions):

	2017	2016
Total OPEB Liability - Beginning	$ (98,514)	$ (93,130)
Service cost	(4,521)	(5,113)
Interest	(2,898)	(2,669)
Changes of benefit terms	0	0
Differences between expected and actual experience	(519)	120
Changes of assumptions	10,974	0
Benefit payments	2,425	2,278
Total OPEB Liability - Ending	$ (93,053)	$ (98,514)

June 2017 Measurement

The total OPEB liability as of June 30, 2017 of $93.1 billion was determined under the Entry Age ("EA") Actuarial Cost Method ("ACM"). It is an increase of $5.5 billion from the June 30, 2015 valuation.

This change in the total OBEB liability reflects: (1) the service cost of $4.5 billion, (2) interest on unfunded OPEB liabilities of $2.9 billion, (3) differences between expected and actual experience of $0.5 billion, (4) changes of assumptions of $(11.0) billion, and (5) retiree benefits paid by the Plan of ($2.4 billion).

The $10.9 billion Changes of assumptions increase in the total OPEB liability in the June 30, 2017 OPEB measurement resulted from a change in the discount rate used to measure liabilities as a result of implementation of GASB 74 and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75") and certain plan enrollment and election assumptions updated based on recent experience.

June 2016 Measurement

The total OPEB liability as of June 30, 2016 of $98.5 billion was determined under the Entry Age ("EA") Actuarial Cost Method ("ACM").

This change in the total OPEB liability reflects: (1) the service cost of $5.1 billion, (2) interest on unfunded OPEB liabilities of $2.7 billion, (3) differences between expected and actual experience of $(0.1) billion, and (4) retiree benefits paid by the Plan of $(2.4) billion.

Net OPEB Liability

The net OPEB liability decreased by $6.1 billion in fiscal year 2017 due to a $5.4 billion decrease in the total OPEB liability and a $618 million increase in actuarial value of assets. The net OPEB liability increased by $4.8 billion in fiscal year 2016 due to a $5.4 billion increase in the total OPEB liability, offset by a $640 million increase in the actuarial value of assets. The City determines the amount of its annual employer contributions on the annual Pay-Go, adjusted by Prepayments and Trust Asset Usages, discussed on pages 4 and 5, which are determined through its normal budgetary process.

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NEW YORK CITY OTHER POSTEMPLOYMENT BENEFITS PLAN
(A Fiduciary Component Unit of the City of New York)

STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2017 AND 2016
(In thousands)

	2017	**2016**
ASSETS:		
Cash and cash equivalents	$ 1,050,735	$ 1,503,320
Receivables	2,023	365
Investments—at fair value	3,928,421	2,911,796
Accrued interest receivable	5,976	3,188
Prepaid expenses	42	41
Total assets	4,987,197	4,418,710
LIABILITIES:		
Benefits payable and accrued expenses	333,294	327,321
Payables for investment securities purchased	0	55,058
Total liabilities	333,294	382,379
NET POSITION RESTRICTED FOR OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS	$ 4,653,903	$ 4,036,331

The accompanying notes are an integral part of these financial statements

NEW YORK CITY OTHER POSTEMPLOYMENT BENEFITS PLAN
(A Fiduciary Component Unit of the City of New York)

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
YEARS ENDED JUNE 30, 2017 AND 2016
(In thousands)

	2017	**2016**
ADDITIONS:		
Employer contributions	$ 3,020,943	$ 2,897,129
Investment income:		
Investment income	21,516	20,565
Less trustee fees	(79)	(331)
Net Investment Income	21,437	20,234
Total additions	3,042,380	2,917,363
DEDUCTIONS:		
Benefit payments	2,424,767	2,277,516
Administrative expenses	41	40
Total deductions	2,424,808	2,277,556
CHANGE IN NET POSITION	617,572	639,807
NET POSITION RESTRICTED FOR OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS		
Beginning of year	4,036,331	3,396,524
End of year	$ 4,653,903	$ 4,036,331

The accompanying notes are an integral part of these financial statements

1. BACKGROUND AND ORGANIZATION

The New York City Other Postemployment Benefits Plan (the "Plan") is a fiduciary component unit of the City of New York (the "City"). The Plan is composed of: (1) The New York City Retiree Health Benefits Trust (the "Trust") which is used to receive, hold and disburse assets accumulated to pay for some of the postretirement benefits other than pensions ("OPEB") provided by the City to its eligible retired employees and other eligible beneficiaries and (2) OPEB paid for directly by the City out of its general resources rather than through the Trust. The Trust was established for the exclusive benefit of the City's eligible retired employees and their eligible spouses and dependents, to fund some of the OPEB provided in accordance with the City's various collective bargaining agreements and the City's Administrative Code. The Trust is tax exempt in accordance with Section 115 of the Internal Revenue Code. The Plan does not have a board. However, it does present its financial statements to the City's Audit Committee. The Plan is classified as a single-employer OPEB plan for Governmental Accounting Standards Board ("GASB") Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* ("GASB 74") purposes.

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

2. PLAN DESCRIPTION, ELIGIBILITY AND MEMBERSHIP INFORMATION

The Plan provides for the following postemployment benefits:

- A health insurance program,
- Medicare Part B premium reimbursements, and
- Welfare fund contributions.

Benefits are established and amended through collective bargaining with the labor unions.

Health Insurance Program (Program)

- The City provides an option for basic individual or family medical and hospitalization insurance coverage at no cost to the participants.[1]
- Basic or enhanced coverage under other health insurance options may require participant contributions, if and to the extent that premiums are above those of the no-cost option.
- The City will not provide both subscriber and spouse or dependent coverage for the same individual, thus retirees who are spouses or dependents of other New York City active or retired workers must waive coverage.

Medicare Part B Premium Reimbursements—The City provides reimbursement to eligible retirees and their dependents for the Medicare Part B premium, if any, actually paid.

[1] The City pays for basic coverage at the HIP HMO rate for non-Medicare eligible retirees and at the GHI/EBCBS Senior Care Plan rate for Medicare eligible retirees.

2. PLAN DESCRIPTION, ELIGIBILITY AND MEMBERSHIP INFORMATION (CONTINUED)

Welfare Fund Contributions—The City pays an annual per capita contribution for retirees into various welfare funds that are generally administered by the labor unions. The per capita contribution amounts change periodically based on negotiated contract provisions. Welfare fund benefits provided are at the discretion of each individual welfare fund's management, vary significantly from welfare fund to welfare fund, and may include health-related benefits such as prescription drug coverage (sometimes with dollar limits), vision and dental coverage, and/or other benefits. The Plan's obligation is to make the required per capita contribution to each welfare fund.

Plan Eligibility—Generally, to qualify for OPEB benefits under the Plan, a retired employee of the City must:

- Have at least 10 years of credited service as a member of one of the five major New York City Retirement Systems ("NYCRS")[2] or at least 5 years of credited service if he or she became an employee on or before December 27, 2001 or 15 years of service if a member of TRS or BERS represented by United Federation of Teachers and employed after April 27, 2010 (if retirement is due to accidental disability, the service requirement for retirement does not apply)[3];

- Be working at least 20 hours a week at termination of active service; and

- Have retired and be receiving a pension from one of the NYCRS.

Surviving Spouse and Other Dependents

- Dependent coverage is terminated when a retiree dies, except in the following situations:

  (i) Lifetime coverage is provided to the surviving spouses or domestic partners and coverage to age 26 for children of uniformed members of the Police or Fire Department whose death was sustained while in performance of duty.

  (ii) Effective November 13, 2001, surviving spouses of retired uniformed members of the Police and Fire Departments may elect to continue coverage by paying 102% of the stated premium.

  (iii) Effective August 31, 2010, surviving spouses of retired uniformed members of the Departments of Correction and Sanitation may elect to continue coverage for life by paying 102% of the stated premium.

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[2] The five NYCRS are:
New York City Employees' Retirement System ("NYCERS")
New York City Teachers' Retirement System ("TRS")
New York City Board of Education Retirement System ("BERS")
New York City Police Pension Fund ("POLICE")
New York City Fire Pension Fund ("FIRE")

[3] Certain employees of the City University of New York who receive pension payments from TIAA-CREF are also eligible based on credited service requirements which differ slightly from those applicable to the NYCRS members.

2. PLAN DESCRIPTION, ELIGIBILITY AND MEMBERSHIP INFORMATION (CONTINUED)

Plan Membership—As permitted under GASB 74, the Plan has elected to use June 30, 2016, as the date of the OPEB actuarial valuation. The Plan's combined membership consisted of the following at June 30, 2017 and 2016, the dates of the last two OPEB actuarial valuations:

	FY 2017	FY2016
Inactive plan members or beneficiaries currently receiving benefits	229,725	225,989
Inactive plan members entitled to but not yet receiving benefits	15,372	14,860
Active plan members	287,699	281,734
Active/Inactive plan members who may become eligible to receive benefits	21,232	21,537
Total	**554,028**	**544,120**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The Plan is a fiduciary component unit of the City. Fiduciary component units are used to account for assets and activities when an entity is functioning as a trustee for another party. The accompanying financial statements of the Plan are presented in conformity with accounting principles generally accepted in the United States of America as prescribed by the GASB.

Basis of Accounting—The measurement focus of the Plan is on the flow of economic resources. This focus emphasizes the determination of changes in the Plan's net position. With this measurement focus, all assets and liabilities associated with the operation of this fiduciary component unit are included on the statement of fiduciary net position. This component unit uses the accrual basis of accounting whereby contributions from the employer are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Recent Accounting Pronouncements—In Fiscal Year 2017, the Plan adopted GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* ("GASB 74"). GASB 74 establishes financial reporting standards of state and local governmental OPEB plans. This statement replaces GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*.

In Fiscal Year 2017, the Plan adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"). GASB 75 establishes accounting and financial reporting standards for OPEB that is provided to employees of state and local governmental employers. This statement replaces GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

The implementation of GASB Statements 74 and 75 did not significantly impact the Plan's Statements of Fiduciary Net Position or Statements of Changes in Fiduciary Net Position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

4. CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents balances as of June 30, 2017 and 2016, represent securities in the Plan's portfolio, held in the Trust, that mature within three months (90 days) of purchase date. The Plan held no cash deposits as of June 30, 2017 and held no cash deposits as of June 30, 2016.

5. INVESTMENTS

Investment Policy—The Plan's investments are those which are held in the Trust. The Trust's investment policy is jointly approved by the Mayor and the Comptroller of the City and may only be amended with written approval from both the Mayor and the Comptroller or their designees. The primary investment goal is the preservation of capital, so funds in the trust are invested to ensure that principal is preserved and enhanced over time. The policy permits the Trust to invest in obligations of the U.S. Treasury, agencies and instrumentalities, commercial paper rated A-1 by Standard & Poor's Corporation (S&P) or P-1 by Moody's Investors Service (Moody's), bankers' acceptances, certificates of deposit, open time deposits (OTDs) in the form of investment agreements, demand accounts, and repurchase agreements. There were no significant changes to the Trust's investment policy for the year ended June 30, 2017.

Concentration—During any calendar quarter, no more than the greater of $100 million or 35% of the amounts on deposit in the Trust (determined at the time of investment) is invested in either Commercial Paper of a single issuer or Investment Agreements with a single provider. Notwithstanding the foregoing, in no event is more than $250 million be invested at any time in either Commercial Paper of a single issuer or Investment Agreements with a single provider.

Diversification—Investments of funds of the Trust are subject to the following diversification requirements:

Municipal securities	0%-60%
Federally guaranteed securities	0-100
Federal agency securities	0-100
Banker's acceptances/certificates of deposit	0-60
Commercial paper	0-70
Repurchase agreements	0-100
Collateralized investment agreements	0-100
AAA-rated investment agreements	0-50
Money market funds	0-50
Prerefunded municipal obligations	0-100

Other Restrictions—Investments in Banker's acceptances/Certificates of Deposit shall mature within two years of the date of investment and shall be limited to banks having the highest short-term rating from at least two firms identified by the Securities and Exchange Commission (SEC) as "nationally recognized statistical rating organizations."

5. INVESTMENTS (CONTINUED)

Investments at June 30, 2017 and 2016, consist of the following (dollars in thousands):

	2017	2016
Commercial paper	$ 2,787,931	$ 2,328,607
FHLB	14,731	8,071
T-Bills	444,900	149,270
T-Notes	871,496	1,406,092
FNMA	146,691	112,563
FHLMC	348,426	137,991
FFCB	252,044	142,136
Corporate bonds and notes	-	9,369
Money market funds	112,937	121,017
Total investments held	4,979,156	4,415,116
Less cash equivalents securities with maturities of 90 days or less at purchase date	(1,050,735)	(1,503,320)
Total investments	$ 3,928,421	$ 2,911,796

Interest Rate Risk—As a means of limiting its exposure to fair value losses arising from increasing interest rates, the Trust's investment policy limits investment maturities to within two years of the date of purchase.

Credit Risk—It is the Trust's policy to limit its investments in debt securities to those rated in the highest rating category by at least two nationally recognized bond rating agencies. As of June 30, 2017, the Trust's investments in Federal National Mortgage Association ("FNMA" or "Fannie Mae"), Federal Home Loan Mortgage Corporation ("FHLMC"), Federal Farm Credit Bank ("FFCB"), and Federal Home Loan Bank ("FHLB") were rated AAA by Moody's Investors Service and AA+ by Standard & Poor's. Investments in Commercial Paper were rated in the highest short-term category by at least two major rating agencies. Money market accounts and mutual funds are not rated.

Custodial Credit Risk—For investments, custodial credit risk is the risk that in the event of the failure of the Trustee Bank, the Trust will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured and are not registered in the name of the Trust.

The Trust manages custodial credit risk by limiting its investments to highly rated institutions and requiring high quality collateral be held by the Trustee Bank in the name of the Trust.

5. INVESTMENTS (CONTINUED)

Concentration of Credit Risk—The Trust places no limit on the amount the Trust may invest in any one issuer, except for limits on Commercial Paper and Investment Agreements of a single issue. At June 30, 2017, concentrations of 5% or more of the Plan's fiduciary net position of $4,653,903, except for investments issued or explicitly guaranteed by the U.S. government, were invested in the following:

Issuer	Percentage of Fiduciary Net Position
Federal Home Loan Mortgage Corporation (FHLMC)	7.5 %
J.P. Morgan Securities	6.9 %
Atlantic Asset Securitization	6.3 %
Federal Farm Credit Banks Funding Corporation (FFCB)	5.4 %
Chesham Finance Limited	5.4 %

Fair Value Hierarchy—The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Plan has the following recurring fair value measurements as of June 30, 2017 and June 30, 2016:

Investments by fair value level (in thousands)	6/30/2017	Significant Other Observable Inputs (Level 2)	6/30/2016	Significant Other Observable Inputs (Level 2)
U.S. Treasury securities	$ 1,316,396	$ 1,316,396	$ 1,555,362	$ 1,555,362
Comercial paper	2,787,931	2,787,931	2,328,607	2,328,607
U.S. Agencies securities	761,892	761,892	400,761	400,761
Corporate bonds and notes	-	-	9,369	9,369
Money market funds	112,937	112,937	121,017	121,017
Total Investment by fair value level	$ 4,979,156	$ 4,979,156	$ 4,415,116	$ 4,415,116

Commercial paper and U.S. Treasury securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing model. U.S. Agencies securities and corporate bonds and notes classified in Level 2 are valued using a multi-dimensional relational model. Money market funds classified in Level 2 are valued based on various market and industry inputs.

Rate of Return—For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 0.55%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

6. FUNDED STATUS AND FUNDING PROGRESS—OPEB PLAN

The components of the net OPEB liability of the City at June 30, 2017 were as follows:

Total OPEB Liability	$93,053,018
Plan fiduciary net position	4,653,903
City's net OPEB liability	$88,399,115
Plan fiduciary net position as a percentage of the total OPEB liability	5.00%
Covered Employee Payroll	$25,112,111
Net OPEB liability as a percentage of covered employee payroll	352.00%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The statement of fiduciary net position presents information about assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position as of the end of the OPEB plan's reporting period.

The statement of changes in fiduciary net position presents information about the additions to, deductions from, and net increase (or decrease) in fiduciary net position for the OPEB plan's reporting period.

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

The Plan uses the Entry Age ("EA") actuarial cost method (the actuarial cost method set forth in GASB 74, paragraph 54) to determine the annual expense and the net OPEB Liability.

The total OPEB liability as of June 30, 2017 of $93.05 billion and as of June 30, 2016 of $98.51 billion were determined under the EA Actuarial Cost Method ("ACM").

6. FUNDING STATUS AND FUNDING PROGRESS—OPEB PLAN (CONTINUED)

The following is a brief description of the significant methods and assumptions used in the OPEB actuarial valuation. A complete description can be found in Section 4 and Appendix D of the Summary of Other Postemployment Benefits Provided under the New York City Health Benefits Program in Accordance with GASB 74 and 75 (the " OPEB Report") which is available on the website of the New York City Office of the Actuary ("NYCOA").

Actuarial cost method Entry Age Normal Cost Method, level percent of pay calculated on an individual basis

Valuation date June 30, 2016

Measurement date June 30, 2017

Discount rate 3.17% per annum for the June 30, 2017 measurement date

Results as of the June 30, 2016 measurement date are presented at 2.75%

	MONTHLY RATES
Plan	**FY 2017**
HIP HMO	
Non-Medicare Single	$ 600.18
Non-Medicare Family	$ 1,470.45
Medicare	$ 160.83
GHI/EBCBS	
Non-Medicare Single	$ 567.48
Non-Medicare Family	$ 1,487.47
Medicare	$ 168.35
Other HMOs	
Non-Medicare Single	$ 1,030.56
Non-Medicare Family	$ 2,226.45
Medicare Single	$ 276.18
Medicare Family	$ 546.28

6. FUNDING STATUS AND FUNDING PROGRESS—OPEB PLAN (CONTINUED)

Welfare Fund—The Welfare Fund contribution reported as of the valuation date, June 30, 2016, (including any reported retroactive amounts) was used as the per capita cost for valuation purposes. The calculations reflect an additional one time $100 contribution for Fiscal Year 2017 in July 2016. Projected contributions reflect $25 increases at July 1, 2016 and July 1, 2017. Weighted average contribution rates for future retirees are shown below. Starting in fiscal year 2019, the contribution is assumed to increase by 3.5% annually. Prior to fiscal year 2019, the contributions rates are increased by scheduled amounts as previously described.

NYCERS	$ 1,743
TRS	1,771
BERS	1,713
POLICE	1,593
FIRE	1,729

Medicare Part B Premiums

Calendar Year	Monthly Premium
2013-2015	$104.90
2016	$109.97
2017	$113.63

2017 Medicare Part B premium assumed to increase by Medicare Part B trend rates and by the following percentages to reflect income-related increases in Medicare Part B premiums for high income individuals.

Fiscal Year	Income-Related Medicare Part B Increase
2017	4.0%
2018	4.5%
2019	5.0%
2020	5.2%
2021	5.3%
2022	5.4%
2023	5.5%
2024	5.6%
2025	5.8%
2026	5.9%
2027+	6.0%

6. FUNDING STATUS AND FUNDING PROGRESS—OPEB PLAN (CONTINUED)

Health Care Cost Trend Rate ("HCCTR")—Covered medical expenses are assumed to increase by the following percentages:

Year Ending[1]	Pre-Medicare Plans	Medicare Plans	Medicare Part B Premiums
2017[2]	7.84%	2.51%	5.00%
2018	7.50%	5.00%	5.00%
2019	7.00%	5.00%	5.00%
2020	6.50%	5.00%	5.00%
2021	6.00%	5.00%	5.00%
2022	5.50%	5.00%	5.00%
2023 and Later	5.00%	5.00%	5.00%

[1] Fiscal year for Pre-Medicare Plans and Medicare Plans, calendar year for Medicare Part B premiums.

[2] Actual amounts based on the *2015 Health Care Savings Agreement Initiative Report of Status of Healthcare Savings* dated June 19, 2017.

Age and Gender Related Morbidity - The premiums are age and gender adjusted for GHI/EBCBS, HIP and Other HMOs.

Participation - Participation assumptions have been updated since the prior valuation to reflect recent experience. Actual elections are used for current retirees.

Dependents - Male retirees were assumed to be four years older than their wives, and female retirees were assumed to be two years younger than their husbands; for POLICE and FIRE employees, husbands are assumed to be two years older than their wives.

Child dependents of current retirees are assumed to receive coverage until age 26.

Children are assumed to be covered for eight years after retirement plus an additional five years for service retirements of POLICE, FIRE, and NYCERS retirees who were eligible to retire based only on service and no minimum age.

Dependent allocation assumptions have been updated since the prior valuation to reflect recent experience.

Demographic Assumptions - The actuarial assumptions used in the Fiscal Year 2017 and the Fiscal Year 2016 OPEB valuations are a combination of those used in the NYCRS pension actuarial valuations and those specific to the OPEB valuations.

Additional demographic information is provided in the five "Silver Books" available on the Reports page of the OA website (www.nyc.gov/actuary).

6. FUNDING STATUS AND FUNDING PROGRESS—OPEB PLAN (CONTINUED)

Sensitivity of the net OPEB liability to changes in the discount rate—The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.17 percent) or 1-percentage point higher (4.17 percent) than the current discount rate ($ in millions):

	1% Decrease (2.17%)	Discount Rate (3.17%)	1% Increase (4.17%)
Net OPEB liability (asset)	$ 105,382	$ 88,399	$ 75,132

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates—The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates ($ in millions):

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Net OPEB liability (asset)	$ 72,210	$ 88,399	$ 111,473

7. RELATED PARTY MATTERS

The Plan and the Trust are administered by the City, including the day-to-day administration of the health insurance program. Wells Fargo Bank, N.A, the trustee and custodian of the Trust, makes payments to health insurers and to welfare funds for retiree benefits, and reimbursements of retiree Medicare Part B premiums to retirees, as directed by the City. The City also directs the investment of Trust resources in accordance with Trust investment guidelines.

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REQUIRED SUPPLEMENTARY INFORMATION

THE NEW YORK CITY OTHER POSTEMPLOYMENT BENEFITS PLAN
(A Fiduciary Component Unit of the City of New York)

SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY AND RELATED RATIOS (UNAUDITED) AS OF JUNE 30, 2017 AND 2016

	2017	2016
1. Total OPEB Liability		
a. Service Cost	$ 4,521,008,728	$ 5,112,510,498
b. Interest	2,898,446,758	2,668,923,050
c. Changes of Benefit Terms	0	0
d. Differences b/t Expected and Actual Experience	519,255,914	(120,146,814)
e. Changes of Assumptions	(10,974,634,867)	0
f. Benefit Payments	(2,424,766,464)	(2,277,515,643)
g. Net Changes in Total OPEB Liability	**$ (5,460,689,931)**	**$ 5,383,771,091**
2. Total OPEB Liability - Beginning	**$ 98,513,708,539**	**$ 93,129,937,448**
3. Total OPEB Liability - Ending	**$ 93,053,018,608**	**$ 98,513,708,539**
4. Plan Fiduciary Net Position		
a. Contributions - Employer	$ 3,020,942,554	$ 2,897,128,941
b. Contributions - Employee	0	0
c. Net Investment Income	21,515,588	20,565,435
d. Benefit Payments	(2,424,766,464)	(2,277,515,643)
e. Administrative Expenses	(41,100)	(40,000)
f. Other Changes	(78,516)	(331,067)
g. Net Changes in Plan Fiduciary Net Position	**$ 617,572,062**	**$ 639,807,666**
5. Plan Fiduciary Net Position - Beginning	**$ 4,036,331,204**	**$ 3,396,523,538**
6. Plan Fiduciary Net Position - Ending	**$ 4,653,903,266**	**$ 4,036,331,204**
7. Net OPEB Liability	**$ 88,399,115,342**	**$ 94,477,377,335**
8. Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	**5.0%**	**4.1%**
9. Covered Employee Payroll	**$ 25,112,110,958**	**$ 24,204,772,333**
10. Net OPEB Liability as a Percentage of Covered Employee Payroll	**352.0%**	**390.3%**
11. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate		
a. 1% Decrease	**$ 105,382,211,687**	
b. 1% Increase	**$ 75,132,422,342**	
12. Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate		
a. 1% Decrease	**$ 72,209,887,931**	
b. 1% Increase	**$ 111,472,821,262**	

THE NEW YORK CITY OTHER POSTEMPLOYMENT BENEFITS PLAN
(A Fiduciary Component Unit of the City of New York)

SCHEDULE OF PLAN EXPENSE (UNAUDITED)
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

Components of OPEB Expense for the Fiscal Year Ended June 30, 2017

Component		Amount
a. Service Cost	$	4,521,008,728
b. Interest on the Total OPEB Liability		2,898,446,758
c. Changes of Assumptions		(1,611,546,970)
d. Differences between Expected and Actual Experience		58,606,329
e. Employee Contributions		0
f. Projected Earnings on OPEB Plan Investments		(173,255,166)
g. Differences between Projected and Actual Earnings on Plan Investments		55,859,217
h. OPEB Plan Administrative Expenses		41,100
i. Other Changes in Fiduciary Net Position		78,516
Total OPEB Expense	**$**	**5,749,238,512**

Components of OPEB Expense for the Fiscal Year Ended June 30, 2016

Component		Amount
a. Service Cost	$	5,112,510,498
b. Interest on the Total OPEB Liability		2,668,923,050
c. Changes of Assumptions		0
d. Differences between Expected and Actual Experience		(17,642,704)
e. Employee Contributions		0
f. Projected Earnings on OPEB Plan Investments		(148,121,938)
g. Differences between Projected and Actual Earnings on Plan Investments		25,511,301
h. OPEB Plan Administrative Expenses		40,000
i. Other Changes in Fiduciary Net Position		331,067
Total OPEB Expense	**$**	**7,641,551,274**