DEFERRED COMPENSATION PLAN
FOR EMPLOYEES OF THE STATE OF NEW YORK
AND OTHER PARTICIPATING
PUBLIC JURISDICTIONS

FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2019 AND 2018

DEFERRED COMPENSATION PLAN FOR EMPLOYEES OF THE STATE OF NEW YORK AND OTHER PARTICIPATING PUBLIC JURISDICTIONS

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YEARS ENDED MARCH 31, 2019 AND 2018

INDEPENDENT AUDITORS' REPORT

Members of the Board

New York State Deferred Compensation Board

Report on the Financial Statements

We have audited the accompanying statements of fiduciary net position of the Deferred Compensation Plan for Employees of the State of New York and Other Participating Public Jurisdictions (the Plan) as of March 31, 2019 and 2018, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the accompanying 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 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 auditors' 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 entity'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 entity'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.

Members of the Board

New York State Deferred Compensation Board

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plan as of March 31, 2019 and 2018, and the results of its operations for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6, 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. However, we did not audit the information and express no opinion on it.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
November 19, 2019

This section presents management's discussion and analysis of the New York State Deferred Compensation Plan's (the Plan) financial performance during the years ended March 31, 2019, 2018 and 2017.

The Plan is a voluntary retirement savings plan that is offered to State employees and employees of approximately 1,639 local government jurisdictions that have elected to participate in the Plan. Its mission is to help State and local public employees achieve their retirement savings goals by providing high quality, cost effective investment options, educational programs, and related services. The Plan is governed by Section 457 of the Internal Revenue Code (IRC), Section 5 of the New York State Finance Law, and Parts 9000 – 9006 of the New York State Code of Rules and Regulations.

As of March 31, 2019, the Plan had approximately 239,231 total participants with $25 billion in assets. Participant assets are accumulated through voluntary payroll deferrals, rollovers from other public deferred compensation plans, rollovers from other qualified retirement plans, and earnings on investments. Salary deferrals and rollover assets are invested at the direction of participants in one or more of 29 core investment options offered during the year. A self-directed mutual fund window is also available as an investment option (with specified restrictions) and must be allocated from existing investments, not from payroll deferrals.

OVERVIEW OF FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Plan’s basic financial statements, which comprise the following three components: (1) Statements of Fiduciary Net Position, (2) Statements of Changes in Fiduciary Net Position, and (3) Notes to Financial Statements. Collectively, this information presents the net position held in trust for participants.

SUMMARY FINANCIAL STATEMENTS

The summary financial statements for the years ending March 31, 2019, 2018, and 2017 have been prepared using the accrual method of accounting. These summary financial statements reflect the resources available to pay benefits to participants, as well as changes in those resources during the year.

Fiduciary Net Position

	2019	2018	2017
Assets	$ 24,846,282,373	$ 23,522,093,615	$ 20,999,294,387
Liabilities	(1,318,705)	(1,270,263)	(1,233,025)
Net Position Available for Plan Benefits	$ 24,844,963,668	$ 23,520,823,352	$ 20,998,061,362

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Changes in Fiduciary Net Position

	2019	2018	2017
Investment Income	$ 1,128,556,274	$ 2,341,723,461	$ 2,202,491,057
Contributions	1,305,067,967	1,198,983,759	1,105,447,075
Deductions	(1,109,483,925)	(1,017,945,230)	(891,449,978)
Net Increase	1,324,140,316	2,522,761,990	2,416,488,154
Net Position Available for Plan Benefits - Beginning of Year	23,520,823,352	20,998,061,362	18,581,573,208
Net Position Available for Plan Benefits - End of Year	$ 24,844,963,668	$ 23,520,823,352	$ 20,998,061,362

NOTES TO FINANCIAL STATEMENTS

The financial statement notes provide additional information that is essential to a full understanding of the data provided in the statements. Information in the financial statement notes is described below.

- Note 1 provides a summary of the Plan’s significant accounting policies.
- Note 2 provides a general description of the Plan, as well as descriptions of participant accounts, vesting requirements, investment options, benefit payments, and Plan amendments.
- Note 3 provides a description of the Plan's investment options including additional information pertaining to investment contracts and short-term investments.
- Note 4 provides a summary of changes in net position available for Plan benefits by participant category.
- Note 5 describes the Plan's termination rights.
- Note 6 describes the risks and uncertainties regarding plan investments.
- Note 7 describes the Plan’s tax status.

FINANCIAL ANALYSIS OF THE NEW YORK STATE DEFERRED COMPENSATION PLAN

The following financial analysis summarizes the financial results of the Plan.

The financial results described below agree to the financial results presented in the March 31, 2019 Monthly Plan Status Report presented to the members of the Board. The Monthly Plan Status Report excludes cash, receivables, accounts payable and accrued expenses and their related impact on the Statements of Changes in Fiduciary Net Position since these amounts are not credited to individual participant accounts until cash is received or disbursed and the primary focus of this discussion is to outline the financial results of the Plan directly related to the participants of the Plan. The excluded areas represent items that will affect member accounts in the future period.

FINANCIAL ANALYSIS OF THE NEW YORK STATE DEFERRED COMPENSATION PLAN (CONTINUED)

The cumulative difference between the Monthly Plan Status Report and the basic financial statements is $12.1 million for the year ended March 31, 2019, $7.3 million for the year ended March 31, 2018 and $5.3 million for the year ended March 31, 2017. The cumulative difference between the Monthly Plan Status Report and the basic financial statements arises from timing differences between cash and accrual basis accounting.

The assets in the Plan are accumulated through voluntary payroll deferrals, rollovers from other public deferred compensation plans, rollovers from other qualified retirement plans, and earnings on investments. Net position available for plan benefits as of March 31, 2019 was $24.845 billion, which is an increase of $1.324 billion or 6% of the net position available for plan benefits of $23.521 billion as of March 31, 2018. Further, the March 31, 2018 total net position increased $2.523 million or 11% from the net position of $20.998 billion as of March 31, 2017.

Plan assets invested in the Plan's Stable Income Fund equaled $7.334 billion, $6.955 billion and $6.894 billion as of March 31, 2019, 2018, and 2017, respectively. This represents an increase of $379 million from March 31, 2018 to March 31, 2019 and an increase of $61 million from March 31, 2017 to March 31, 2018. The assets in the Stable Income Fund are diversified among two categories of investments: finite and "evergreen" synthetic guaranteed investment contracts. Total plan assets are invested in 24 no-load mutual funds, the self-directed option, the Stable Value Fund, and 4 international separate accounts and totaled $24.578 billion as of March 31, 2019. This represents an increase of $1.316 billion from March 31, 2018 to March 31, 2019 and an increase of $2.516 billion from March 31, 2017 to March 31, 2018.

The Plan assets invested through the Plan's self-directed mutual fund window equaled $183 million, $179 million, and $147 million, as of March 31, 2019, 2018, and 2017, respectively, or about 0.7% of Plan assets as of March 31, 2019, 0.8% of Plan assets as of March 31, 2018 and 0.7% of Plan assets as of March 31, 2017, respectively.

The Plan permits participants to take a loan against their Plan account balance. 8,861 Plan participants initiated loans totaling $125 million for the year ending March 31, 2019. 8,789 Plan participants initiated loans totaling $118 million for the year ending March 31, 2018. 8,113 Plan participants initiated loans totaling $112 million for the year ended March 31, 2017. The total outstanding loan balances were $259 million, $251 million and $246 million for the years ending March 31, 2019, 2018 and 2017, respectively.

The Plan assets, in the aggregate, generated a positive rate of return of 4.6% for the year ended March 31, 2019, compared to a positive rate of return of 10.1% and a positive rate of return of 10.5% for the years ended March 31, 2018 and 2017, respectively.

Voluntary employee contributions, including rollovers, to the Plan equaled $1.305 billion for the Plan year that ended March 31, 2019. This is an increase of $106 million from the payroll deferrals made by employees during the Plan year that ended March 31, 2018. Contributions increased in 2018 by $94 million from the payroll deferrals made by employees during the Plan year that ended March 31, 2017.

FINANCIAL ANALYSIS OF THE NEW YORK STATE DEFERRED COMPENSATION PLAN (CONTINUED)

Incoming rollovers totaled $122 million during the Plan year that ended on March 31, 2019. This is an increase in rollovers into the Plan of $10.8 million when compared to the Plan year that ended March 31, 2018, which was an increase of $41 million in rollovers into the Plan during the Plan year that ended March 31, 2017.

Deductions from the New York State Deferred Compensation Plan include benefits paid to participants, participant rollovers to other public employer deferred compensation plans and qualified retirement plans, and administrative expenses. Benefits paid to participants during the Plan year that ended on March 31, 2019 totaled $638 million. This is an increase of $133 million when compared to the Plan year that ended on March 31, 2018, which had increased $46 million when compared to the Plan year that ended on March 31, 2017.

Outgoing rollovers totaled $461 million during the Plan year that ended on March 31, 2019. This is a decrease in rollovers out of the Plan of $41 million when compared to the Plan year that ended March 31, 2018, which was an increase of $79 million in rollovers out of the Plan during the Plan year that ended March 31, 2017.

The Plan's administrative expenses amounted to $11.2 million for the year ended March 31, 2019, a decrease of approximately $300,000 from $11.5 million for the year ended March 31, 2018, which was an increase of $700,000 from the year ended March 31, 2017. Plan expenses are attributable to legal, trustee/custodian, administrative service agency, audit, investment consulting services, and the Board's administrative expenses. Plan expenses are funded by two sources: (a) the Plan's semi-annual participant fee and (b) interest income.

OTHER HIGHLIGHTS

- The total number of plan participants increased by approximately 4.1% from 229,786 as of March 31, 2018 to 239,231 as of March 31, 2019. This compares to an increase of 3.6% from 221,880 participants as of March 31, 2017 to 229,786 as of March 31, 2018.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the New York State Deferred Compensation Plan. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the New York State Deferred Compensation Plan, Empire State Plaza Station, P.O. Box 2103, Albany, NY 12220-2103.

DEFERRED COMPENSATION PLAN FOR EMPLOYEES OF THE STATE OF NEW YORK AND OTHER PARTICIPATING PUBLIC JURISDICTIONS
STATEMENTS OF FIDUCIARY NET POSITION
MARCH 31, 2019 AND 2018

	2019	2018
ASSETS		
Investments, Participant Directed		
Variable Investment Options, at Fair Value	$ 17,244,059,395	$ 16,306,748,814
Synthetic Investment Contracts, at Contract Value	7,028,967,936	6,717,303,831
Short-Term Investments, at Amortized Cost	304,800,494	237,859,467
Total Investments	24,577,827,825	23,261,912,112
Cash, Interest Bearing	4,788,472	4,740,030
Contributions Receivable	4,561,973	4,326,655
Loans Receivable	259,104,103	251,114,818
Total Assets	24,846,282,373	23,522,093,615
LIABILITIES		
Accounts Payable and Accrued Expenses	1,318,705	1,270,263
Net Position Available for Plan Benefits	$ 24,844,963,668	$ 23,520,823,352

See accompanying Notes to the Financial Statements.

DEFERRED COMPENSATION PLAN FOR EMPLOYEES OF THE STATE OF NEW YORK AND OTHER PARTICIPATING PUBLIC JURISDICTIONS
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
YEARS ENDED MARCH 31, 2019 AND 2018

	2019	2018
ADDITIONS		
Net Appreciation in Fair Value	$ 937,138,877	$ 2,180,655,774
Employee Contributions	1,183,160,958	1,087,884,788
Interest Income, from Loans and Fixed-Income Securities	191,417,397	161,067,687
Participant Rollovers In	121,907,009	111,098,971
Total Additions	2,433,624,241	3,540,707,220
DEDUCTIONS		
Benefits Paid to Participants	637,653,906	504,411,439
Participant Rollovers Out, Including Conversions	460,635,462	502,055,857
Administrative Expenses	11,194,557	11,477,934
Total Deductions	1,109,483,925	1,017,945,230
NET INCREASE	1,324,140,316	2,522,761,990
Net Position Available for Plan Benefits - Beginning of Year	23,520,823,352	20,998,061,362
NET POSITION AVAILABLE FOR PLAN BENEFITS - END OF YEAR	$ 24,844,963,668	$ 23,520,823,352

See accompanying Notes to the Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Deferred Compensation Plan for Employees of the State of New York and Other Participating Public Jurisdictions (the Plan) are prepared on the accrual basis of accounting.

Use of Estimates in Preparing Financial Statements

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 amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net position during the reporting period. Actual results could differ from those estimates.

Risks and Uncertainties

The Plan provides for participant-directed investments in various mutual funds, separate account international funds and in a stable income fund, which is composed of finite and "evergreen" wrapped bond portfolios, fully wrapped insurance company separate accounts and a short-term investment account. Investments are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in risks in the near-term could materially affect participants' account balances and the amounts reported in the Statements of Fiduciary Net Position and the Statements of Changes in Fiduciary Net Position.

Contributions

Under the Plan provisions, employees of the State of New York (the State), as well as employees of the State's counties and cities, are eligible to contribute to the Plan, through payroll deductions, any amount up to the maximum amount not previously withheld from their total compensation. In accordance with Section 457 of the Internal Revenue Code (IRC), the Plan limits an individual's annual contribution to an amount not to exceed the lesser of $19,000 or 100% of the employee's includable compensation for the year ended March 31, 2019 and $18,500 or 100% of the employee's includable compensation for the year ended March 31, 2018. The Plan also provides certain catch-up provisions for participants age 50 or over, and for participants within three years of their Normal Retirement Age, as defined by the Plan. Amounts contributed by employees are deferred for federal and state income tax purposes until benefits are paid to the employees. The State does not make any contributions to the Plan. Employee contributions are recognized when such amounts are withheld from employees' pay. Contributions are credited by the applicable investment carriers upon receipt of a valid trade order. Contributions receivable represent amounts withheld but not remitted to the investment carriers at year-end.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment Valuation and Income Recognition

Investments in mutual funds and the self-directed option are stated at the fair value of the shares held by the Plan at year-end, which are determined by quoted market prices.

Wrapped bond portfolios, and fully wrapped insurance company separate accounts are valued at contract value as estimated by the respective insurance companies or investment managers. Wrapped bond portfolios provide for investments in securities owned by the Plan within specific investment guidelines over a specified time period. The contract value, which approximates fair value, is guaranteed through a related contract with a separate provider. The credited interest rates are reset periodically on such contracts, subject to a minimum guaranteed return.

Short-term investments are carried at amortized cost which approximates market value and consist of federal agency securities, commercial paper, time deposits and money market funds. These funds contain highly liquid assets used for liquidity and are stated at amortized cost. Both contract value and amortized cost approximate fair value based on GASB standards.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

The Plan presents in the Statements of Changes in Fiduciary Net Position the net change in the fair value of its mutual funds which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those mutual funds.

Payment of Benefits

Benefits paid to participants are recorded when due and payable under the provisions of the Plan.

Administrative Expenses

Plan expenses are attributable to fees for legal, trustee/custodian, administrative service agency, audit, investment consulting services and the Board's administrative expenses.

Participant Loans

Participants may borrow from their accrued benefit balance in accordance with applicable IRS regulations. The maximum amount a participant may borrow is equal to the lesser of 50% of their accrual benefit or (b) $50,000. Interest on the loan is the prime rate, as published in the *Wall Street Journal*, plus 1%. All loans must be repaid on a periodic basis over a period not to exceed five years, with the exception of loans used to acquire, construct, reconstruct or substantially rehabilitate a dwelling that is to be used as a principal residence. Such loans shall provide for repayment over a period not to exceed 15 years. Loans that are not repaid in accordance with the repayment schedule will be deemed to be a Plan distribution and will be subject to federal and state income taxes. Interest rates on outstanding loans ranged from 2.59% to 5.75% at March 31, 2019 and March 31, 2018.

NOTE 2 DESCRIPTION OF PLAN

The following description of the Plan provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

General
The State of New York (the State) established the Plan to encourage employees to make contributions and continue careers with the State. The Plan is available to all employees of the State and employees of other public jurisdictions that participate in the Plan, and permits employees who elect participation to defer a portion of their current salary until future years. Each participant may defer the lesser of $19,000 or 100% of gross annual compensation for 2019 and $18,500 or 100% of gross annual compensation for 2018. Individuals age 50 or over may make an additional “catch up” contribution effective for tax years after December 31, 2001. For calendar years 2019 and 2018, the additional “catch up” contribution was $6,000. An additional “catch-up” is allowed for previous missed contributions for participants within three years of retirement.

Participant Accounts
Each participant's account is credited with the participant's contribution and an allocation of Plan earnings. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Vesting
Participants are immediately vested in their contributions plus related earnings.

Investment Options
The Plan's investment policy was developed by the New York State Deferred Compensation Board (the Board). The actions of the Board are governed by the terms of the Plan, Internal Revenue Code Section 457, the Rules and Regulations of the Board, and N.Y. State Finance Law Section 5.

The Plan's policy allows for a selection of investment choices within three broad risk/return categories:

- Conservative, with the primary investment objective being protection of principal,
- Moderate, with the objective of a somewhat higher return at the cost of low to moderate fluctuation in principal value,
- Aggressive, with the objective of maximum returns with commensurately higher risk and principal volatility.

The Board has overall responsibility for establishing and maintaining this investment policy, selecting the investment options available under the Plan, regularly evaluating the Plan's investment performance, providing Plan participants with investment education and communications regarding the Plan and its investments, and ensuring that the assets of the Plan are in compliance with all applicable laws governing the operation of the Plan.

NOTE 2 DESCRIPTION OF PLAN (CONTINUED)

Investment Options (Continued)

The Board has authorized the Plan to invest in the following investment types that fall within the broad categories listed above:

- Fixed Investment Options
  - Stable Income Fund (includes insurance company separate accounts, synthetic stable value investments, and cash equivalents)
- Variable Investment Options
  - Bond Funds, Balanced Funds, Target Retirement Funds, Large Cap Equity Funds, Mid-Cap Equity Funds, Small-Cap Equity Funds, and International Equity Funds

Upon enrollment in the Plan, a participant may direct employee contributions in any of the following variable investment options that were available during the Plan year that ended on March 31, 2019. (Participants may change their investment options at any time.)

- NYSDCB US Debt Index Unitized Account
- NYSDCB US Equity Index Unitized Account
- NYSDCB Russell 2500 Index Unitized Account
- T. Rowe Price Retirement 2010 Trust - Class D
- T. Rowe Price Retirement 2015 Trust - Class D
- T. Rowe Price Retirement 2020 Trust - Class D
- T. Rowe Price Retirement 2025 Trust - Class D
- T. Rowe Price Retirement 2030 Trust - Class D
- T. Rowe Price Retirement 2035 Trust - Class D
- T. Rowe Price Retirement 2040 Trust - Class D
- T. Rowe Price Retirement 2045 Trust - Class D
- T. Rowe Price Retirement 2050 Trust - Class D
- T. Rowe Price Retirement 2055 Trust - Class D
- T. Rowe Price Retirement 2060 Trust - Class D
- Fidelity OTC Portfolio Fund -Class K
- Vanguard Wellington Fund – Admiral
- T. Rowe Price Equity Income Trust
- International Equity Fund – Active
- T. Rowe Price Blue Chip Growth Trust - Class T6
- Morgan Stanley Institutional - Emerging Markets IS
- T. Rowe Price QM US Small-Cap Equity Fund - I Class
- Delaware Small Cap Value Fund - Inst'l Class
- Personal Choice Retirement Acct - Charles Schwab
- International Equity Fund – Index
- Vanguard Strategic Equity Fund - Investor Shares
- Voya Core Plus Trust Fund
- Boston Partners Large Cap Value Equity Fund
- Pax Global Environmental Markets Fund-Inst'l Class
- Stable Value Income Fund
- Vanguard PRIMECAP Fund - Admiral

Payment of Benefits

Participants are eligible to receive benefits from their Plan account upon termination of employment. A participant may elect to receive benefits as a lump-sum amount equal to the value of the participant's vested interest in his or her account, periodic payments, installments to be paid over a period not greater than the joint life expectancy of the participant and his or her designated beneficiary, or partial lump-sum payments.

Participants are eligible for in-service withdrawals from a small inactive account, pursuant to the HEART Act, for an unforeseeable emergency, in the form of a loan, or for the purpose of purchasing permissive retirement service credit in a defined benefit governmental plan.

NOTE 2 DESCRIPTION OF PLAN (CONTINUED)

Payment of Benefits (Continued)

Upon the death of a participant, the designated beneficiary of the deceased participant is eligible to receive the benefits of the participant's Plan account.

A participant or a beneficiary of the participant may elect to have all or any portion of the value of his or her account transferred to a qualified retirement plan, a traditional or Roth IRA plan or to another public deferred compensation plan.

NOTE 3 INVESTMENTS

The Plan offers participants the option to choose among mutual funds, a stable income fund, insurance company separate accounts, finite and "evergreen" wrapped bond portfolios and short-term investments, two separate account international equity portfolios, and a Self-Directed Investment Option with Charles Schwab.

The balances of the investment options at March 31, 2019 and 2018 were as follows:

	2019		2018	
Fixed Investment Options:				
Stable Value Income Fund	$ 7,333,768,430	*	$ 6,955,163,298	*
Variable Investment Options:				
Fidelity OTC Portfolio - Class K	$ 3,040,778,099	*	$ -	
NYSDCB US Equity Index Unitized Account	2,432,055,423	*	2,320,725,728	*
Vanguard PRIMECAP Fund – Admiral Shares	2,100,763,373	*	2,057,566,563	*
Vanguard Wellington Fund – Admiral Shares	1,642,457,040	*	1,451,927,652	*
T. Rowe Price Equity Income Trust	1,182,397,383		1,215,001,090	*
NYSDCB Russell 2500 Index Unitized Account	800,754,048		777,305,731	
NYSDCB US Debt Index Unitized Account	768,550,340		758,182,073	
T. Rowe Price Blue Chip Growth Trust - Class T6	761,506,235		-	
International Equity Fund – Active Portfolio	606,305,048	**	653,693,776	**
T. Rowe Price Retirement 2030 Trust - Class D	477,098,941		-	
T. Rowe Price Retirement 2020 Trust - Class D	456,635,444		-	
T. Rowe Price QM US Small-Cap Equity Fund - I Class	439,563,762		367,804,716	
Morgan Stanley Institutional - Emerging Markets IS	360,166,363	**	451,822,386	**
T. Rowe Price Retirement 2025 Trust - Class D	354,726,024			
Delaware Small Cap Value Fund - Inst'l Class	322,820,621		348,581,886	
T. Rowe Price Retirement 2040 Trust - Class D	314,181,742		-	
T. Rowe Price Retirement 2035 Trust - Class D	244,272,033		-	
Personal Choice Retirement Account - Charles Schwab	183,005,938		178,727,295	
International Equity Fund - Index Portfolio	147,573,767	**	152,865,144	**

NOTE 3 INVESTMENTS (CONTINUED)

Variable Investment Options (continued):	2019		2018	
T. Rowe Price Retirement 2045 Trust - Class D	126,468,459		-	
T. Rowe Price Retirement 2015 Trust - Class D	98,758,133		-	
Vanguard Strategic Equity Fund - Investor Shares	93,443,035		66,369,979	
T. Rowe Price Retirement 2010 Trust - Class D	73,916,755		-	
T. Rowe Price Retirement 2050 Trust - Class D	71,168,591		-	
T. Rowe Price Retirement 2055 Trust - Class D	54,089,901		-	
Voya Core Plus Trust Fund	34,791,741		27,221,792	
Boston Partners Large Cap Value Equity Fund	25,836,804		20,173,065	
Pax Global Environmental Markets Fund-Inst'l Class	16,452,043	**	7,295,280	**
T. Rowe Price Retirement 2060 Trust - Class D	9,408,676		-	
Fidelity OTC Portfolio Fund	-		2,809,144,628	*
T. Rowe Price Blue Chip Growth Trust	-		541,944,072	
T. Rowe Price Retirement 2020 Trust	-		439,818,262	
T. Rowe Price Retirement 2030 Trust	-		419,122,112	
T. Rowe Price Retirement 2025 Trust	-		301,698,482	
T. Rowe Price Retirement 2040 Trust	-		268,244,744	
T. Rowe Price Retirement 2035 Trust	-		201,726,541	
T. Rowe Price Retirement 2015 Trust	-		104,431,020	
T. Rowe Price Retirement 2045 Trust	-		95,108,084	
PAX World Balanced Fund, Inc. Institutional Shares	-		94,125,335	**
T. Rowe Price Retirement 2010 Trust	-		75,628,392	
T. Rowe Price Retirement 2050 Trust	-		52,208,223	
T. Rowe Price Retirement 2055 Trust	-		43,059,139	
T. Rowe Price Retirement 2060 Trust	-		5,734,443	
Investment Suspense	4,113,633		(508,819)	
Total Variable Investment Options	17,244,059,395		16,306,748,814	
Total Investments	$ 24,577,827,825		$ 23,261,912,112	

* Represents 5% or more of net position available for plan benefits.
** Represents international mutual funds or accounts.

NOTE 3 INVESTMENTS (CONTINUED)

Investment contracts and short-term investments included in the Stable Income Fund consist of the following at March 31:

Investment Manager	Contract Period	Crediting Interest Rate 2019	2019 Annual Effective Yield	2019	2018
Jennison Associates	Oct. 1, 2017 - Sept. 30, 2027	2.77%	2.70%	$ 822,195,863	$ 782,519,487
				822,195,863	782,519,487
Loomis Intermediate	Oct. 1, 2017 - Sept. 30, 2027	2.89%	2.84%	607,237,402	579,593,700
				607,237,402	579,593,700
EARNEST Partners	Oct. 1, 2017 - Sept. 30, 2027	2.82%	2.70%	658,459,847	633,200,024
				658,459,847	633,200,024
MacKay Shields	Oct. 1, 2012 - Sept. 30, 2022	2.43%	1.47%	605,097,022	581,844,194
				605,097,022	581,844,194
VOYA Financial	Oct. 1, 2012 - Sept. 30, 2022	2.95%	2.11%	-	357,380,288
	Oct. 1, 2012 - Sept. 30, 2022	2.83%	2.11%	-	791,318,229
	Apr 1, 2018 - Oct 31, 2028	2.54%	1.66%	103,936,831	-
	Apr 1, 2018 - Oct 31, 2028	2.49%	1.66%	546,538,215	-
	Apr 1, 2018 - Oct 31, 2028	2.58%	1.66%	543,148,081	-
				1,193,623,127	1,148,698,517
Mass Mutual	Oct. 1, 2012 - Sept. 30, 2022	3.72%	3.45%	1,481,108,550	1,403,950,989
				1,481,108,550	1,403,950,989
Income Research Management	Oct 1. 2014 - Sept. 30, 2024	2.70%	2.46%	672,524,363	638,625,244
				672,524,363	638,625,244
Wells Capital	Oct 1. 2014 - Sept. 30, 2024	2.47%	2.46%	606,455,718	585,469,466
				606,455,718	585,469,466
JP Morgan	Oct 1. 2014 - Sept. 30, 2024	2.60%	2.70%	382,266,043	363,402,210
				382,266,043	363,402,210
Total Synthetic Investment Contracts				7,028,967,936	6,717,303,831
Short-Term Investments				3 04,800,494	237,859,467
Total				$ 7,333,768,430	$ 6,955,163,298

Effective interest rates are net of administrative expenses on all investment contracts and wrapped bond portfolios. Total administrative, investment management and book value wrap expenses relating to finite and “evergreen” wrapped bond portfolios paid from Plan assets for the years ended March 31, 2019 and 2018 approximated $17 million and $19.46 million, respectively.

NOTE 3 INVESTMENTS (CONTINUED)

The fair value of the finite and “evergreen” synthetic investment contracts is estimated by the respective insurance company, financial institution or Investment Company, primarily using a crediting interest rate or discounted cash flow calculation. The fair value of investments underlying these contracts is estimated to be $7,333,768,430 and $6,955,163,298 at March 31, 2019 and 2018, respectively.

All investment contracts are awarded pursuant to a competitive bidding process as specified in Part 9003 of the Board's Rules and Regulations. All investment contracts are subject to the approval of the State Comptroller and the State Attorney General and contain provisions that restrict withdrawal or termination during a specified time period. The Board has authorized the Stable Value Structure Manager to enter into book value wrap agreements in conformance with 9003.5(3)(2) of the Board’s Rules. These agreements are not subject to the approval of the State Comptroller or the State Attorney General.

The Plan enters into book value wrap arrangements for the underlying portfolio of investments in association with the finite and “evergreen” wrapped bond portfolios to achieve the following objectives:

- Obtain a guarantee of the book value (contributions plus interest less benefit payments) in each finite and “evergreen” wrapped bond portfolios portfolio, which protects the fund from fluctuations in the value of underlying securities.

- Obtain a guaranteed rate of return (typically minimum of 0%) that is paid over a period of time. This is stabilized through a net crediting rate as defined in the contract (crediting rate formula is designed to amortize gains and losses of the underlying portfolio of assets over a period of time).

- Obtain a guarantee that participants may initiate withdrawals and transfers from the finite and “evergreen” wrapped bond portfolios at book value. The guarantee is activated in the event that participant withdrawals from the Stable Income Fund exceed the value of the Stable Income Fund cash buffer account and other investment contracts as identified by finite and “evergreen” wrapped bond portfolios.

- The primary value of finite and “evergreen” wrapped bond portfolios are collateralized by the value of the underlying portfolio of securities. Therefore, exposure to the wrapper's claims paying ability is limited.

NOTE 3 INVESTMENTS (CONTINUED)

Significant terms of the arrangements include:

- Term and Fees - The term of the agreements are permitted to be for a period not to exceed ten years, with two one-year extensions and fees ranging from 0.20% to 0.36% of assets.
- Portfolio Management - The investment manager manages the portfolio in accordance with the Stable Income Fund investment guidelines.
- Calculation of the Book Value of the Portfolio - Wrapper maintains a book value of the portfolio as described in the contract.
- Crediting Rate Formula - Net Crediting Rate is established and reset periodically according to the terms set forth in the contract. Minimum Net Crediting Rate (floor) - Stipulates that the minimum Net Crediting Rate shall be 0%.
- Book Value and Market Value Payments - Sets forth the source of funding for any withdrawals from the portfolio and the impact that such withdrawals would have on the future crediting rate.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates could adversely affect the fair value of an investment. Since all investments are participant directed, all risks exist at the participant level. Each individual within the Plan has the ability to liquidate their positions on demand and have responsibility for managing their exposure to fair value loss.

As of March 31, the Plan had the following investments and maturities in its fixed earnings investments and mutual fund investments which include investments in bonds.

	2019		2018	
Investment	Fair Value	Weighted Average Maturity	Fair Value	Weighted Average Maturity
Fixed earnings investments:				
Stable Income Fund	$ 7,333,768,430	3.22	$ 6,955,163,298	3.60
Variable earnings investments:				
Vanguard Wellington Fund – Admiral Shares	1,642,457,040	9.80	1,451,927,652	9.30
T. Rowe Price Retirement 2020 Trust - Class D	456,635,444	8.35	-	N/A
T. Rowe Price Retirement 2030 Trust - Class D	477,098,941	9.43	-	N/A
T. Rowe Price Retirement 2025 Trust - Class D	354,726,024	8.88	-	N/A
T. Rowe Price Retirement 2040 Trust - Class D	314,181,742	10.70	-	N/A
T. Rowe Price Retirement 2035 Trust - Class D	244,272,033	10.23	-	N/A
T. Rowe Price Retirement 2015 Trust - Class D	98,758,133	7.83	-	N/A
T. Rowe Price Retirement 2045 Trust - Class D	126,468,459	11.11	-	N/A
T. Rowe Price Retirement 2010 Trust - Class D	73,916,755	7.66	-	N/A
T. Rowe Price Retirement 2050 Trust - Class D	71,168,591	11.09	-	N/A
T. Rowe Price Retirement 2055 Trust - Class D	54,089,901	11.08	-	N/A
T. Rowe Price Retirement 2060 Trust - Class D	9,408,676	11.08	-	N/A
T. Rowe Price Retirement 2025 Trust	-	N/A	301,698,482	9.33

NOTE 3 INVESTMENTS (CONTINUED)

Interest Rate Risk (Continued)

Investment	2019 Fair Value	2019 Weighted Average Maturity	2018 Fair Value	2018 Weighted Average Maturity
Variable earnings investments (continued):				
T. Rowe Price Retirement 2040 Trust	-	N/A	268,244,744	11.16
T. Rowe Price Retirement 2035 Trust	-	N/A	201,726,541	10.69
T. Rowe Price Retirement 2015 Trust	-	N/A	104,431,020	8.20
T. Rowe Price Retirement 2045 Trust	-	N/A	95,108,084	11.44
PAX World Balanced Fund, Inc Institutional Shares	-	N/A	94,125,335	5.96
T. Rowe Price Retirement 2010 Trust	-	N/A	75,628,392	7.95
T. Rowe Price Retirement 2050 Trust	-	N/A	52,208,223	11.44
T. Rowe Price Retirement 2055 Trust	-	N/A	43,059,139	11.42
T. Rowe Price Retirement 2060 Trust	-	N/A	5,734,443	11.42
T. Rowe Price Retirement 2020 Trust		N/A	439,818,262	8.77
T. Rowe Price Retirement 2030 Trust		N/A	419,122,112	9.85

Fair Value Measurements

The Plan categorizes their 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 and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements.) If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Level 1	Unadjusted quoted prices for identical instruments in active markets
Level 2	Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.
Level 3	Valuations derived from valuation techniques in which significant inputs are unobservable.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Variable earnings investments classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets for these securities.

NOTE 3 INVESTMENTS (CONTINUED)

Fair Value Measurements (Continued)

The Plan has the following fair value measurement as of March 31, 2019 and 2018:

		Fair Value Measurements		
	3/31/2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments at Fair Value				
Variable Investment Options	$ 17,244,059,395	$ 17,244,059,395	$ -	$ -
Investments at Contract Value				
Synthetic Investment Contracts	7,028,967,936			
Investments at Amortized Cost				
Short-Term Investments	304,800,494			
Total Investments	$ 24,577,827,825			

		Fair Value Measurements		
	3/31/2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments at Fair Value				
Variable Investment Options	$ 16,306,748,814	$ 16,306,748,814	$ -	$ -
Investments at Contract Value				
Synthetic Investment Contracts	6,717,303,831			
Investments at Amortized Cost				
Short-Term Investments	237,859,467			
Total Investments	$ 23,261,912,112			

NOTE 3 INVESTMENTS (CONTINUED)

Credit Risk

The Plan's credit risk for the wrapper agreements is the difference between the fair value of the underlying investments and the book value of the finite and "evergreen" wrapped bond portfolios, and fully wrapped insurance company separate accounts. At March 31, 2019 and 2018, the fair value of the underlying investments exceeded the book value of the contracts. The contracts' counterparties credit ratings by Standard and Poor's ranged from AA to AAA at March 31, 2019 and 2018, respectively.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates that could adversely affect the fair value of the investment. The Plan allows the option of investments in mutual funds and separately managed accounts that invest outside the U.S. that are not required to disclose the individual assets within the fund. The fair value of these investments was $1,130,497,221 and $1,359,801,920 as of March 31, 2019 and 2018, respectively. The individual funds are identified on pages 13 and 14.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Plan's deposits may not be returned to it. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the Plan's name.

All deposits of the Plan are held on behalf of the Plan by the Plan custodian in accordance with the formal deposit policy for custodial credit risk and are not exposed to custodial credit risk as defined by Governmental Accounting Standards Board Statement No. 40.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. The Plan's investments are managed by several fund managers. The concentrations of investments are determined by the participants' elections to invest in the available investment options as selected by the Board. The investments that exceed 5% of the Plan's net position are identified on page 14. Since all investments are participant directed, all risks exist at the participant level. Each individual within the Plan has the ability to liquidate their position on demand and has responsibility for managing their exposure to fair value loss.

NOTE 4 SUMMARY OF CHANGES IN FIDUCIARY NET POSITION

The following is a summary of changes in fiduciary net position by participant category for the years ended March 31, 2019 and 2018:

	New York	Localities	Total
Net Position Available for Plan Benefits as of April 1, 2018	$ 15,455,705,956	$ 8,065,117,396	$ 23,520,823,352
Employees' Contributions (Including Rollovers-In)	738,154,359	566,913,608	1,305,067,967
Investment Performance	723,740,031	404,816,243	1,128,556,274
Benefits Paid to Participants (Including Rollovers-Out)	(714,310,021)	(383,979,347)	(1,098,289,368)
Administrative Expenses	(7,159,268)	(4,035,289)	(11,194,557)
Net Position Available for Plan Benefits as of March 31, 2019	$ 16,196,131,057	$ 8,648,832,611	$ 24,844,963,668

	New York	Localities	Total
Net Position Available for Plan Benefits as of April 1, 2018	$ 13,944,851,073	$ 7,053,210,289	$ 20,998,061,362
Employees' Contributions (Including Rollovers-In)	692,521,046	506,462,713	1,198,983,759
Investment Performance	1,503,412,519	838,310,942	2,341,723,461
Benefits Paid to Participants (Including Rollovers-Out)	(677,668,491)	(328,798,805)	(1,006,467,296)
Administrative Expenses	(7,410,191)	(4,067,743)	(11,477,934)
Net Position Available for Plan Benefits as of March 31, 2018	$ 15,455,705,956		$ 8,065,117,396

NOTE 5 PLAN TERMINATION

Although it has not expressed any intent to do so, the State has the right under the Plan to discontinue deferrals and to terminate the Plan. Upon termination of the Plan, all amounts deferred would be payable as provided in the Plan document.

NOTE 6 RISKS AND UNCERTAINTIES

The Plan, as directed by participants, may invest in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in the values of investment securities may occur in the near term and those such changes could materially affect the amounts reported in the Statements of Net Position Available for Plan Benefits.

NOTE 7 TAX STATUS

The IRS has determined and informed the Plan by letter dated August 26, 2011, that the Plan and related trust are designed in accordance with Section 457 of the Internal Revenue Code (IRC) and, as such, are not subject to tax under present income tax law. The Plan administrator believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC.