KPMG

THE NEW YORK STATE HIGHER EDUCATION SERVICES CORPORATION

(A Component Unit of the State of New York)

Financial Statements

March 31, 2022 and 2021

(With Independent Auditors' Report Thereon)

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SERVICES CORPORATION**

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KPMG LLP
515 Broadway
Albany, NY 12207-2974

Independent Auditors' Report

Board of Trustees
New York State Higher Education
Services Corporation:

Report on the Audit of the Financial Statements

Opinions

We have audited the business-type activities and each major fund of Higher Education Services Corporation (HESC), a component unit of the New York State, as of and for the years ended March 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise HESC's basic financial statements for the years then ended as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of HESC, as of March 31, 2022 and 2021, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of HESC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about HESC's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of HESC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about HESC's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and the information listed under required supplementary information in the accompanying table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2022 on our consideration of HESC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of HESC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering HESC's internal control over financial reporting and compliance.

KPMG LLP

Albany, New York
October 21, 2022

Management's Discussion and Analysis

This section of the New York State Higher Education Services Corporation's (HESC) financial statements presents management's discussion and analysis of its operations and financial performance during the fiscal years ended March 31, 2022 and 2021. This analysis provides supplementary information on the operations and activities of HESC and should be read in conjunction with the financial statements, which follow this section.

Organization and Operations

HESC is an agency of New York State (NYS) created in 1974 under Chapter 942 of the Laws of 1974 and is responsible for the administration of New York State's student financial aid programs, including the Federal Family Education Loan Program (FFELP) and State guaranteed loan program. FFELP was established by Congress and is administered by the U.S. Department of Education (ED) through HESC and other guaranty agencies. As a result of the March 30, 2010 enactment of the Health Care and Education Reconciliation Act (HCERA) (HR4872), new loan guarantees under the FFELP were eliminated effective July 1, 2010.

Under the FFELP, HESC was responsible for processing loans submitted for guarantee and issuing loan guarantees. HESC will continue providing collection assistance to lenders for delinquent loans, paying lender claims for loans in default, and collection activities on loans after purchase by HESC. In addition to FFELP, the Guaranteed Student Loan Programs (GSL) include the residual activity of the State guaranteed loan program under which no new loans have been guaranteed since 1984.

HESC has a Federal Student Loan Reserve Fund (Federal Fund) and an Operating Fund to account for FFELP activity. The Federal Fund assets, and earnings on those assets, are restricted in use and are considered property of ED. The Operating Fund is considered property of HESC, and its assets and earnings may be used generally for guaranty agency and other HESC student financial aid related activities.

2022 Financial Highlights

HESC's financial position and results are driven by the Guaranteed Student Loan Programs' Operating Fund and the Federal Fund. Significant 2022 financial highlights of these funds are summarized below:

Operating Fund

- Current assets increased by $34.1 million or 55% as a result of a positive net operating income received to offset lost revenue due to COVID.
- Current liabilities decreased by $1.7 million or 15% as a result of a decrease in payable to borrowers for refunds required by the CARES Act partially offset by an increase in accounts payable.
- Total operating revenue increased by $37.3 million or 127% as a result reimbursement of lost revenue from the Federal Fund.
- Total operating expenses increased $12.9 million or 44% from the prior year primarily due to pension and OPEB expenses recorded in 2021-2022 and decreased vendor commission expense.

- Total noncurrent liabilities decreased $35.7 million or 16% as a result of a decrease in the other postemployment benefits liability and net pension liability. NYS allocated $183.7 million of the total New York State Health Insurance Program (NYSHIP) other postemployment benefits liability to HESC and $0.025 million of the total net pension liability in state fiscal year 2021-2022.
- The Operating Fund provided approximately $15.4 million for the cost of administering the NYS Grant and Scholarships programs, which is a decrease of $0.5 million or 3% from the prior year.
- The Operating Fund provided approximately $0.5 million for the cost of administering the Federal Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP), which is an increase of $.2 million or 55% from the prior year.
- The Operating Fund provided approximately $0.02 million for the cost of administering the College Choice Program and New York Higher Education Loan Program (NYHELP) for NYS, which reflects similar spending to the prior year.
- The Operating Fund net position balance reflects the impact of applying GASB 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* resulting in the reporting of net long-term liability of $183.7 million, which decreased $28.2 million from 2021.

<u>*Federal Fund*</u>

- Current assets decreased by $57.0 million or 58% as a result of transfers to the Agency Operating Fund allowed by the CARES Act for lost revenue.
- Current liabilities increased by $0.1 million or 1% as a result of an increase in the liabilities due to policies implemented due to the impact of COVID.
- Total operating revenue decreased by $70.6 million or 29%, as a result of a decline in collections due to the COVID pandemic and the pause on collection activity for the state fiscal year.
- Total operating expenses decreased by $14.0 million or 6%, as a result of a decline in default claims paid lenders and collections transferred to ED consistent with operating revenues and the impact of COVID.

2021 Financial Highlights

Significant 2021 financial highlights of the Operating and Federal funds are summarized below:

<u>*Operating Fund*</u>

- Current assets decreased by $12.1 million or 16% as a result of a net operating loss partially offset by an increase in receivables.
- Current liabilities increased by $2.1 million or 22% as a result of increased accounts payable.
- Total operating revenue decreased by $14.1 million or 33% as a result of reduced collection activity.
- Total operating expenses increased $2.5 million or 9% from the prior year due to pension and OPEB expenses recorded in 2020-2021.

- Total noncurrent liabilities increased $34 million as a result of an increase in the other postemployment benefits liability and an increase in the net pension liability. NYS allocated $211.9 million of the total New York State Health Insurance Program (NYSHIP) other postemployment benefits liability to HESC and $7.5 million of the total net pension liability in state fiscal year 2020-21.
- The Operating Fund provided approximately $15.9 million for the cost of administering the NYS Grant and Scholarships programs, which is a decrease of $1.3 million or 8% from the prior year.
- The Operating Fund provided approximately $0.3 million for the cost of administering the Federal Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP), which is a decrease of $0.2 million or 37% from the prior year.
- The Operating Fund provided approximately $0.05 million for the cost of administering the College Choice Program and New York Higher Education Loan Program (NYHELP) for NYS, which reflects similar spending to the prior year.
- The Operating Fund net position balance reflects the impact of applying GASB 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* resulting in the reporting of net long-term liability of $211.9 million, which increased $30.6 million from 2020.

Federal Fund

- Current assets increased by $9.2 million or 10% as a result of increased reinsurance receivable from ED.
- Current liabilities increased by $9.0 million or 564% as a result of an increase in the liabilities due to policies implemented due to the impact of COVID, this increase in liabilities is offset by the increase in current assets recording the receivable for the reimbursement of the payments.
- Total operating revenue decreased by $134.5 million or 36%, as a result of a decline in collections due to the COVID pandemic and the pause on collection activity for the state fiscal year.
- Total operating expenses decreased by $129.9 million or 35%, as a result of a decline in default claims paid lenders and collections transferred to ED consistent with operating revenues and the impact of COVID.

(Continued)

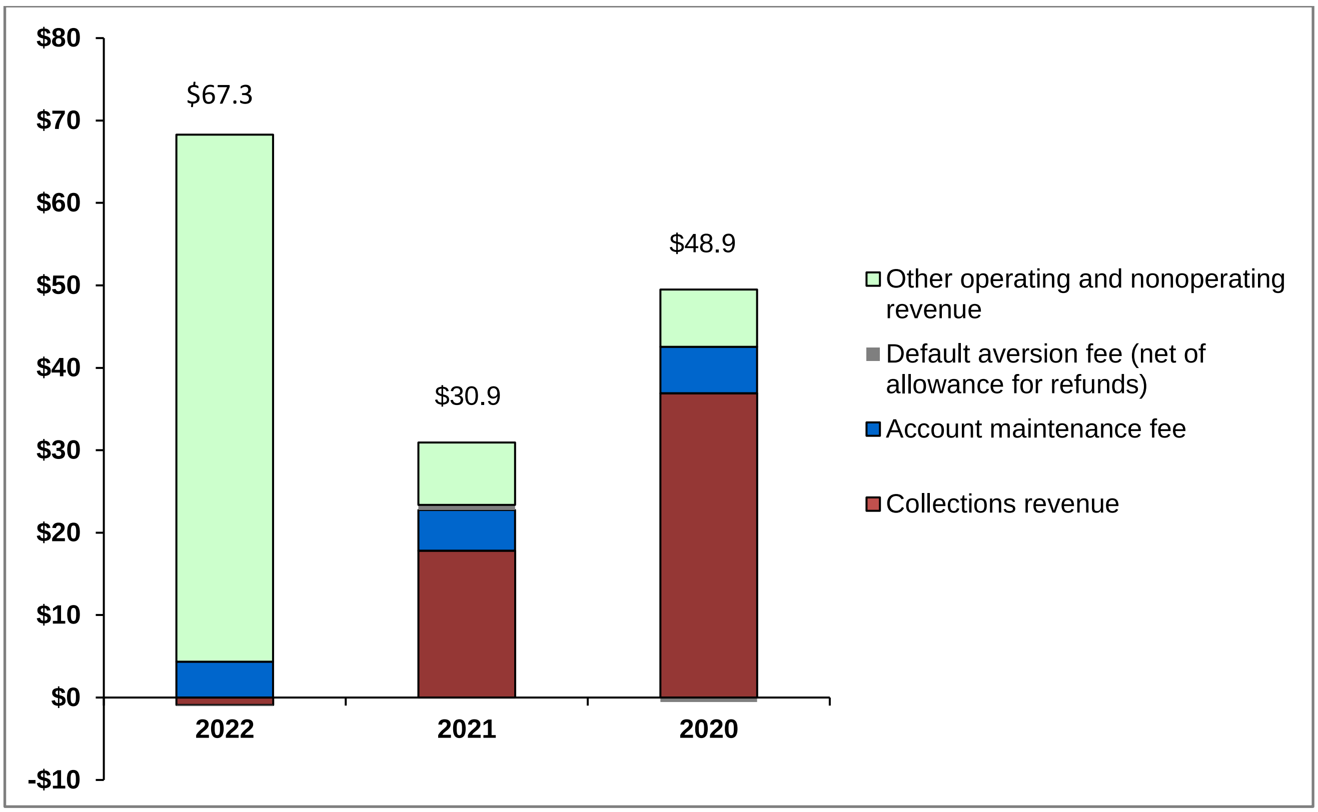
Condensed Financial Information

Dollar in thousands

	Operating Fund			Federal Fund			Total		
	2022	2021	2020	2022	2021	2020	2022	2021	2020
Current assets	$ 95,820	61,808	73,916	42,072	99,075	89,886	137,892	160,883	163,802
Capital assets	1	6	14	—	—	—	1	6	14
Other noncurrent assets	—	—	—	271	355	976	271	355	976
Total assets	$ 95,821	61,814	73,930	42,343	99,430	90,862	138,164	161,244	164,792
Deferred outflows of resources	$ 30,497	34,449	9,808	—	—	—	30,497	34,449	9,808
Current liabilities	$ 9,651	11,421	9,354	10,765	10,618	1,599	20,416	22,039	10,953
Noncurrent liabilities	184,011	219,743	185,633	—	—	—	184,011	219,743	185,633
Total liabilities	$ 193,662	231,164	194,987	10,765	10,618	1,599	204,427	241,782	196,586
Deferred inflows of resources	$ 45,550	12,046	17,518	—	—	—	45,550	12,046	17,518
Net position:									
Invested in capital assets	$ 1	6	14	—	—	—	1	6	14
Restricted	(112,894)	(146,954)	(128,781)	31,578	88,812	89,263	(81,316)	(58,142)	(39,518)
Total net position	$ (112,893)	(146,948)	(128,767)	31,578	88,812	89,263	(81,315)	(58,136)	(39,504)
Operating revenues:									
Defaulted loan collections	$ (898)	17,779	36,900	8,353	61,932	135,841	7,455	79,711	172,741
Reimbursement of defaulted loans	—	—	—	158,249	173,078	239,593	158,249	173,078	239,593
Other operating revenues	67,367	11,384	6,372	79	6,477	585	67,446	17,861	6,957
Nonoperating revenues	824	1,766	5,622	55	164	1,466	879	1,930	7,088
Total revenues	67,293	30,929	48,894	166,736	241,651	377,485	234,029	272,580	426,379
Operating expenses:									
Administrative	16,333	27,621	25,444	—	—	—	16,333	27,621	25,444
Default loan purchases	—	—	—	157,990	173,015	239,237	157,990	173,015	239,237
Collection payments to ED	—	—	—	8,291	60,780	132,790	8,291	60,780	132,790
Other operating expenses	14	1,665	1,336	6	8,307	5	20	9,972	1,341
Nonoperating expenses	16,893	19,824	21,986	57,683	—	—	74,576	19,824	21,986
Total expenses	33,240	49,110	48,766	223,970	242,102	372,032	257,210	291,212	420,798
Increase (decrease) in net position	$ 34,053	(18,181)	128	(57,234)	(451)	5,453	(23,181)	(18,632)	5,581

Total Operating Fund Revenue

(Dollar in millions)



Operating Fund Revenue Highlights for fiscal year ending March 31

2022	2021
• Collection's revenue decreased 111% from state fiscal year 2020-2021 to 2021-2022. A 107% reduction in regular collection revenue, 114% decline in rehabilitation revenue and 72% decline in consolidation revenue. The declines represent revenue refunds required by the CARES Act and the continuation of the collection PAUSE. • Account maintenance declined $0.6 million or 13%, this decline is consistent with prior years. • Gross default aversion fee (DAF) was $0.3 million and refunds were $0.5 resulting in minimal amount due to the Federal Fund. • Other revenue includes Treasury offset refund revenue as well as a minimal amount of borrower refunds, both of which are offset by the expense of the payments to the borrowers during the fiscal year • Nonoperating federal grant revenue passed through to grant subrecipients decreased $.8 million from the prior year, as a result of the wind down of the grant. • Nonoperating investment income decreased $0.07 million as a result of a significant decrease in the interest rates earned through the short-term investment pool during 2021-2022. • Other operating revenue includes transfers of $63.1 million from the Federal Fund during 2021-2022. These transfers are authorized by the CARES Act.	• Collection's revenue decreased 52% from state fiscal year 2019-2020 to 2020-2021. A 77% reduction in regular collection revenue, 39% decline in rehabilitation revenue and 54% decline in consolidation revenue as a result of Federal requirements in the wake of COVID. • Account maintenance declined $0.7 million or 12%, this decline is consistent with prior years. • Gross default aversion fee (DAF) was $0.5 million and refunds were $0.5 resulting in minimal amount due to the Federal Fund. • Other revenue includes $1.7 million in Treasury offset refund revenue as well as a minimal amount of borrower refunds, both of which are offset by the expense of the payments to the borrowers during the fiscal year. In addition, other revenue includes an estimate of collection refunds which will be reimbursed by the Federal Fund as a result of COVID. • Nonoperating federal grant revenue decreased $2.5 million from the prior year, all of which is passed through to the grant subrecipients. • Nonoperating investment income decreased $1.3 million as a result of a significant decrease in the interest rates earned through the short-term investment pool during 2021-2022.

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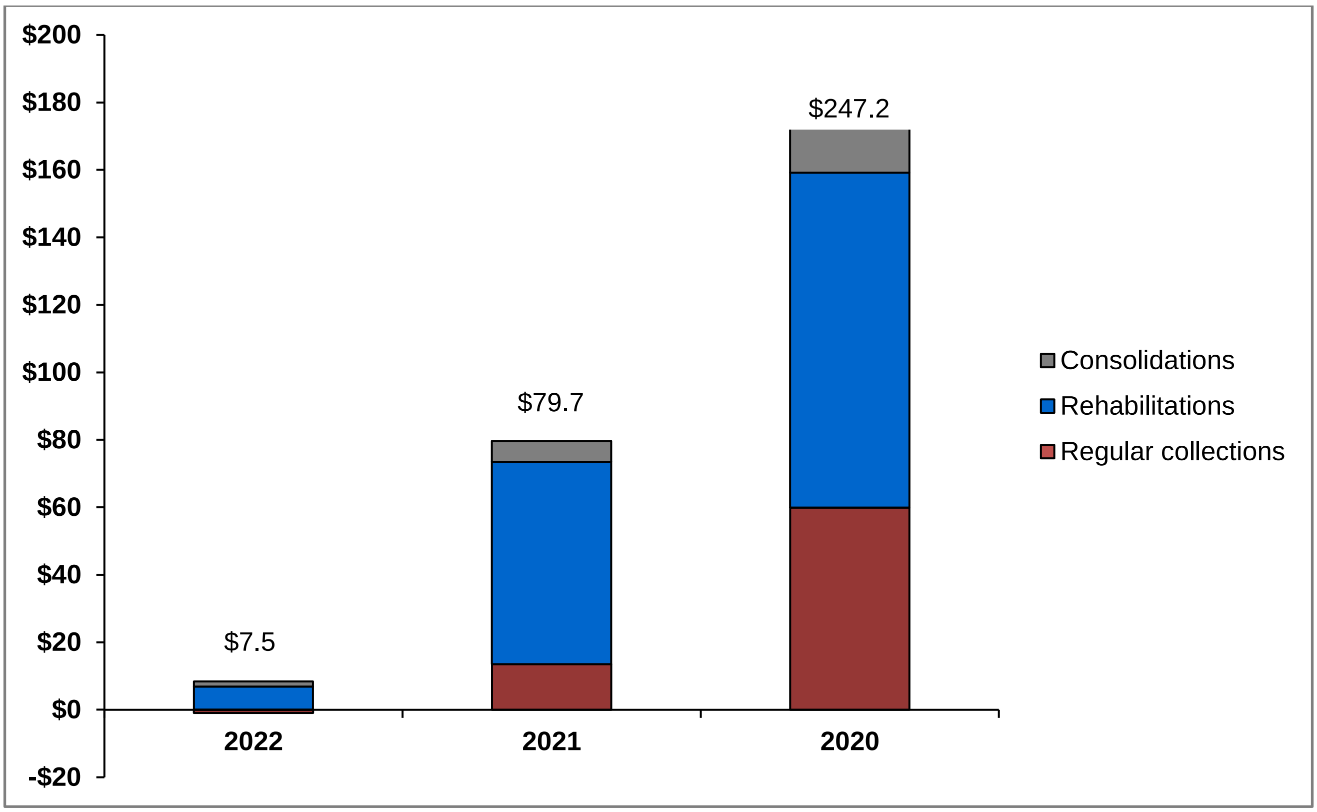
Total Default Collection Recoveries – Operating and Federal Fund

(Dollar in millions)



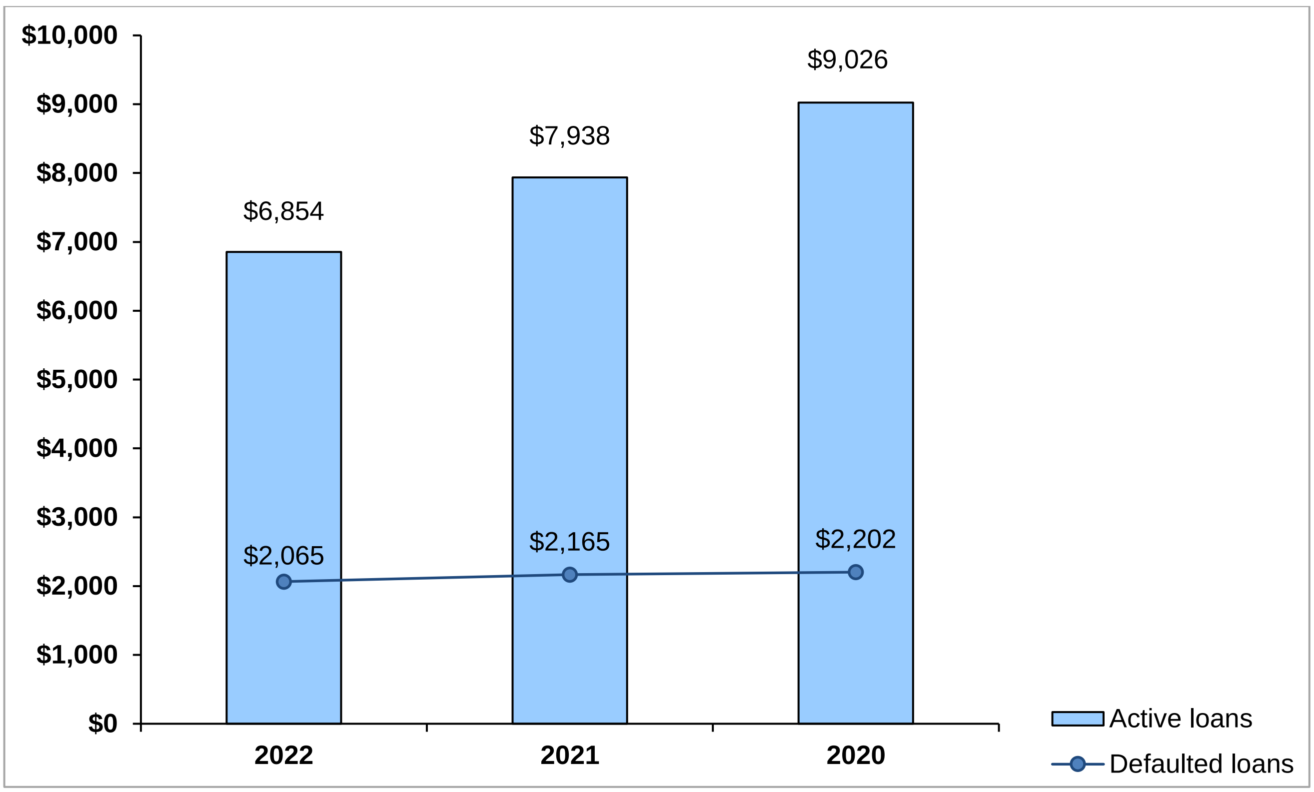
The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law in March 2020 and continued through state fiscal year 2021-2022. The CARES Act paused collection activity for FFELP loans and removed or reduced the collection costs allowed to be charged on rehabilitations and consolidations. HESC's primary source of revenue prior to the CARES Act was from FFELP collection related activity. As a FFELP guarantor, HESC retains a percentage of collection recoveries determined by ED. The effects of the CARES Act are seen in HESC's 2022 and 2021 collections.

Collection Recovery Highlights for the fiscal year ending March 31

2022	2021
• All collection recoveries were greatly affected by reduced collection activity as a result of Federal requirements in the wake of COVID. Overall recoveries decreased by 90% or $72.2 million, regular collection recoveries decreased 101%, rehabilitation recoveries decreased 88% and direct loan consolidations decreased 76%. The recoveries also reflect refunds required as part of the CARES Act.	• All collection recoveries were greatly affected by reduced collection activity as a result of Federal requirements in the wake of COVID. Overall recoveries decreased by 54% or $134 million, regular collection recoveries decreased 77%, rehabilitation recoveries decreased 40% and direct loan consolidations decreased 54%.

Outstanding Portfolio Balances

(Dollar in millions)



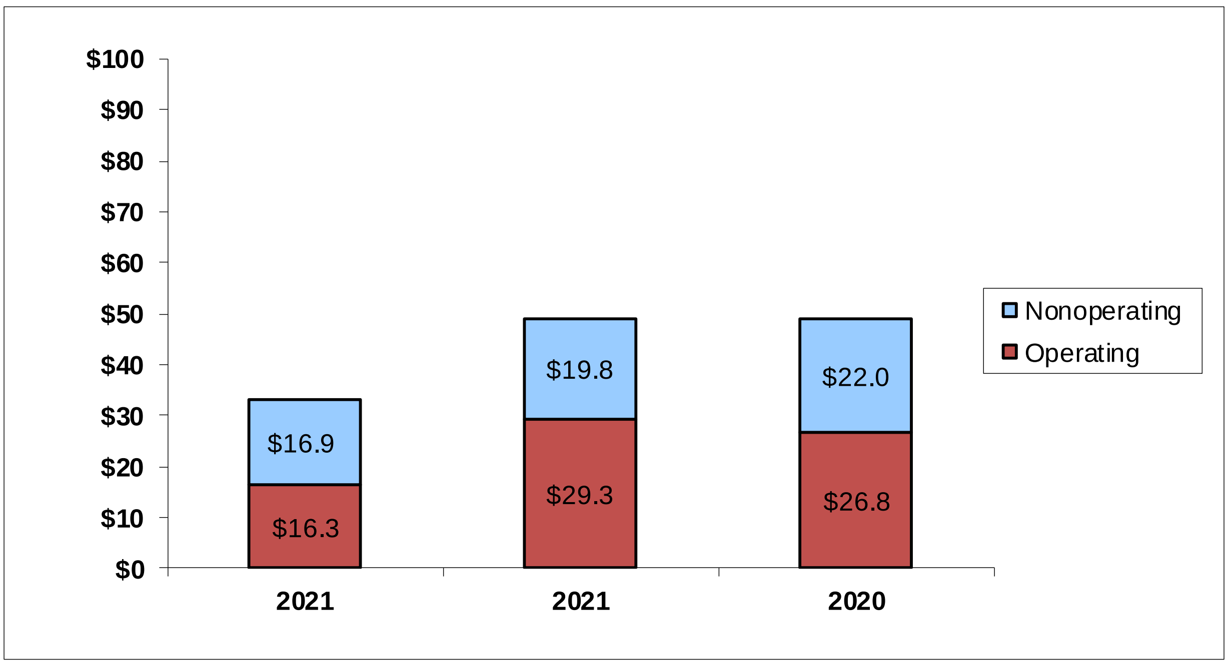
The outstanding portfolio balances in the table above represent the entire portfolio HESC holds for FFELP active guaranteed and defaulted loans. A portion of these balances are not collectible by HESC and are excluded from the portfolio balances for annual reporting on the Schedule of Expenditures for Federal Awards.

Administrative Revenue Highlights for the fiscal year ending March 31

2022	2021
• HESC's outstanding active portfolio balance decreased by $1.1 billion or 14% for the fiscal year as a result of active loans being paid in full during the year and no new loans being put into the portfolio, causing a decrease in account maintenance fee income of $0.6 million consistent with prior years. • HESC's total outstanding federal default portfolio decreased $100.0 million during the fiscal year as a result of the requirement of all new defaulted loans to be assigned to ED as well as the effects of the aging portfolio.	• HESC's outstanding active portfolio balance decreased by $1.1 billion or 12% for the fiscal year as a result of active loans being paid in full during the year and no new loans being put into the portfolio, causing a decrease in account maintenance fee income of $0.7 million consistent with prior years. • HESC's total outstanding federal default portfolio decreased $37.0 million during the fiscal year as a result of the aging portfolio consistent with prior years.

Total Operating Fund Expenses

(Dollar in millions)



Operating Expense Highlights for fiscal year ending March 31

2022	2021
Operating Expenses • Outsourced vendor collections fees decreased \$5.8 million or 93% as a result of fewer collections due to COVID collections restrictions imposed by HESC and the federal government. • Included within payroll and fringe benefit expense are expenses related to pension and OPEB. Payroll and fringe benefit expense decreased \$4.0 million from the prior year, primarily due to a decrease in OPEB and pension expense of \$2.7 million. A decrease in personal service and fringe benefits of \$1.3 million is due to a workforce decline of staff during the year. • NYS servicing and infrastructure expenses decreased \$.8 million or 19% as a result of decreased application service costs related to COVID pandemic activities and decreased infrastructure costs related to testing system changes for the state fiscal year 2021-2022. • Other expenses include minimal Treasury offset and borrower refunds, both of which are 100% reimbursed by the ED.	**Operating Expenses** • Outsourced vendor collections fees decreased \$4.1 million or 40% as a result of fewer collections due to COVID collections restrictions imposed by HESC. • Included within payroll and fringe benefit expense are expenses related to pension and OPEB. Payroll and fringe benefit expense increased \$4.6 million from the prior year, primarily due to an increase in OPEB and pension expense of \$8.0 million. A decrease in personal service and fringe benefits of \$3.4 million is due to a workforce decline of staff during the year. • NYS servicing and infrastructure expenses increased \$1.3 million or 49% as a result of increased application service costs related to COVID pandemic activities and increased infrastructure costs related to testing system changes as well as increased rates for the state fiscal year 2020-2021. • Other expenses include \$1.7 million in Treasury offset and borrower refunds, both of which are 100% reimbursed by the ED.

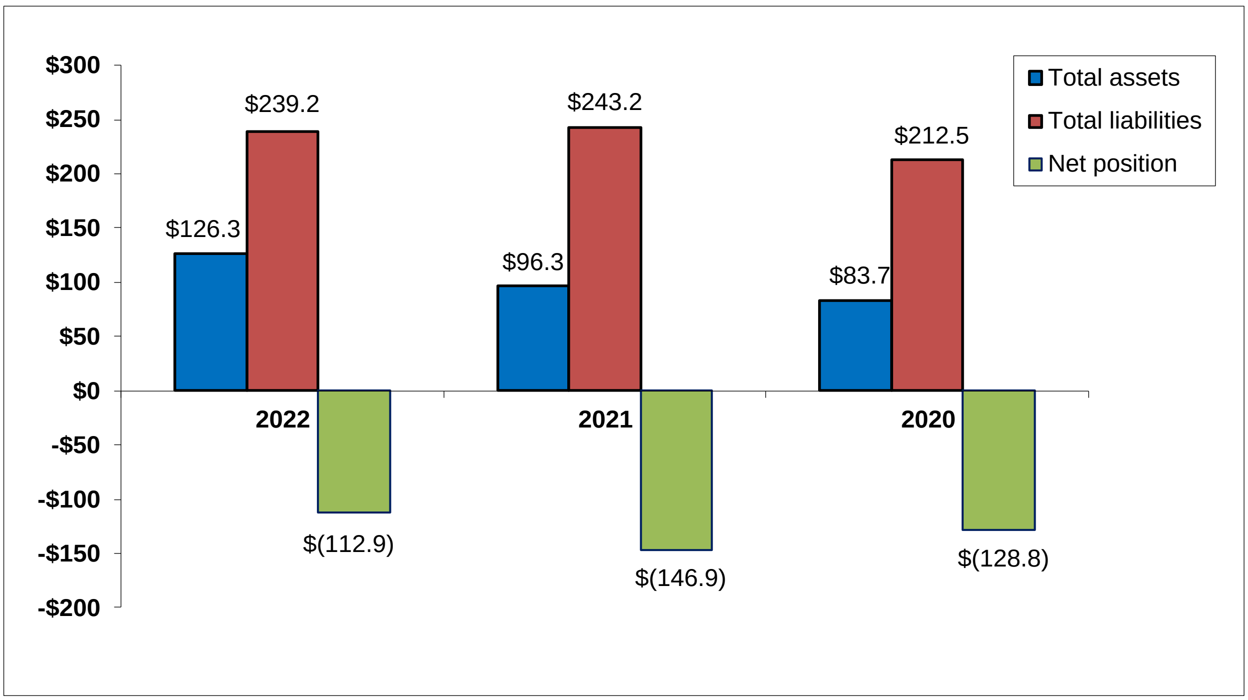
(Continued)

Nonoperating Expense Highlights for fiscal year ending March 31

2022	2021
Nonoperating Expenses • Grant and Scholarships program expense decreased \$0.5 million in 2021-2022. Personal service costs increased \$1.3 million as a result of staff being reassigned from the FFELP program to assist the Grant and Scholarships area while the FFELP collection activity was on pause for COVID. The NYS Servicing costs decreased \$2.6 million as a result of reduced application services costs. In addition, consultant costs increased during the state fiscal year. • Federal grant expense of \$0.8 million represents payments to grantees which are 100% reimbursed by the Federal Grant. HESC paid administrative expenses of \$0.5 million in 2021-2022, which is 55% lower than the prior year. Federal grant payments to subrecipients declined to \$0.3 million in 2021-2022.	**Nonoperating Expenses** • Grant and Scholarships program expense decreased \$1.4 million in 2020-2021. Personal service costs increased \$1.0 million as a result of staff being reassigned from the FFELP program to assist the Grant and Scholarships area while the FFELP collection activity was on pause for COVID. The NYS Servicing costs decreased \$2.2 million as a result of reduced application services costs and OCFS charges. In addition, temporary service costs decreased during the state fiscal year. • Federal grant expense of \$1.6 million represents payments to grantees which are 100% reimbursed by the Federal Grant. HESC paid administrative expenses of \$0.3 million in 2020-2021, which is 37% lower than the prior year. Federal grant payments to subrecipients declined to \$1.4 million in 2020-2021.

Operating Fund Assets, Liabilities, Deferred Inflows and Outflows and Net Position

(Dollar in millions)



The negative net position is due to the long-term liability associated with the postemployment benefit obligation.

Operating Fund Assets, Liabilities, Deferred Inflows and Outflows and Net Position

(Dollar in millions)

2022

Assets

- Total operating fund assets are primarily current assets, consisting of cash and cash equivalents and receivables due from ED.
- Total current assets increased $34.2 million due to an increase in cash and due from ED of $37.2 offset by a net decrease in prepaid expenses and interfund receivable of $3.0 million.

Liabilities

- Total current liabilities increased $0.2 million as a result of an increase collections payable to the Federal Fund offset by a decrease in the amount payable to borrowers for refunds.
- Noncurrent liabilities decreased $35.7 million, as a result of a $28.1 million decrease in OPEB payable, as well as a decrease in net pension liability of $7.5 million.

2021

Assets

- Total operating fund assets are primarily current assets, consisting of cash and cash equivalents and receivables due from ED.
- Total current assets decreased $12.1 million due to an increase in interfund balances and prepaid expenses of $5.3 offset by a net decrease in cash from operations of $17.4 million.

Liabilities

- Total current liabilities increased $2.0 million as a result of increased ITS liability outstanding which was partially offset by a reduction in vendor commissions payable due to COVID restrictions on collection activity.
- Noncurrent liabilities increased $34.1 million, due to an increase in the OPEB obligation and an increase in the net pension liability. The increase in OPEB was primarily due to a decrease in the discount rate. The increase in net pension liability is consistent with a decrease in the Plan's overall funded status and decreased investment returns.

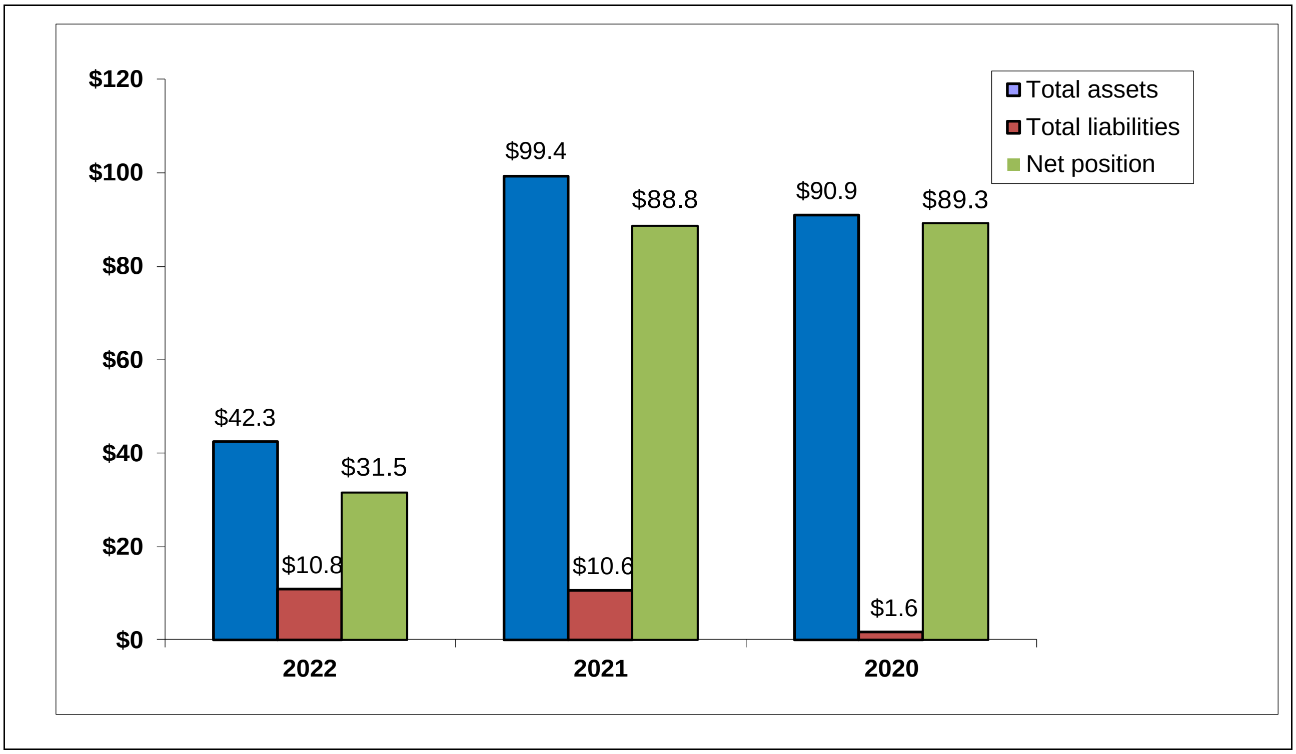
Operating Fund Assets, Liabilities, Deferred Inflows and Outflows and Net Position

(Dollar in millions)

2022	2021
Deferred Outflows and Inflows of Resources	**Deferred Outflows and Inflows of Resources**
• Deferred outflows of resources for payments related to pensions and OPEB subsequent to the associated measurement date decreased $4.0 million in 2021-2022, deferred inflows of resources increased $33.5 million in 2021-2022.	• Deferred outflows of resources for payments related to pensions and OPEB subsequent to the associated measurement date increased $24.6 million in 2020-2021, deferred inflows of resources decreased $5.5 million in 2020-2021.
Net Position	**Net Position**
• Net position increased $34.1 million in 2021-2022.	• Net position decreased $18.2 million in 2020-2021.

The Federal Student Loan Reserve Fund (Federal Fund)

(Dollar in millions)



The Federal Fund assets are owned by ED and have restricted use, primarily to reimburse lender claims for defaulted student loans.

2022	2021
Assets	**Assets**
• Cash and cash equivalents decreased \$57.5 million in 2021-2022 as a result of a net loss from operating related activities of \$57.7 million due to transfer to the Agency Operating Fund for COVID related collection reimbursements. • Noncurrent assets decreased \$0.08 million as a result of decreased default aversion fee revenue and estimated future returns.	• Cash and cash equivalents decreased \$3.2 million in 2020-2021 as a result of a net loss from operations of \$3.4 million due to an increase in reinsurance receivable of \$6.0 million and additional receivables reported related to COVID related collection reimbursements. • Noncurrent assets decreased \$0.6 million as a result of increased default aversion fee revenue and estimated future returns.
Liabilities	**Liabilities**
• HESC's current liabilities for the fiscal year 2021–2022 represent amounts due to HESC for collection related activities, including estimates due as a result of Federal requirements regarding refunding involuntary payments borrowers made since March 13, 2020.	• HESC's current liabilities for the fiscal year 2020–2021 represent amounts due to HESC for collection related activities, including estimates due as a result of Federal requirements regarding refunding involuntary payments borrowers made since March 13, 2020.
Net Position	**Net Position**
• Net position decreased \$57.2 million in 2021-2022 as a result of transfers to the Agency Operating Fund and reduced revenue as a result Federally implemented COVID related requirements.	• Net position decreased \$0.45 million in 2020-2021 as a result of additional receivables and as a result Federally implemented COVID related requirements.

Significant Known Facts, Decisions and Conditions

The Operating Fund will continue to support the operational expenses of the Grant and Scholarships Programs during fiscal year ended March 31, 2023.

(Continued)

ED, Federal Student Aid, issued a Dear Colleague Letter (DCL) dated May 10, 2021, extending the student loan pause through December 31, 2022. The DCL outlined actions Guaranty Agencies must implement to provide parity to all Federally guaranteed loans. The letter does provide Guaranty Agencies avenues to recuperate lost revenue caused by COVID and the DCL. HESC has implemented a method to recapture lost revenue and has drawn funds from the Federal Fund as allowed by ED, these transfers are included in these statements.

HESC provided notification to ED on December 1, 2021 of its intent to exit the FFELP. On June 2, 2022, ED designated the Trellis Company as HESC's successor Guaranty Agency. ED staff will be involved in all aspects of the transfer of HESC's pre-default and default portfolios through its completion.

Contacting Financial Management

This financial report is designed to provide our customers, business partners and creditors with a general overview of HESC's finances, including the Guaranteed Student Loan Programs, finances. For detailed information regarding the Federal Family Education Loan Program, you may also review our annual report on the web at www.hesc.ny.gov.

Questions about this report can be directed to Warren Wallin at (518) 486-7443 or Warren.Wallin@hesc.ny.gov.

THE NEW YORK STATE HIGHER EDUCATION SERVICES CORPORATION

(A Component Unit of the State of New York)

Statements of Net Position

March 31, 2022 and 2021

	2022			2021		
Assets and Deferred Outflows of Resources	**Operating fund**	**Federal fund**	**Total**	**Operating fund**	**Federal fund**	**Total**
Current assets:						
Cash and cash equivalents (note 4)	$ 82,814,118	26,214,679	109,028,797	52,366,007	83,672,789	136,038,796
Receivables due from U.S. Department of Education:						
Administrative fees (note 5)	1,017,277	—	1,017,277	1,183,644	—	1,183,644
Reinsurance	—	15,302,670	15,302,670	—	8,918,434	8,918,434
Interfund balances (note 6)	10,765,257	550,448	11,315,705	4,140,847	—	4,140,847
Prepaid expenses and other assets	1,009,681	4,495	1,014,176	2,995,576	6,377	3,001,953
Due from Federal Government	214,146	—	214,146	1,121,684	6,476,965	7,598,649
Total current assets	95,820,479	42,072,292	137,892,771	61,807,758	99,074,565	160,882,323
Noncurrent assets:						
Interfund default aversion fee allowance (note 5)	—	271,526	271,526	—	355,543	355,543
Capital assets, net	1,588	—	1,588	6,353	—	6,353
Total noncurrent assets	1,588	271,526	273,114	6,353	355,543	361,896
Total assets	95,822,067	42,343,818	138,165,885	61,814,111	99,430,108	161,244,219
Deferred outflows of resources related to pension and other postemployment benefit obligations (notes 8 and 9)	30,496,757	—	30,496,757	34,449,351	—	34,449,351
Total assets and deferred outflows of resources	$ 126,318,824	42,343,818	168,662,642	96,263,462	99,430,108	195,693,570
Liabilities, Deferred Inflows of Resources and Net Position						
Current liabilities:						
Accounts payable and accrued liabilities	$ 9,100,714	145	9,100,859	10,187,392	6,477,103	16,664,495
Interfund balances (note 6)	550,448	10,765,257	11,315,705	—	4,140,847	4,140,847
Other payable - refunds due to borrowers	—	—	—	1,233,708	—	1,233,708
Total current liabilities	9,651,162	10,765,402	20,416,564	11,421,100	10,617,950	22,039,050
Noncurrent liabilities:						
OPEB payable (note 9)	183,714,128	—	183,714,128	211,871,821	—	211,871,821
Net pension liability (note 8)	25,824	—	25,824	7,515,835	—	7,515,835
Interfund default aversion fee allowance (note 5)	271,526	—	271,526	355,543	—	355,543
Total noncurrent liabilities	184,011,478	—	184,011,478	219,743,199	—	219,743,199
Total liabilities	193,662,640	10,765,402	204,428,042	231,164,299	10,617,950	241,782,249
Deferred inflows of resources related to pension and other postemployment benefit obligations (notes 8 and 9)	45,550,143	—	45,550,143	12,046,341	—	12,046,341
Total liabilities and deferred inflows of resources	239,212,783	10,765,402	249,978,185	243,210,640	10,617,950	253,828,590
Net position:						
Invested in capital assets	1,588	—	1,588	6,353	—	6,353
Restricted (notes 2(c) and 9)	(112,895,547)	31,578,416	(81,317,131)	(146,953,531)	88,812,158	(58,141,373)
Total net position	(112,893,959)	31,578,416	(81,315,543)	(146,947,178)	88,812,158	(58,135,020)
Total liabilities, deferred inflows of resources and net position	$ 126,318,824	42,343,818	168,662,642	96,263,462	99,430,108	195,693,570

See accompanying notes to financial statements.

THE NEW YORK STATE HIGHER EDUCATION SERVICES CORPORATION
(A Component Unit of the State of New York)

Statements of Revenue, Expenses, and Changes in Net Position

Years ended March 31, 2022 and 2021

	2022			2021		
	Operating fund	Federal fund	Total	Operating fund	Federal fund	Total
Operating revenues:						
Defaulted loan collections, net (note 2(e))	$ (897,831)	8,353,194	7,455,363	17,779,324	61,932,397	79,711,721
Administrative and program fee income (note 5)	4,264,389	—	4,264,389	5,568,375	—	5,568,375
Reimbursement on purchases of default loans from lenders (note 2(f))	—	158,249,023	158,249,023	—	173,078,340	173,078,340
Default aversion fee subsidy	—	79,416	79,416	—	—	—
Other revenue	63,102,654	4,175,953	67,278,607	5,815,782	6,476,965	12,292,747
Total operating revenues	66,469,212	170,857,586	237,326,798	29,163,481	241,487,702	270,651,183
Operating expenses:						
Salaries and employee benefits	9,707,473	—	9,707,473	13,715,642	—	13,715,642
General and administrative	2,859,696	—	2,859,696	3,584,882	—	3,584,882
Collection vendors	448,821	—	448,821	6,215,035	—	6,215,035
NYS servicing	2,430,447	—	2,430,447	2,954,272	—	2,954,272
NYS Information Technology Services infrastructure	887,748	—	887,748	1,151,968	—	1,151,968
Purchases of default loans from lenders (note 2(f))	—	157,990,415	157,990,415	—	173,014,942	173,014,942
Defaulted loan collections paid to U.S. Department of Education (note 2(e))	—	8,290,776	8,290,776	—	60,779,682	60,779,682
Default aversion fee subsidy	—	—	—	—	593,280	593,280
Depreciation	4,765	—	4,765	7,941	—	7,941
Other expense	8,912	61,864,961	61,873,873	1,657,303	7,714,072	9,371,375
Total operating expenses	16,347,862	228,146,152	244,494,014	29,287,043	242,101,976	271,389,019
Operating Income (loss)	50,121,350	(57,288,566)	(7,167,216)	(123,562)	(614,274)	(737,836)
Nonoperating revenues (expenses):						
Interest income	62,194	54,824	117,018	132,068	163,515	295,583
Federal grant revenue	762,175	—	762,175	1,634,124	—	1,634,124
Federal grant administrative expenses	(1,278,994)	—	(1,278,994)	(1,967,834)	—	(1,967,834)
New York State initiatives (note 7)	(15,613,506)	—	(15,613,506)	(17,855,870)	—	(17,855,870)
Total nonoperating (expenses) revenues	(16,068,131)	54,824	(16,013,307)	(18,057,512)	163,515	(17,893,997)
(Decrease) increase in net position	34,053,219	(57,233,742)	(23,180,523)	(18,181,074)	(450,759)	(18,631,833)
Net position, beginning	(146,947,178)	88,812,158	(58,135,020)	(128,766,104)	89,262,917	(39,503,187)
Net position, ending	$ (112,893,959)	31,578,416	(81,315,543)	(146,947,178)	88,812,158	(58,135,020)

See accompanying notes to financial statements.

THE NEW YORK STATE HIGHER EDUCATION SERVICES CORPORATION

(A Component Unit of the State of New York)

Statements of Cash Flows

Years ended March 31, 2022 and 2021

	2022			2021		
	Operating fund	**Federal fund**	**Total**	**Operating fund**	**Federal fund**	**Total**
Cash flows from operating activities:						
Receipts from:						
Collections	$ 3,448,652	6,135,897	9,584,549	14,481,457	63,173,243	77,654,700
Administrative fees	4,334,088	—	4,334,088	5,042,278	—	5,042,278
Other sources	55,405,379	10,652,596	66,057,975	1,658,868	—	1,658,868
Reimbursement on purchases of default loan from lenders	—	151,852,581	151,852,581	—	167,142,806	167,142,806
Federal default aversion fee income	—	176,085	176,085	—	94,371	94,371
Payments for:						
Salaries and employee benefits	(8,156,127)		(8,156,127)	(9,724,839)	—	(9,724,839)
Purchases of default loans from lenders	—	(157,990,415)	(157,990,415)	—	(173,014,942)	(173,014,942)
Collections paid to U.S. Department of Education	—	—	—	—	(59,634,679)	(59,634,679)
General, administrative and other expenses	(8,229,364)	(68,341,584)	(76,570,948)	(13,980,004)	(1,237,106)	(15,217,110)
Net cash provided by (used in) operating activities	46,802,628	(57,514,840)	(10,712,212)	(2,522,240)	(3,476,307)	(5,998,547)
Cash flows from noncapital financing activities:						
Payments to NYS – other student aid activities	(16,486,796)	—	(16,486,796)	(15,109,309)	—	(15,109,309)
Net cash used in noncapital financing activities	(16,486,796)	—	(16,486,796)	(15,109,309)	—	(15,109,309)
Cash flows from investing activities:						
Interest received	132,279	56,728	189,007	210,604	246,470	457,074
Net cash provided by investing activities	132,279	56,728	189,007	210,604	246,470	457,074
Increase (decrease) in cash and cash equivalents	30,448,111	(57,458,112)	(27,010,001)	(17,420,945)	(3,229,837)	(20,650,782)
Cash and cash equivalents, beginning	52,366,007	83,672,791	136,038,798	69,786,952	86,902,626	156,689,578
Cash and cash equivalents, ending	$ 82,814,118	26,214,679	109,028,797	52,366,007	83,672,789	136,038,796
Reconciliation of operating income to net cash provided by operating activities:						
Operating income (loss)	$ 50,121,350	(57,288,566)	(7,167,216)	(123,562)	(614,274)	(737,836)
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:						
Depreciation	4,765	—	4,765	7,941	—	7,941
Change in assets and liabilities that provided (used) cash:						
Receivables from U.S. Department of Education	166,367	(6,934,706)	(6,768,339)	161,553	(6,024,238)	(5,862,685)
Due from Federal Fund	907,538	6,624,410	7,531,948	(131,738)	(6,476,965)	(6,608,703)
Other assets	1,915,812	—	1,915,812	(2,878,577)	—	(2,878,577)
Interfund balances	(6,242,037)	—	(6,242,037)	(2,542,176)	2,542,176	—
Accounts payable and accrued liabilities and other liabilities	(1,795,842)	5	(1,795,837)	(1,012,903)	6,476,965	5,464,062
Allowance for default aversion refunds	(84,017)	84,017	—	(620,029)	620,029	—
Net pension liability, net of deferred outflows of resources, deferred inflows of resources, and pension contribution payable	(662,438)	—	(662,438)	(8,988)	—	(8,988)
OPEB liability, net of deferred outflows of resources, and deferred inflows of resources	2,471,130	—	2,471,130	4,626,239	—	4,626,239
Total adjustments	(3,318,722)	(226,274)	(3,544,996)	(2,398,678)	(2,862,033)	(5,260,711)
Net cash provided by (used in)operating activities	$ 46,802,628	(57,514,840)	(10,712,212)	(2,522,240)	(3,476,307)	(5,998,547)

See accompanying notes to financial statements.

(1) Organization and Operations

New York State Higher Education Services Corporation (HESC) is an agency of New York State (the State) created in 1974 under Chapter 942 of the Laws of 1974 and is responsible for the administration of the State's student financial aid programs, including the Federal Family Education Loan Program (FFELP) and State guaranteed loan program.

FFELP was established by Congress and is administered by the U.S. Department of Education (ED) through HESC and other guaranty agencies. As a guaranty agency, HESC made loans available through lending institutions to students attending colleges, universities, and postsecondary educational and vocational schools. FFELP allows HESC to guarantee repayment of principal and accrued interest to lenders for eligible student loans. HESC has the responsibility of providing collection assistance to lenders for delinquent loans, paying lender claims for loans in default, and performing certain collection activities on loans after purchase by HESC. In addition to FFELP, the Guaranteed Student Loan Programs include the residual activity of the State guaranteed loan program under which no new loans have been guaranteed since 1984.

On March 30, 2010, the President signed into law H.R. 4872 – The Health Care and Education Reconciliation Act of 2010 (HCERA), which terminated new loan originations in FFELP on June 30, 2010. Effective July 1, 2010, all new Stafford, PLUS or consolidated loans are originated under the U.S. Department of Education Direct Loan Program. Existing FFELP loans will continue to be eligible for program benefits. The Guaranteed Student Loan Programs' Operating Fund and Federal Fund of HESC continue to administer its existing FFELP portfolio of both active and defaulted student loans.

The accompanying financial statements reflect the Operating Fund and Federal Fund of the Guaranteed Student Loan Programs of HESC, which are reported as major enterprise funds. The Federal Fund assets, and earnings on those assets, are restricted in use and are property of the ED. The Operating Fund is property of HESC and its assets and earnings are restricted in use for student financial aid related activities as required by the Higher Education Amendments of 1998.

HESC provided notification to ED on December 1, 2021 of its intent to exit the FFELP. On June 2, 2022, ED designated the Trellis Company as HESC's successor Guaranty Agency (GA). ED staff will be involved in all aspects of the transfer of HESC's pre-default and default portfolios through its completion.

HESC also administers the Tuition Assistance Program and State Scholarship Programs for the State. These are programs under which students apply for payments to attend eligible educational institutions based on family income and/or academic achievement. In addition, HESC partners with colleges, universities, school districts and other educational organizations in administering the Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) federal grant which is designed to increase the number of low income students who are prepared to enter and succeed in postsecondary education. These activities are included in the Operating Fund's nonoperating revenue and expenses.

(2) Significant Accounting Policies

(a) Basis of Accounting

Theses financial statements are prepared under U.S. generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB). The Guaranteed Student Loan Programs' Operating Fund and Federal Fund each follow fund accounting under which resources are classified for accounting and reporting purposes into funds established according to their purpose. The Federal Fund finances FFELP insurance activities, while the Operating Fund accounts for substantially all FFELP operational costs, the administrative expenses related to NYS Grant and Scholarships, as well as financial aid awareness and related outreach activities. The two funds together constitute the Guaranteed Student Loan Programs and are accounted for as business-type activities using the flow of economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the cost is incurred regardless of the timing of the related cash flow.

(b) Cash and Cash Equivalents

Cash and cash equivalents are liquid assets with original maturities of 90 days or less, consisting of United States Treasury and New York State bonds and notes, which are carried at amortized cost. Investment income represents interest on deposits.

(c) Net Position

HESC's net position is classified in the following categories: invested in capital assets, consisting of capital assets, net of accumulated depreciation; restricted – property of ED, consisting of restricted assets reduced by related liabilities belonging to the ED; and restricted – for student aid related activities, consisting of assets reduced by related liabilities that are not classified as invested in capital assets or restricted – property of ED.

(d) Operating Revenues and Expenses

Operating revenues and expenses, prior to the CARES Act, result generally from activities associated with FFELP, including collection on defaulted loans, default prevention, and default loan purchase activities. All revenues and expenses not derived from the administration of FFELP are reported as nonoperating revenues and expenses.

The implementation of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) eliminated a source of revenue for FFELP GA's. ED issued a Dear Colleague Letter (DCL Gen 210-03) on May 24, 2021 outlining actions to be taken by Guaranty Agencies' in regards to implementing the relief for borrowers. In addition, the DCL authorized GA's to reimburse themselves for lost revenue on a quarterly basis based on a method derived by the GA. HESC's lost revenue calculation is based on a three year average of recoveries as percent of the outstanding collectible portfolio. HESC has submitted to ED the revenue recuperation amounts through December 2021 as of March 31, 2022. During the fiscal years ended March 31, 2022, HESC recognized $63.1 million under this method, of which $10.7 million was a due to be paid as of March 31, 2022 for the final quarter of fiscal 2022. The revenue is included in other revenue in the financial statements.

(e) *Collections on Defaulted Loans*

HESC management is required by Federal statutes to pursue collections on loans upon default claim payment. Collections on defaulted loans and related complements are recorded at the time such collections are received. The Operating Fund retains 16% of borrower payments and rehabilitation collections and 10% of principal and interest at the time of consolidation.

(f) *Purchase of Defaulted Federal Loans*

Purchases of defaulted loans and amounts repurchased by lenders are recorded as Federal Fund activity. FFELP claims are paid to lenders and servicers at 100%, 98% or 97% of the claim value date of original loan disbursement. As of March 2022, HESC was processing claims for 7 servicers and 1 lender.

The reinsurance reimbursement results in a net reduction to the Federal Fund for default purchases completed prior to December 1, 2015, due to reduced reinsurance rates of 98% and 95% as a result of various amendments to the Higher Education Act. The Higher Education Act was amended effective December 1, 2015 to repeal the reduced reinsurance rates for Guaranty Agencies. As a result of the amendment, all claims are now reimbursed at 100%.

(g) *Income Taxes*

HESC is a component unit of the State of New York and is generally exempt from Federal, State, and local income taxes.

(h) *Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting periods. Management estimates include default aversion fee refunds, collection refunds required by DCL, net pension liability, the liability for other postemployment benefits, and certain accrued expenses. Actual results could differ from those estimates.

(i) *Risks and Uncertainties*

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID) a global pandemic. On March 20, 2020, the Federal government suspended the requirement to make student loan borrower payments and interest accruals for borrowers in the Federal Direct Loan Program. In addition, on March 23, 2020, HESC followed the direction of the Federal Direct Loan Program and suspended collection activity and ceased accruing interest on borrower accounts since that time. As a result, HESC experienced a decline in overall collections revenue and corresponding expenses. In August 2022, the suspension of collection activity was extended through December 31, 2022.

(3) Guaranteed Loans Outstanding and Respective Unpaid Balances

As of March 31, 2022 and 2021, the Federal Fund was the guarantor of loans outstanding with original principal amounts of approximately $6,854,000,000 and $7,938,000,000, respectively, made to students by participating lending institutions. A substantial portion of that amount is guaranteed by ED, with an amount representing less than 1% guaranteed by the State. At March 31, 2022 and 2021, the unpaid balances were approximately $5,254,000,000 and $6,056,000,000, respectively.

HESC's management anticipates that a certain portion of the loans outstanding will go into default status, requiring the Federal Fund to purchase loans from lenders. The majority of these loans are federally guaranteed, and therefore the Federal Fund will be reimbursed by ED.

(4) Cash and Cash Equivalents

Cash equivalents are short-term investments with original maturities of three months or less when purchased. Federal Fund amounts are restricted in use and are property of ED. HESC actively manages the investment of its cash balances to minimize its noninterest earning funds. Cash balances in an administrative account in the Operating Fund and Federal Fund are invested in the New York State Comptroller's short-term investment pool and are recorded at amortized cost. These cash balances are available to HESC upon demand.

Custodial credit risk for cash and cash equivalents is the risk that in the event of the failure of the counterparty to a transaction, HESC will not be able to recover the value of cash and cash equivalents that are in the possession of an outside party. To manage custodial credit risk on deposits, HESC requires that its depository banks pledge collateral based on available bank balances. Additionally, HESC's investment policy limits the amount of funds which may be invested at any given financial institution to $125 million.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a cash equivalent. HESC's policy for managing this risk is to hold cash equivalents to maturity, at which time the fair value of the investment is equal to its stated maturity value.

Fair Value

GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72), establishes a three-level valuation hierarchy for fair value measurements. This valuation hierarchy is based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions and other inputs subject to management judgment.

HESC's investment in the short-term investment pool is measured at fair value as of March 31, 2022 and 2021, which approximates cost. These investments are considered level 1 under GASB 72 valuation.

Cash and cash equivalents at March 31 were as follows:

		2022	2021
Operating Fund:			
Cash in State Comptroller's short-term investment pool	$	80,820,402	51,644,251
Cash in bank		1,993,716	721,756
Total Operating Fund cash and cash equivalents	$	82,814,118	52,366,007
Federal Fund:			
Cash in State Comptroller's short-term investment pool	$	17,784,417	79,090,097
Cash in bank		8,430,262	4,582,692
Total Federal Fund cash and cash equivalents	$	26,214,679	83,672,789

(5) Operating Administrative Fees

The 1998 Higher Education Act Amendments established two fees recorded in the Operating Fund for administering the loan program on behalf of the Federal Government based on performance as a guaranty agency.

A Default Aversion Fee is recognized for default aversion activities on delinquent loans at the time the lenders request aversion assistance between the 60th and 120th days of a borrower's delinquency. A fee of 1% of principal and interest on the loan may be charged to the Federal Fund at the time the guaranty agency receives a request from a lender for preclaim assistance. However, the fee must be refunded by the Operating Fund to the Federal Fund in the event the loan is later paid as a default claim. Accordingly, an estimate of default aversion fee refunds of $271,526 and $355,543 at March 31, 2022 and 2021, respectively, is reported as a liability in the Operating Fund and a receivable in the Federal Fund. The net default aversion fee is transferred between the Federal Fund and the Operating Fund on a monthly basis.

An Account Maintenance Fee is calculated on the original principal amount of loans outstanding at a rate of 0.06%. This fee is paid to the Operating Fund either directly by ED or as an authorized transfer from the Federal Fund on a quarterly basis.

For the years ended March 31, 2022 and 2021, the administrative fees receivable from ED consisted of the following:

		2022	2021
Operating Fund:			
Account maintenance fee receivable	$	1,017,277	1,183,644

For the years ended March 31, 2022 and 2021, administrative fee income is as follows:

		2022	2021
Operating Fund:			
Default aversion fee subsidy, net of estimated refunds	$	(79,416)	593,280
Account maintenance fee		4,343,805	4,975,095
Total administrative and program fee income	$	4,264,389	5,568,375

Gross default aversion fee income for the years ended March 31, 2022 and 2021, was $374,189 and $496,399, respectively. The estimated reserve for default aversion fee refunds is netted against default aversion fee income. In 2022 and 2021, the default aversion fee allowance estimate adjustment was $453,506 and $(96,881), respectively. The estimate of the refunds is based on the four year average change in actual refunds applied to current year refunds. As the portfolio ages without new loans being added the refunds are exceeding revenue as revenue declines.

(6) Interfund Balances

Interfund balances are monies due to and/or due from the Federal Fund to the Operating Fund and includes collection transfer balances and default aversion fees pending transfer. A daily transfer to each fund is made based on an estimate of ED's equitable share of daily collections. A final settlement for the actual amount of collections due to the Federal Fund is made at month end.

At March 31, 2022, the Operating Fund had a net interfund receivable balance of $10,214,809 consisting of a payable to the Federal Fund for overpayment of collections for the month of $550,448, a receivable from the Federal Fund for collection recoveries as outlined in the CARES Act of $10,914,115, amounts due to borrowers which will be reimbursed in the amount of $168,076 and an interfund default aversion receivable of $19,218. At March 31, 2021, the Operating Fund had a net interfund receivable balance of $4,140,847 consisting of a receivable from the Federal Fund for overpayment of collections for the month of $2,900,571, an interfund default aversion receivable of $6,568 and an interfund receivable for involuntary payment refunds of $1,233,708.

(7) New York State Initiatives

The New York State budget required the Operating Fund to pay the operational expenses related to the administration of the State's Grant and Scholarships programs, which amounted to $15,361,384 and $15,894,965 in the years ended March 31, 2022 and 2021, respectively.

In state fiscal year ended March 31, 2022, HESC incurred $278,565 of COVID related expenses which is to be reimbursed from the State of New York. In state fiscal year ended March 2021, HESC incurred $1,908,865 of COVID related expenses which is to be reimbursed from the State of New York.

In the year ended March 31, 2022, HESC's Operating Fund received final reimbursement of $43,286, for the NYHELPs program which closed in March 2021. In the year ended March 31, 2021, HESC incurred expenses of $33,277, for costs associated with administering the New York Higher Education Loan Program (NYHELPs).

HESC's Operating Fund incurred costs for the administration of the college savings program during state fiscal years ended March 31, 2022 and 2021 in the amounts of $16,844 and $18,763, respectively.

The activities of these State programs are included in the accompanying financial statements as nonoperating activities.

(8) Retirement Plan

(a) General Information

Substantially all employees working for the HESC and its Guaranteed Student Loan Programs are members of the New York State Employees' Retirement System (the System), a defined-benefit cost-sharing, multiple-employer public employee retirement system. The net position of the System is held in the New York State Common Retirement Fund (Fund), which was established to hold all net assets and recorded changes in fiduciary net position allocated to the System. System benefits and required contributions are established under the provisions of the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the State Comptroller serves as sole trustee and administrative head of the System. The Comptroller promulgates rules and regulations for the administration and transaction of the business of the System and for the custody and control of its monies. The System offers a range of programs and benefits that vary based on the date of membership, years of credited service and final average salary, vesting of retirement benefits, disability benefits and optional methods of benefit payments. Once a public employer elects to participate in the System, the election is irrevocable. The System issues a publicly available financial report that includes financial statements and required supplementary information which may be obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, New York 12236, or www.osc.state.ny.us/retire/publications/index.php.

(b) Plan Benefits

The System provides retirement benefits as well as death and disability benefits. All benefits vest after five years of accredited service. Retirement benefits and contributory requirements depend upon the point in time at which an employee last joined the System. Most members of the System who joined before July 27, 1976 are enrolled in a noncontributory plan. The Operating Fund contributes the entire amount determined to be payable to the System for these employees. Personnel who joined the System after July 27, 1976 are required by law to contribute some percentage of their gross salary for the first ten years of employment based upon the System's tier concept of distinct classes of membership. The Operating Fund contributes the balance payable to the System for these employees.

The System uses a tier concept to distinguish these groups, as follows:

Tier 1 Those persons who last became members before July 1, 1973.

Tier 2 Those persons who last became members on or after July 1, 1973, but before July 27, 1976.

Tier 3 Generally, those persons who are State correction officers who last became members on or after July 27, 1976, but before January 1, 2010, and all others who last became members on or after July 27, 1976, but before September 1, 1983.

Tier 4 Generally, except for correction officers, those persons who last became members on or after September 1, 1983, but before January 1, 2010.

Tier 5 Those persons who last became members on or after January 1, 2010, but before April 1, 2012.

Tier 6 Those persons who first became members on or after April 1, 2012.

Generally, members of the System must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Full benefits may be collected at age 55 for Tier 1 members. Members of Tiers 2, 3 and 4 must generally have five years of service to be eligible to collect a retirement benefit. The full benefit age for members of Tiers 2, 3 and 4 is 62. Tier 5 members must have ten years of service to be eligible to collect a retirement benefit. The full benefit age for Tier 5 members is 62. Tier 6 members must have ten years of service to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63. A member with less than five years of service may withdraw and obtain a refund, including interest, of the accumulated employee contributions. Members who joined the System prior to January 1, 2010 generally need five years of service to be 100% vested. Members who joined on or after January 1, 2010 need 10 years of service credit to be 100% vested.

Typically, the benefit for members in all Tiers within the System is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If a Tier 1 or 2 member retires with 20 or more years of service, the benefit is 2% of final average salary for each year of service. If a Tier 3, 4 or 5 member retires with between 20 and 30 years of service, the benefit is 2% of final average salary for each year of service. If a Tier 3, 4 or 5 member retires with more than 30 years of service, an additional benefit of 1.5% of final average salary is applied for each year of service over 30 years. Final average salary for Tiers 1 through 5 is the average of the wages earned in the three highest consecutive years of employment. Each year used in the final average salary calculation is limited to no more than 20% of the previous year (Tier 1) or no more than 20% of the average of the previous two years (Tier 2). For Tier 3, 4 and 5 members, each year used in the final average salary calculation is limited to no more than 10% greater than the average of the previous two years. The benefit for Tier 6 members who retire with 20 years of service is 1.75% of final average salary for each year of service. If a Tier 6 member retires with more than 20 years of service, an additional benefit of 2% of final average salary is applied for each year of service over 20 years. The final average salary for a Tier 6 member is computed as the average of the wages earned in the five highest consecutive years. Each year of final average salary is limited to no more than 10% of the average of the previous four years.

Permanent cost-of-living adjustment (COLA) benefits for both current and future and future retired members are provided in Section 532-a of the Education Law. This benefit will be paid commencing September of each year to retired members who have attained age 62 and have been retired for five years or who have attained age 55 and have been retired for 10 years. Disability retirees must have been retired for five years, regardless of age, to be eligible. The annual COLA percentage is equal to 50% of the increase in the consumer price index, not to exceed 3% nor be lower than 1 percent. It is applied to the first $18,000 of the annual benefit.

(c) Contributions

System funding requirements are determined by the actuary of the System. The System calculates the employer contribution using the actuarially determined rates and salaries. Participating employers are required under the RSSL to contribute to the System at an actuarially determined rate adopted annually by the Comptroller. The contribution rate for HESC, made through the application of the pension benefit rate within the New York State Fringe Benefit rate calculated by the State's Division of the Budget for the years ended March 31, 2022 and 2021 was 17.73% and 17.71%, respectively, of covered payroll.

Under Chapter 49 of the Law of 2003, the annual contribution rates are based on the value of the State's Common Retirement Fund investments as of the preceding April, with a minimum contribution of 4.5%. RSSL Chapter 57 of the Laws of 2010 authorized the State and local employers to amortize over ten years, at 5% interest, a portion of their annual bill starting in the fiscal year ended 2011. Beginning in fiscal year 2011, the State has elected to defer a portion of its required employer contribution resulting in a pension contribution payable attributable to HESC as of March 31, 2022 of $25,824, which is included in current liabilities. Beginning in fiscal year 2011, the State has elected to defer a portion of its required employer contribution resulting in a pension contribution payable attributable to HESC as of March 31, 2021 of $7,515,835, which is included in current liabilities.

(d) Pension Liability, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

HESC's proportionate share of the State's collective net pension liability was $25,824 at March 31, 2022. The liability was measured using an actuarial valuation as of April 1, 2020, with update procedures used to roll forward the total pension liability to March 31, 2021. HESC's proportionate share of the State's collective net pension liability was $7,515,835 at March 31, 2021. The liability was measured using an actuarial valuation as of April 1, 2019, with update procedures used to roll forward the total pension liability to March 31, 2020. The State's net pension liability was based on a projection of the State's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. HESC's proportionate share of the State's net pension liability is based on an allocation calculated using HESC's payroll as a percentage of the State's payroll. For purposes of determining net pension liability and other pension-related amounts, information about the fiduciary net position of the System and additions to and deductions from the System fiduciary net position have been determined on the same basis reported by the System. Benefits are recognized when due and payable. Investments are recorded at fair value.

At the measurement date of March 31, 2021, HESC's proportion of the net pension liability of the New York State Employees' Retirement System (ERS) was 0.025934%, compared to 0.028382% at March 31, 2020.

For the year ended March 31, 2022, HESC recognized an actuarially determined pension expense of $1,004,958. At March 31, 2022, HESC reported the following deferred outflows and deferred inflows of resources related to pension from the following sources:

		Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	$	315,381	—
Net difference between projected and actual investment earnings on pension plan investments		—	(7,418,170)
Changes in proportion and differences between contributions and proportionate share of contributions		48,123	(97,206)
Changes of assumptions		4,748,198	(89,552)
Contributions made subsequent to measurement date		1,667,396	—
Total	$	6,779,098	(7,604,928)

Deferred outflows of resources resulting from contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended March 31, 2023. The remaining cumulative net amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Year ending March 31:		
2022	$	—
2023		(468,458)
2024		(177,679)
2025		(417,550)
2026		(1,429,539)
Total	$	(2,493,226)

(Continued)

For the year ended March 31, 2021, HESC recognized an actuarially determined pension expense of $2,517,206. At March 31, 2021, HESC reported the following deferred outflows and deferred inflows of resources related to pension from the following sources:

		Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	$	442,337	—
Net difference between projected and actual investment earnings on pension plan investments		3,852,982	—
Changes in proportion and differences between contributions and proportionate share of contributions		10,924	(107,566)
Changes of assumptions		151,333	(130,674)
Contributions made subsequent to measurement date		1,782,407	—
Total	$	6,239,983	(238,240)

(e) Actuarial Assumptions

The total pension liability at the measurement date of March 31, 2021 was determined by using an actuarial valuation as of April 1, 2020, with update procedures used to roll forward the total pension liability to March 31, 2021. The total pension liability at the measurement date of March 31, 2020 was determined by using an actuarial valuation as of April 1, 2019, with update procedures used to roll forward the total pension liability to March 31, 2020. Actuarial methods and assumptions used in the actuarial valuations were as follows:

	2022	2021
Actuarial cost method	Entry age normal	Entry age normal
Measurement date	March 31, 2021	March 31, 2020
Inflation	2.7	2.5%
Salary scale	4.4%, indexed by service	4.2%, indexed by service
Investment rate of return, including inflation	5.9% compounded annually, net of investment expenses	6.8% compounded annually, net of investment expenses
Cost of living adjustments	1.4% annually	1.3% annually
Decrements	Based upon fiscal year 2016-2020 experience. Gender/Collar specific tables based upon fiscal year 2016 - 2020 experience.	Developed from the Plan's 2015 experience study for period April 1, 2011 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2020	Society of Actuaries Scale MP-2018

(i) Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation for the System as of April 1, 2021 are summarized below:

Asset class	Target allocation	Long-term expected real rate of return
Domestic equity	32%	4.05%
International equity	15%	6.30%
Private equity	10%	6.75%

Asset class	Target allocation	Long-term expected real rate of return
Real estate	9.0%	4.95%
Absolute return strategies/		
Opportunistic portfolio	3.0%	4.50%
Credit	4.0%	3.63%
Real assets	3.0%	5.95%
Fixed income	23.0%	—
Cash	1.0%	0.50%
	100 %	

The real rate of return is net of the long-term inflation assumption of 2.0%.

(ii) Discount Rate

The discount rate used to calculate the total pension liability was 5.9% and 6.8% for the March 31, 2021 and March 31, 2020 measurement dates respectively. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the System’s fiduciary net position was

(Continued)

projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the net pension liability of HESC calculated using the discount rate assumption, as well as what HESC's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current assumption:

		1% Decrease	Current assumption	1% Increase
2022	$	7,167,740	25,824	(6,560,694)
2021		13,793,679	7,515,835	1,733,914

(9) Other Postemployment Benefits (OPEB)

(a) General Information

As a State agency, HESC participates in the New York State Health Insurance Program (NYSHIP), which is administered by the State as a single employer defined benefit plan. The plan under the State provides certain healthcare benefits for eligible retired employees and their dependents under a single employer noncontributory healthcare plan. Article XI of the New York State Civil Service Law assigns the authority to NYSHIP to establish and amend the benefit provision of the plan and to establish maximum obligations of the plan members to contribute to the plan. The State's plan states that employees and/or their dependents become eligible for these benefits at 55 years of age when the employee has 10 years of State service. In calculating the 10 year service requirement, all of the employee's service need not be with the State, but may be a composite of State service and service in other qualified sectors. Employees with no prior State service must work a minimum of 10 years before they and their dependents are eligible for the retirement medical benefits. Eligible retirees are required to contribute to the cost of coverage for health insurance benefits, and the rates are based on the negotiated contract rates effective for single or dependent coverage at the time of retirement. NYSHIP does not issue a stand-alone financial report and NYSHIP's agent activities are included within the financial statements of the State.

During the fiscal year ended March 31, 2022 and 2021, NYSHIP provided health insurance coverage through the Empire Plan, an indemnity health insurance plan with managed care components; 8 Health Maintenance Organizations (HMOs); and through the Student Employee Health Plan (SEHP). Generally, these include hospital, medical, mental health and substance abuse benefits, and prescription drug benefits.

Substantially all of HESC's employees may become eligible for postemployment benefits if they reach retirement age while working for the State. The costs of providing postemployment benefits are shared between the State and the retired employee.

(b) Contributions

The authority under which the obligations of the plan members, employers and other contributing entities to contribute to the plan are established or may be amended can be found in Article XI, Section 167 of the Civil Service Law. Contributions are determined in accordance with Civil Service Law – Article XI, Sections 165, 165 and 167, which assigns the authority to NYSHIP to establish and amend the benefit provisions of the plans and to establish maximum obligations of the plan members to contribute. The costs of administering the plan are charged as part of the health insurance premium to all payors under the authority of Section 163.2 of Civil Service Law. A retiree is generally required to pay on a monthly basis either 12% or 16% of the health insurance premium for enrollee coverage, or either 27% or 31% of the healthcare insurance premium for dependent coverage, which is reduced by the amount of sick leave credits available at the time of retirement factored by the employee’s retirement age.

Health Care Participants	April 1, 2020	April 1, 2019
Active employees	141	151
Retirees and surviving spouses receiving benefit payments	533	528
Total participants	674	679

HESC's proportionate share of the State's total OPEB liability is based on an allocation calculated using HESC's contributions proportionate to the total contributions in the Plan. For purposes of determining HESC's total OPEB liability and other OPEB related amounts, information about the total OPEB liability have been determined on the same basis reported by the State. Benefits are recognized when due and payable.

At the measurement dates of March 31, 2021 and March 31, 2020, HESC's proportion of the Total OPEB liability of the State of New York was 0.349450% and 0.348210%, respectively.

(c) Actuarial Assumptions

HESC recognized an OPEB liability of $183.7 million and $211.9 million for its proportionate share of New York State total OPEB liability at March 31, 2022 and March 31, 2021, respectively. The OPEB liability at March 31, 2022 was measured as of March 31, 2021 and was determined by an actuarial valuation as of April 1, 2020, with update procedures used to roll forward the OPEB liability to March 31, 2021. The OPEB liability at March 31, 2021 was measured as of March 31, 2020 and was determined by an actuarial valuation as of April 1, 2019, with update procedures used to roll forward

(Continued)

the OPEB liability to March 31, 2020. The OPEB liability was calculated using the Entry Age Normal cost method. The actuarial valuations included the following actuarial assumptions:

Assumptions	2022	2021
Inflation	2.50%	2.50%
Measurement date	March 31, 2021	March 31, 2020
Mortality improvement	Society of Actuaries' Scale MP-2020	Society of Actuaries' Scale MP-2019
Discount rate	2.34%	2.84%

The discount rate is based on the Bond Buyer 20 year general obligation municipal bond index rate at March 31, 2021 and 2020 measurement dates.

The salary increase rates for Employee Retirement System (ERS) varies by years of service, starting at 8% and decreasing to 3% after 18 years of service both measurement dates.

Health care trend rates were split to reflect separate trends for pre-65 and post-65 claims. The pre-65 trend assumption begins at 5.75% and decreases to 4.50% long-term trend rate for all health care benefits after seven years. The trend assumption for post-65 begins at 5.00% and decreases to a 4.50% long-term trend rate for all health care benefits after seven years. The drug assumption begins at 7.00% and decreases to a 4.50% long-term trend rate after seven years. Additionally, a trend of 7.00% has been assumed for the employer group waiver plan benefits.

Mortality rates used in the valuation assume different pre-retirement and post-retirement mortality assumptions based on the Society of Actuaries public sector specific mortality experience tables, PUB 2010. The assumption was previously based on the experience under the New York State and Local Retirement System and the New York State Teachers' Retirement System. In order to reflect future mortality improvement, the mortality is projected generationally using the Society of Actuaries MP 2020 projection scale

In accordance with GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* the actuarial valuation of OPEB also includes the value of sick leave that will be converted to reduce the retiree's share of health insurance premiums.

(d) Annual OPEB Costs and OPEB Obligations

Changes of assumptions and other inputs include a change in the discount rate to 2.34% as of March 31, 2022 from 2.84% as of March 31, 2021. The medical trend assumption was updated based on current anticipation of future costs and projected claim costs were updated based on the recent claims experience for the Preferred Provider Organization (PPO) plans and premium rates for the Health Maintenance Organization (HMO) plans. There were no other significant changes in assumptions that will have an effect on the total OPEB liability as of March 31, 2022.

Sensitivity of total OPEB liability to changes in discount rate. The following presents HESC's proportionate share of the State's total OPEB liability as of March 31, 2022 and 2021 using the current year's discount rate, as well what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point higher and 1 percentage point lower than the current assumption:

		1% Decrease	Current rate	1% Increase
Total OPEB liability as of March 31, 2022	$	218,768,972	183,714,128	156,306,295
Total OPEB liability as of March 31, 2021		252,916,576	211,871,821	179,915,305

Sensitivity of total OPEB liability to changes in health care cost trend rates. The following presents the total OPEB liability as of March 31, 2022 and 2021, as well as what the total OPEB liability would be if calculated using healthcare cost trend rates that are 1 percentage point higher and 1 percentage point lower than the current year's rate:

		1% Decrease	Current trend rates	1% Increase
Total OPEB liability as of March 31, 2022	$	152,811,739	183,714,128	224,585,448
Total OPEB liability as of March 31, 2021		176,161,907	211,871,821	259,078,228

HESC recognized approximately $8.5 million of actuarially determined expense related to OPEB during the year ended March 31, 2022. As of March 31, 2022, HESC reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

		Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	$	1,424,614	(9,463,447)
Changes in assumptions		15,652,472	(27,823,809)
Employer contributions made subsequent to the measurement date		6,018,395	—
Proportionate share of differences		622,178	(657,959)
Total	$	23,717,659	(37,945,215)

The amount of deferred outflows of resources resulting from employer contributions made subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended March 31, 2023. The remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in future OPEB expense for the fiscal years ending March 31 as follows (amounts in millions):

Fiscal year:		
2023	$	(5,707,337)
2024		(4,461,851)
2025		(2,180,726)
2026		(4,150,037)
2027		(3,746,000)
Total	$	(20,245,951)

HESC recognized approximately $11.0 million of actuarily determined expense related to OPEB during the year ended March 31, 2021. As of March 31, 2021, HESC reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

		Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	$	1,891,924	(7,471,819)
Changes in assumptions		19,957,507	(4,197,638)
Employer contributions made subsequent to the measurement date		6,351,230	—
Proportionate share of differences		8,707	(138,644)
Total	$	28,209,368	(11,808,101)

(10) Employees' Vacation Pay Benefit

Under the terms of HESC management's personnel policies and its union agreements, vacation pay benefits may be paid upon termination up to a combined maximum of 30 days. The Operating Fund recognizes employees' vacation pay benefits when earned. The liability for employees' vacation pay benefits is $1,127,116 and $1,350,666 as of March 31, 2022 and 2021, respectively, and is recorded in accounts payable and accrued expenses in the Operating Fund.

(Continued)

(11) Deferred Compensation

The State offers its employees, including HESC employees, a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan are placed in trust for participants and their beneficiaries.

(12) Leases

HESC leases office and storage space under noncancelable operating leases effective through August 31, 2033. Total rental expense recorded in the Operating Fund for all supported programs, which includes utilities for HESC's leased office space, for the years ended March 31, 2022 and 2021, was $1,210,757 and $1,964,603, respectively.

(13) Contingencies

The Operating Fund and the Federal Fund are subject to ED oversight and audit that at times may result in program issues and potential liabilities. The issues relate to possible violations of the rules and regulations established by ED to administer the federal loan programs. Management diligently attempts to interpret the FFELP rules and regulations, and believes that its implementation of policies and procedures properly adheres to those rules and regulations, and that any resulting liabilities would not be material.

During the normal course of business, the HESC is involved in various legal proceedings and investigations, pertaining to matters relating to the Programs' operations and activities. While these proceedings and investigations may lead to a possible liability, in the opinion of HESC management, after considering all relevant facts, these possible liabilities will not in the aggregate have a material adverse effect on the financial position of the Operating Fund or Federal Fund as of March 31, 2022 and 2021, respectively. As of the financial statement issuance date, HESC was working to verify the collections process performed in relation to certain classes of student loans purchased by the agency. There is the potential for a liability resulting from the activities being performed that cannot reasonably be determined at this time. Management believes, however, that the resolution of the verification and any resulting liability will not likely materially affect the financial position or operations of HESC.

HESC is exposed to various risks of loss related to damage and destruction of assets, injuries to employees, or noncompliance with Federal requirements and other natural and other unforeseen disasters. HESC in general does not insure its buildings, contents or related risks and does not insure its assets for claims and assessments arising from bodily injury, property damages, and other perils. Unfavorable judgments, claims, or losses incurred by HESC are covered by the State on a self-insured basis. The State does have fidelity insurance on State employees.

THE NEW YORK STATE HIGHER EDUCATION SERVICES CORPORATION

(A Component Unit of the State of New York)

Required Supplementary Information

Schedule of Employer Contributions – New York State and Local Employees' Retirement System Pension Plan (Unaudited)

March 31, 2022

		2022	2021	2020	2019	2018	2017	2016
Contractually determined contribution	$	1,139,252	1,125,581	1,280,249	1,434,583	1,601,962	1,669,723	2,007,242
Contributions in relation to the contractually required contribution		1,667,396	1,782,407	1,606,417	2,318,184	2,553,882	2,096,423	2,263,283
Contribution excess	$	(528,144)	(656,826)	(326,168)	(883,601)	(951,920)	(426,700)	(256,041)
Covered payroll	$	9,231,162	10,093,803	10,295,891	12,126,914	13,485,270	14,190,287	15,157,162
Contributions as a percentage of covered payroll		12.34%	17.66%	15.60%	11.83%	11.88%	11.77%	13.24%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

THE NEW YORK STATE HIGHER EDUCATION SERVICES CORPORATION
(A Component Unit of the State of New York)

Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability – New York State and Local Employees' Retirement System Pension Plan (Unaudited)

March 31, 2022

		2022	2021	2020	2019	2018	2017	2016
HESC's proportionate share of the net pension liability		0.025934%	0.028382%	0.034534%	0.038228%	0.042281%	0.044732%	0.048820%
HESC's proportionate share of the net pension liability	$	25,824	7,515,835	2,446,843	1,233,781	3,972,815	7,179,512	1,649,233
Covered payroll	$	10,093,803	10,582,130	12,126,914	13,485,270	14,190,287	15,157,162	16,259,949
HESC's proportionate share of the net pension liability as a percentage of its covered payroll		0.26%	71.02%	20.18%	9.15%	28.00%	47.37%	10.14%
Plan fiduciary net position as a percentage of the total pension liability		100.0 %	86.4 %	96.3 %	98.2 %	94.7 %	90.7 %	97.9 %

The 2022 pension information is based on an actuarial date of April 1, 2020 using a measurement date of March 31, 2021.

The 2021 pension information is based on an actuarial date of April 1, 2019 using a measurement date of March 31, 2020.

The 2020 pension information is based on an actuarial date of April 1, 2018 using a measurement date of March 31, 2019.

The 2019 pension information is based on an actuarial date of April 1, 2017 using a measurement date of March 31, 2018.

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

Change in benefits: There were no significant legislative changes in benefits for the March 31, 2022 actuarial valuations.

Changes in assumptions: The actuarial assumptions for the mortality basis used for the January 1, 2021 actuarial valuation were changed from the Pri-2021 mortality tables for employees and healthy annuitants with mortality improvements projected using Scale MP-2019 on a full generational basis to the Pri-2021 mortality tables for employees and healthy annuitants with mortality improvements projected using Scale MP-2020 on a fully generational basis.

THE NEW YORK STATE HIGHER EDUCATION SERVICES CORPORATION

(A Component Unit of the State of New York)

Required Supplementary Information

Schedule of Contributions –
New York State Plan (Unaudited)

March 31, 2022

		2022	2021	2020	2019
Contractually determined contributions	$	6,018,395	6,351,230	6,069,363	5,928,963
Contributions in relation to the contractually required contribution		6,018,395	6,351,230	6,069,363	5,928,963
Contributions deficiency (excess)	$	—	—	—	—
Covered payroll		10,093,803	10,582,130	10,295,891	12,126,914
Contributions as a percentage of covered payroll		0.00%	60.02%	58.95%	48.89%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

THE NEW YORK STATE HIGHER EDUCATION SERVICES CORPORATION
(A Component Unit of the State of New York)

Required Supplementary Information

Schedule of Proportionate Share of the OPEB Liability – New York State Plan (Unaudited)

March 31, 2022

		2022	2021	2020	2019
HESC's proportionate share of the OPEB liability		0.349450%	0.348210%	0.351230%	0.363937%
HESC's proportionate share of the OPEB liability	$	183,714,128	211,871,821	181,301,617	186,112,003
Covered payroll	$	10,093,803	10,582,130	12,126,914	13,485,270
HESC's proportionate share of the OPEB as a percentage of it's covered payroll		1820%	2002%	1495%	1380%

The 2022 OPEB information is based on an actuarial date of April 1, 2020 using a measurement date of March 31, 2021.

The 2021 OPEB information is based on an actuarial date of April 1, 2019 using a measurement date of March 31, 2020.

The 2020 OPEB information is based on an actuarial date of April 1, 2018 using a measurement date of March 31, 2019.

The 2019 OPEB information is based on an actuarial date of April 1, 2017 using a measurement date of March 31, 2018.

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

Changes in benefit terms: There were no significant legislative changes in benefits for the March 31, 2020 actuarial valuations.

Changes in assumptions: The discount rate decreased to 3.79% in 2020 from 3.89% in 2019. The medical trend and excise tax assumptions were updated based on current anticipation of future costs and projected claim costs were updated based on the recent claims experience for the PPO plans and premium rates for the HMO plans.

Changes in assumptions: The discount rate decreased to 2.84% in 2021 from 3.79% in 2020. The medical trend and excise tax assumptions were updated based on current anticipation of future costs and projected claim costs were updated based on the recent claims experience for the PPO plans and premium rates for the HMO plans.

Changes in assumptions: The discount rate decreased to 2.34% in 2022 from 2.84% in 2021. The medical trend and excise tax assumptions were updated based on current anticipation of future costs and projected claim costs were updated based on the recent claims experience for the PPO plans and premium rates for the HMO plans.