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THE GUARANTEED STUDENT LOAN PROGRAMS' OPERATING FUND AND FEDERAL FUND OF THE NEW YORK STATE HIGHER EDUCATION SERVICES CORPORATION

(A Component Unit of the State of New York)

Financial Statements

March 31, 2020 and 2019

(With Independent Auditors' Report Thereon)

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Financial Statements

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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 Financial Statements

We have audited the accompanying financial statements of the Operating Fund and Federal Fund of the Guaranteed Student Loan Programs of the New York State Higher Education Services Corporation (HESC), as of and for the years ended March 31, 2020 and 2019, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the Guaranteed Student Loan Programs' Operating Fund and Federal Fund of the New York State Higher Education Services Corporation, as of March 31, 2020 and 2019, and the respective changes in net position and cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters – Required Supplementary Information

U.S. generally accepted accounting principles require that 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, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2020 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 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 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
September 30, 2020

Management's Discussion and Analysis

This section of the New York State Higher Education Services Corporation (HESC) Guaranteed Student Loan Programs' financial statements presents management's discussion and analysis of its operations and financial performance during the fiscal years ended March 31, 2020 and 2019. This analysis provides supplementary information on the operations and activities of HESC, and should be read in conjunction with the Operating and Federal Funds' 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 student financial aid related activities.

2020 Financial Highlights – Operating Fund

- Current assets decreased by $2.5 million or 3%.
- Current liabilities increased by $1.0 million or 12%.
- Total operating revenue decreased by $16.7 million or 28%.
- Total operating expenses decreased $16.3 million or 38% from the prior year.
- Total noncurrent liabilities decreased $3.8 million as a result of a decrease in the other postemployment benefits liability, offset by an increase in the net pension liability. NYS allocated $181.3 million of the total New York State Health Insurance Program (NYSHIP) other postemployment benefits liability to HESC and $2.4 million of the total net pension liability in state fiscal year 2019-2020.
- The Operating Fund provided approximately $17.2 million for the cost of administering the New York State grant and scholarship programs, which is an increase of $0.6 million or 4% 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 a decrease of $0.4 million or 44% 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 New York State, which is a decrease of $.4 million or 90% from the prior year due to the Mentor Program costs no longer being supported by HESC.
- 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 $181.3 million.

2020 Financial Highlights – Federal Fund

- Current assets increased by $6.9 million or 8%.
- Current liabilities increased by $1.6 million or 2,864% as a result of an increase in the interfund balance due to the Operating Fund.
- Total operating revenue decreased by $123.6 million or 25%, as a result of a decline in default claims submitted for reimbursement as well as a decrease in collection revenue.
- Total operating expenses decreased by $122.1 million or 25%, as a result of a decline in default claims paid lenders and collections transferred to U.S. Department of Education consistent with operating revenues.

2019 Financial Highlights – Operating Fund

- Current assets decreased by $0.5 million or 0.6%.
- Current liabilities decreased by $4.3 million or 34%.
- Total operating revenue decreased by $6.2 million or 9%.
- Total operating expenses decreased $0.4 million or less than 1% from the prior year.
- Total noncurrent liabilities increased $181.9 million as a result of the implementation of GASB 75 – *Other Postemployment Benefits*. NYS allocated $186.1 million of the total New York State Health Insurance Program (NYSHIP) liability to HESC.
- The Operating Fund provided approximately $16.7 million for the cost of administering the New York State grant and scholarship programs, which is a decrease of $2.3 million or 12% from the prior year.
- The Operating Fund provided approximately $0.9 million for the cost of administering the federal Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP), which is an increase of $0.1 million or 13% from the prior year.

- The Operating Fund provided approximately $0.45 million for the cost of administering the Mentor Program, the College Choice Program and NYHELPs Program for New York State, which is a decrease of $0.75 million or 63% from the prior year.
- The Operating Fund net position balance reflects the effects of implementing GASB 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* resulting in the reporting of an opening balance sheet long term liability of $195 million and a $189 million cumulative effect of the change in accounting principle.

2019 Financial Highlights – Federal Fund

- Current assets increased by $6.9 million or 9%.
- Total operating revenue decreased by $54.7 million or 10%, as a result of a decline in default claims submitted for reimbursement as well as a decrease in collection revenue.
- Total operating expenses decreased by $51.4 million or 9%, as a result of a decline in default claims paid lenders and collections transferred to U.S. Department of Education consistent with operating revenues.

(Continued)

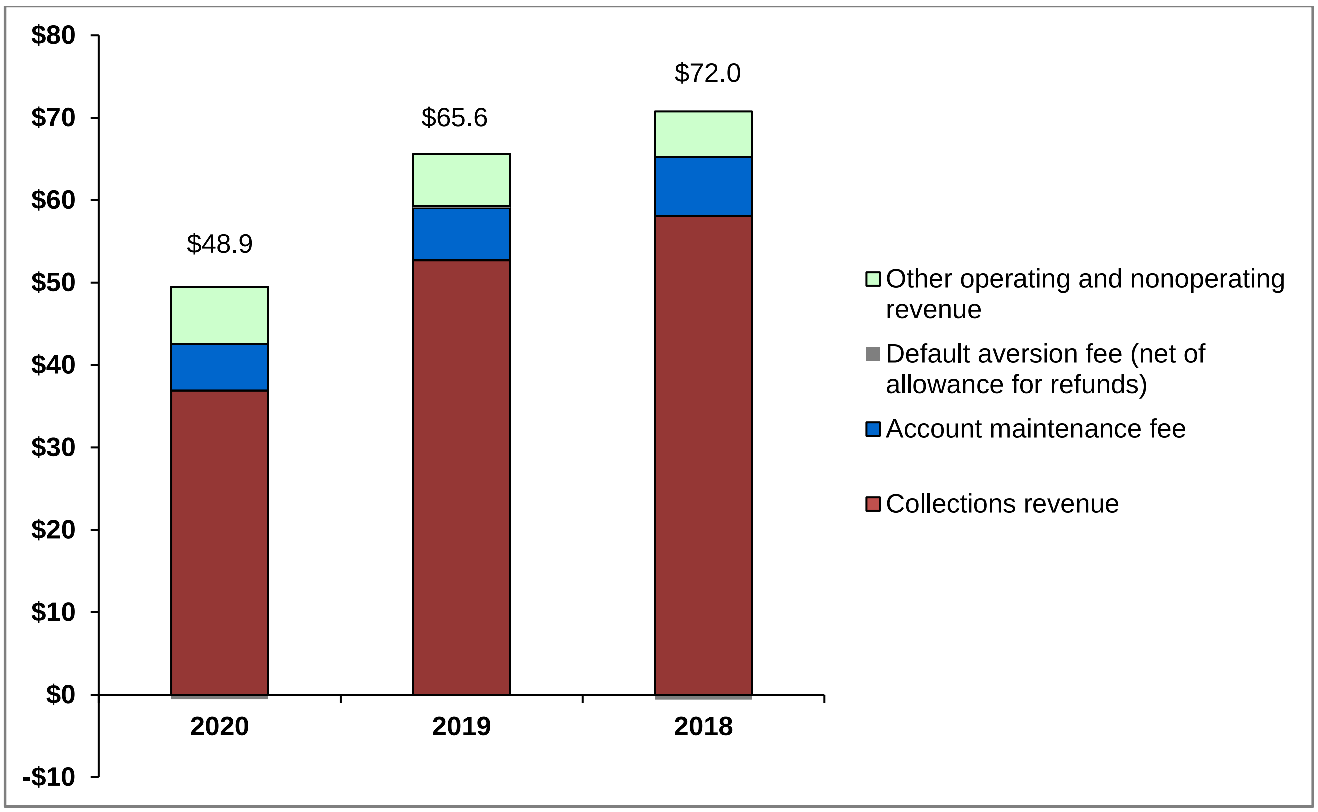
Condensed Financial Information

Dollar in thousands

	Operating Fund			Federal Fund		
	2020	2019	2018	2020	2019	2018
Current assets	$ 73,916	76,368	76,828	89,886	82,952	76,034
Capital assets	14	25	40	—	—	—
Other noncurrent assets	—	—	—	976	857	1,745
Total assets	$ 73,930	76,393	76,868	90,862	83,809	77,779
Deferred outflows of resources	$ 9,808	9,268	4,529	—	—	—
Current liabilities	$ 9,354	8,365	12,663	1,599	—	833
Noncurrent liabilities	185,633	189,472	7,602	—	—	—
Total liabilities	$ 194,987	197,837	20,265	1,599	—	833
Deferred inflows of resources	$ 17,518	16,719	655	—	—	—
Net position:						
Invested in capital assets	$ 14	25	40	—	—	—
Restricted	(128,781)	(128,920)	60,437	89,263	83,809	76,946
Total net position	$ (128,767)	(128,895)	60,477	89,263	83,809	76,946
Operating revenues:						
Defaulted loan collections	$ 36,900	52,702	58,111	135,841	194,457	225,640
Reimbursement of defaulted loans	—	—	—	239,593	305,182	328,128
Other operating revenues	6,372	7,297	8,056	585	—	588
Nonoperating revenues	5,622	5,589	5,883	1,466	1,371	392
Total revenues	48,894	65,588	72,050	377,485	501,010	554,748
Operating expenses:						
Administrative	25,444	42,331	41,857	—	—	—
Default loan purchases	—	—	—	239,237	304,769	327,424
Collection payments to ED	—	—	—	132,790	189,115	218,080
Other operating expenses	1,336	723	1,536	5	264	5
Nonoperating expenses	21,986	21,944	26,280	—	—	—
Total expenses	48,766	64,998	69,673	372,032	494,148	545,509
Cumulative effect of changes in accounting principles	—	(189,961)	—	—	—	—
Increase (decrease) in net position	$ 128	(189,371)	2,377	5,453	6,862	9,239

Total Operating Fund Revenue

(Dollar in millions)



Operating Fund Revenue Highlights for fiscal year ending March 31

2020	2019
• Collections revenue decreased 30% from state fiscal year 2018-2019 to 2019-2020. A 40% reduction in rehabilitation revenue occurred due to a delay in processing as a result of a change in rehab lender. The coronavirus pandemic (COVID-19) effected collections activity for the second part of March 2020 including a rehabilitation sale. • Account maintenance fee income decreased $0.7 million, as a result of a decrease in the outstanding principal balance of loans from borrower payments. • Gross default aversion fee (DAF) revenue was $0.6 million and DAF refunds were $1.1 million, resulting in an expense owed to the Federal Fund. • Other revenue includes $1.2 million in Treasury offset refunds revenue as well as $0.1 million in borrower refunds, both of which are 100% offset by the expense of payments to borrowers during the fiscal year. • Nonoperating federal grant revenue increased $0.2 million from prior year to $4.2 million, all of which is passed through to grant subrecipients. • Nonoperating investment income decreased $0.2 million from the prior year to $1.5 million as a result of a decrease in the amounts invested in the short-term investment pool during 2019-2020.	• Collections revenue decreased from the prior year consistent with the wind down of the FFEL program. The decline was less significant compared to the prior year due to a smaller reduction in rehabilitation revenue. Collections revenue continues to represent 80% of total revenue. • Account maintenance fee income decreased by $0.8 million, consistent with prior year, as a result of a decrease in outstanding principal balance of loans outstanding due to loans being paid by borrowers. • Gross default aversion fee (DAF) revenue decreased $0.4 million resulting in $0.6 million expense due back to the Federal Fund as a result of DAF refunds exceeding the DAF revenue for the year. • Other revenue includes $0.5 million in Treasury offset refunds revenue as well as $0.2 million in borrower refunds which are 100% offset by the expense of payments to borrowers in 2018–2019. • Nonoperating federal grant revenue decreased $1.4 million from the prior year to $3.9 million, all of which is passed through to grant subrecipients.

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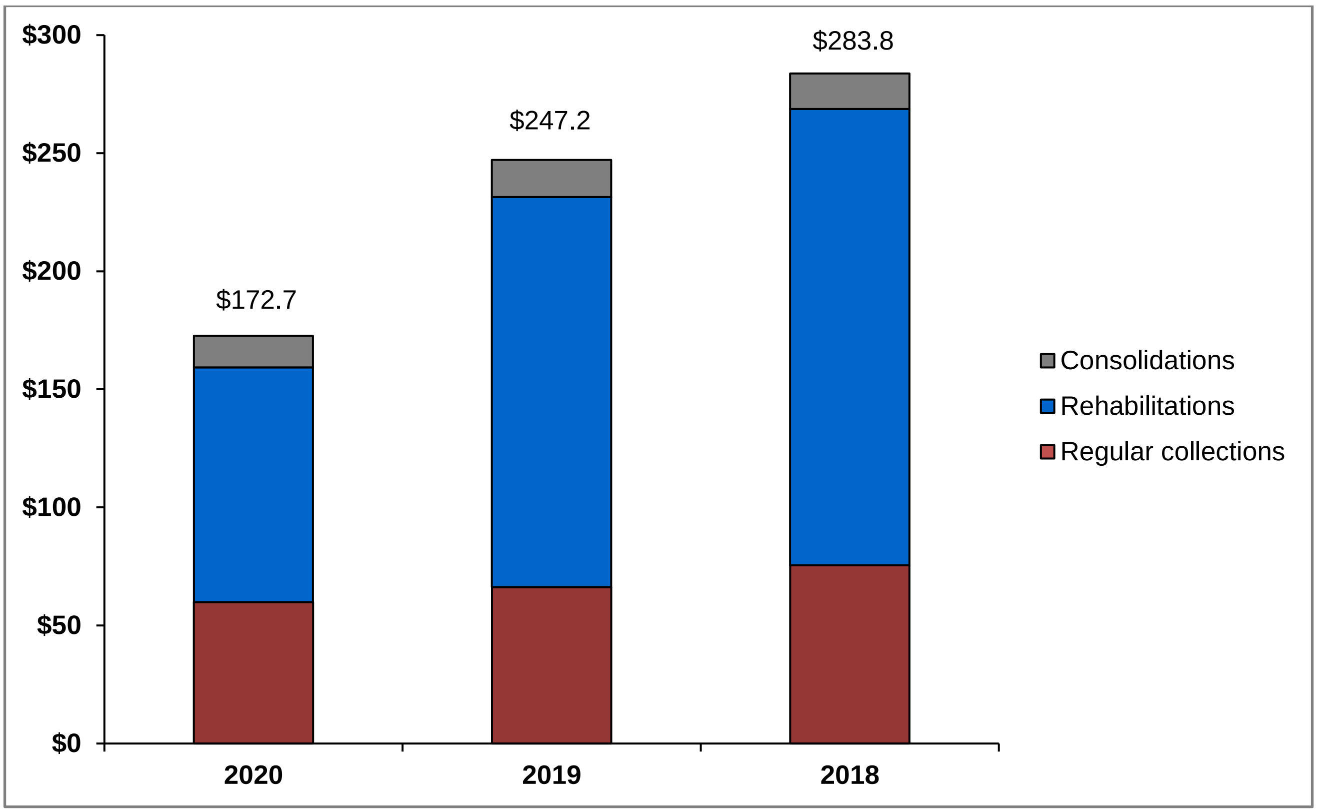
Total Default Collection Recoveries – Operating and Federal Fund

(Dollar in millions)



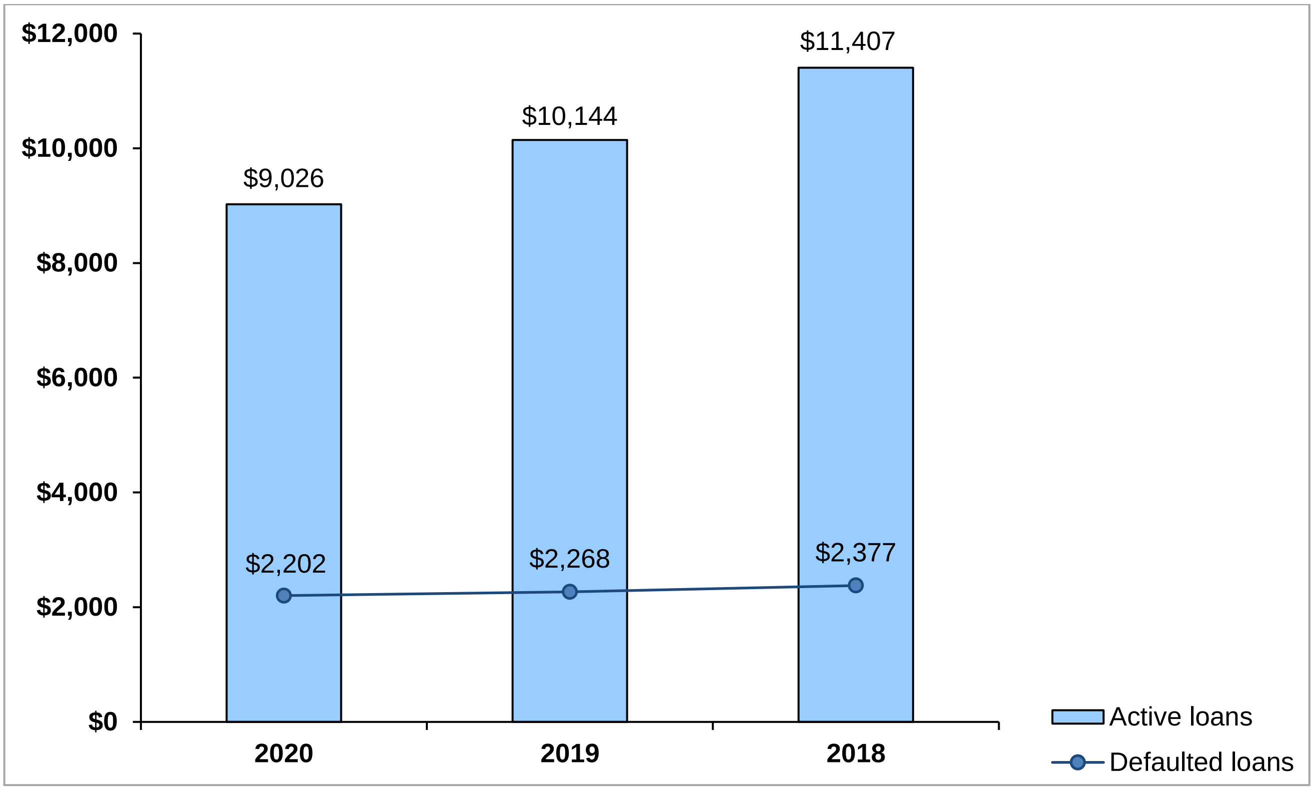
HESC's primary source of revenue continues to be from FFELP collection related activity. As a FFELP guarantor, HESC retains a percentage of collection recoveries determined by the Federal Department of Education.

Collection Recovery Highlights for the fiscal year ending March 31

2020	2019
• Total regular collections decreased $6.3 million or 9.5% from 2018-2019 to a total of $59.9 million in 2019-2020. The collectible default portfolio decreased $80 million or 6% during the fiscal year. • Collection recoveries on rehabilitated loans decreased $68.2 million partially due to the declining balance of loans eligible for rehabilitation in addition to the effects the change in rehab lender and the COVID-19 pandemic on collection activity. • Federal direct default consolidation revenue decreased by $2.3 million from $15.8 million in 2018-2019 to $13.5 million in 2019-2020.	• Collections on rehabilitated loans decreased $28.0 million or 14.6% to $165.2 million in 2018–2019 from a total of $193.2 million in 2017–2018. • Total regular collections decreased $9.3 million or 12.3% from $75.5 million in 2018 to $66.2 million in 2019. All sources of regular collection recoveries decreased in 2019 as a result of an 8% decrease in the collectible default portfolio. • Federal direct default consolidation revenue increased 4.6% in 2019 to $15.8 million from $15.1 million in 2018.

Outstanding Portfolio Balances

(Dollar in millions)



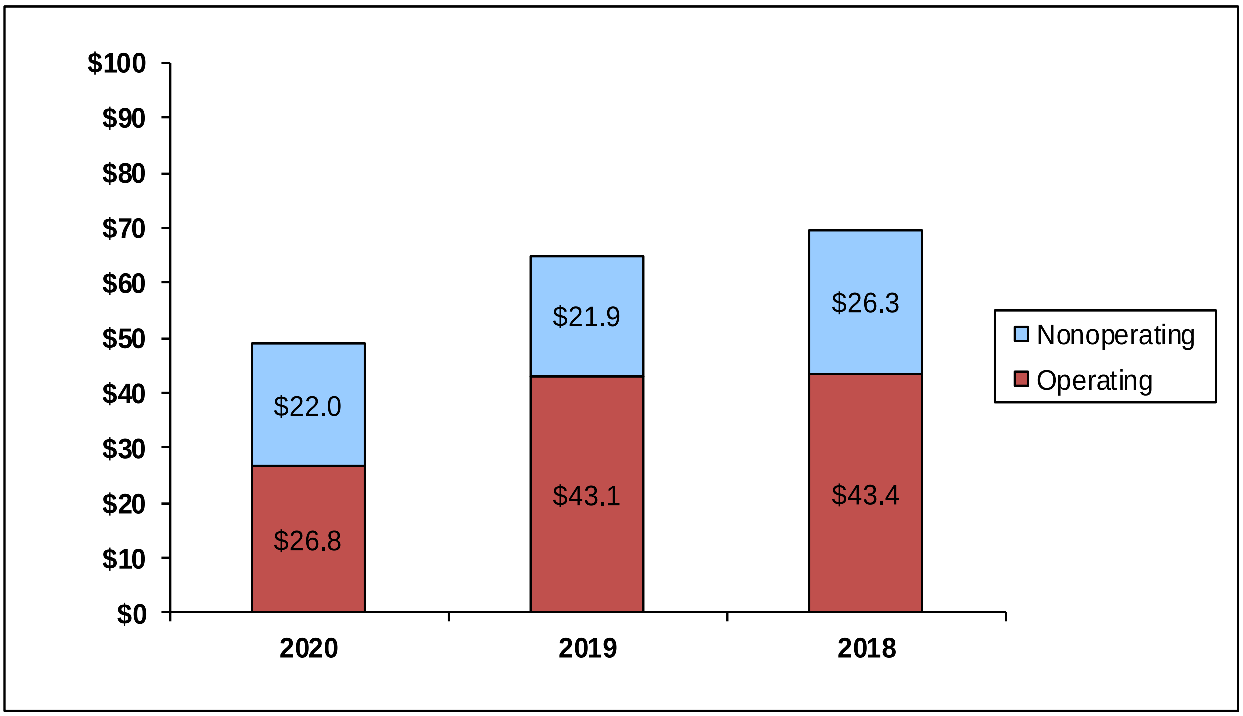
The outstanding portfolio balances in the table above represent the entire portfolio HESC holds for FFELP active guaranteed and defaulted loans. A portion of these balances are not collectible by HESC and are excluded from the portfolio balances for reporting on the Schedule of Expenditures for Federal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

Administrative Revenue Highlights for the fiscal year ending March 31

2020	2019
• HESC's outstanding active portfolio balance decreased by $1.1 billion or 11% 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 $65.6 million during the fiscal year as a result of the aging portfolio consistent with prior years.	• HESC's outstanding active portfolio balance decreased by $1.3 billion or 11% 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 $0.8 million consistent with prior years. • HESC's outstanding default portfolio decreased $0.1 billion 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

2020	2019
Operating Expenses • Outsourced vendor collections fees decreased $5.7 million or 36% as a result of fewer accounts being referred to vendors consistent with reduced default purchases. • Included within payroll and fringe benefit expense is expenses related to pension and OPEB. Payroll and fringe benefit expense decreased $10 million from the prior year, primarily due to a decrease in OPEB expense of $8.5 million, consistent with the decrease in the OPEB liability. The remaining $1.6 million represents a decrease in personal service and fringe benefits due to a workforce decline of 20 people during the year. • NYS servicing and infrastructure expenses decreased $0.6 million or 18% as a result of a decrease in the use of Office of Child and Family Services (OCFS) call center employees for FFELP in 2019-2020. • Other expenses include $1.3 million in Treasury offset and borrower refunds, both of which are 100% reimbursed by the U.S. Department of Education.	**Operating Expenses** • Outsourced vendor collection fees decreased $4.0 million or 19.8% as a result of fewer defaulted accounts being referred to vendors for collections. • Payroll and fringe benefit expense increased by $4.3 million or 28.9%. The increase is a result of the current year costs associated with the implementation of GASB 75. Personal service expense paid by HESC decreased by $0.4 million during the year which was offset by an increase in the fringe benefit expenses. The number of employees at HESC decreased from 182 in 2018 to 162 in 2019 which also effects Nonoperating expenses related to Grants and Scholarship Programs. • NYS servicing and infrastructure charges for FFELP increased $0.3 million. The increase is due to increased charges for the use of Office of Child and Family Services (OCFS) call center employees. • Other expense includes $0.7 million of Treasury offset and borrower refunds sent to borrowers which is 100% reimbursed by the U.S. Department of Education.

Nonoperating Expense Highlights for fiscal year ending March 31

2020	2019
Nonoperating Expenses • Grant and scholarship program expense increased \$0.6 million in 2019–2020. Costs associated with the use of the OCFS call center increased \$0.5 associated with an increased use of OCFS call center employees who support grant and scholarship programs. NYS Servicing costs decreased \$0.3 million, which was offset by new costs associated with initiatives to outsource grant and scholarships processing. • Federal grant expense of \$4.2 million represents payments to grantees which are 100% reimbursed by the Federal Grant. HESC paid administrative expenses of \$0.5 million in 2019-2020, which is 40% lower than the prior year as a result of indirect charges that were not charged to the program effective October 2019. Federal grant payments to subrecipients remained consistent at \$3.5 million in 2019-2020	**Nonoperating Expenses** • Grant and scholarship program expense decreased \$2.3 million in 2018–2019. NYS Servicing costs increased \$0.7 million. Costs associated with the use of OCFS call center and ITS employees who support grant and scholarship programs decreased \$0.5 million each. In addition, personal service and fringe benefits decreased \$1.4 million as a result of a decrease in employee headcount during 2018–2019. • The New York State Mentoring Program creates supportive mentor relationships for students at risk of dropping out of school. Costs for the program were \$0.4 million in 2018–2019 prior to the program costs being transferred to another agency. • Federal grant expense of \$4.8 million includes \$3.9 million in payments to grantees which are 100% reimbursed by the Federal Grant. HESC paid administrative expenses of \$0.9 million in 2018–2019 consistent with prior year. Federal grant payments to subrecipients decreased approximately \$1.4 million in 2018–2019.

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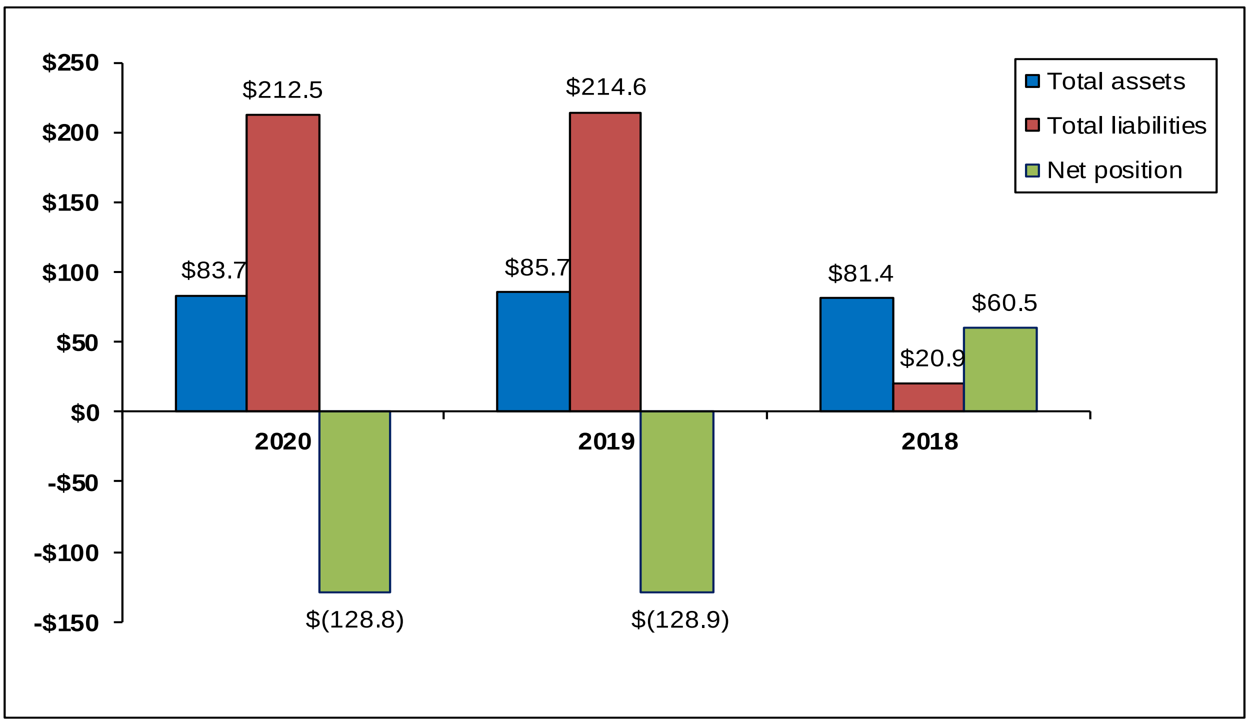
Operating Fund Assets, Liabilities, Deferred Inflows and Outflows and Net Position

(Dollar in millions)



During fiscal year ended March 31, 2019, HESC implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB).* The implementation required reporting a significant long-term liability resulting in a negative ending net position for the Agency Operating Fund.

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

(Dollar in millions)

2020	2019
Assets	**Assets**
• Total operating fund assets are primarily current assets, consisting of cash and cash equivalents and receivables due from the U.S. Department of Education. • Total current assets decreased $2.5 million due to an increase in interfund balances and net decrease in cash from operations of $3.8 million.	• Total operating fund assets are primarily current assets, consisting of cash and cash equivalents and receivables due from the U.S. Department of Education. • Total current assets decreased $0.45 million primarily due to a decrease in interfund balances and administrative fees receivable, offset by an increase in receivables due from the U.S. Department of Education.
Liabilities	**Liabilities**
• Accounts payable and accrued liabilities increased $1.0 million as a result of larger balances in suspense accounts due to system processing delays due to the impacts of COVID. • Noncurrent liabilities decreased $3.8 million, due to a decrease in the OPEB obligation offset by an increase in the net pension liability. The decrease in OPEB was due to a decrease in both HESC's proportionate share offset by 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.	• Accounts payable and accrued liabilities declined significantly in 2018–19 as fringe benefits liabilities were paid through March 2019, as well as a decline in amounts due to vendors for collection activity. • Noncurrent liabilities increased $181.9 million, as a result of recording the OPEB obligation of $186.1 upon adoption of GASB 75. The increase in noncurrent liabilities was offset by a decrease in net pension liability and the related pension contribution payable, due to a an increase in the Plan's overall funded status driven by improved investment returns, and a decrease in the default aversion fee allowance.
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 increased $0.5 million in 2019-2020, deferred inflows of resources increased $0.8 million in 2018–2019.	• Deferred outflows of resources for payments related to pensions and OPEB subsequent to the associated measurement date increased $4.7 million in 2018–2019, deferred inflows of resources increased $16.1 million in 2018–2019.

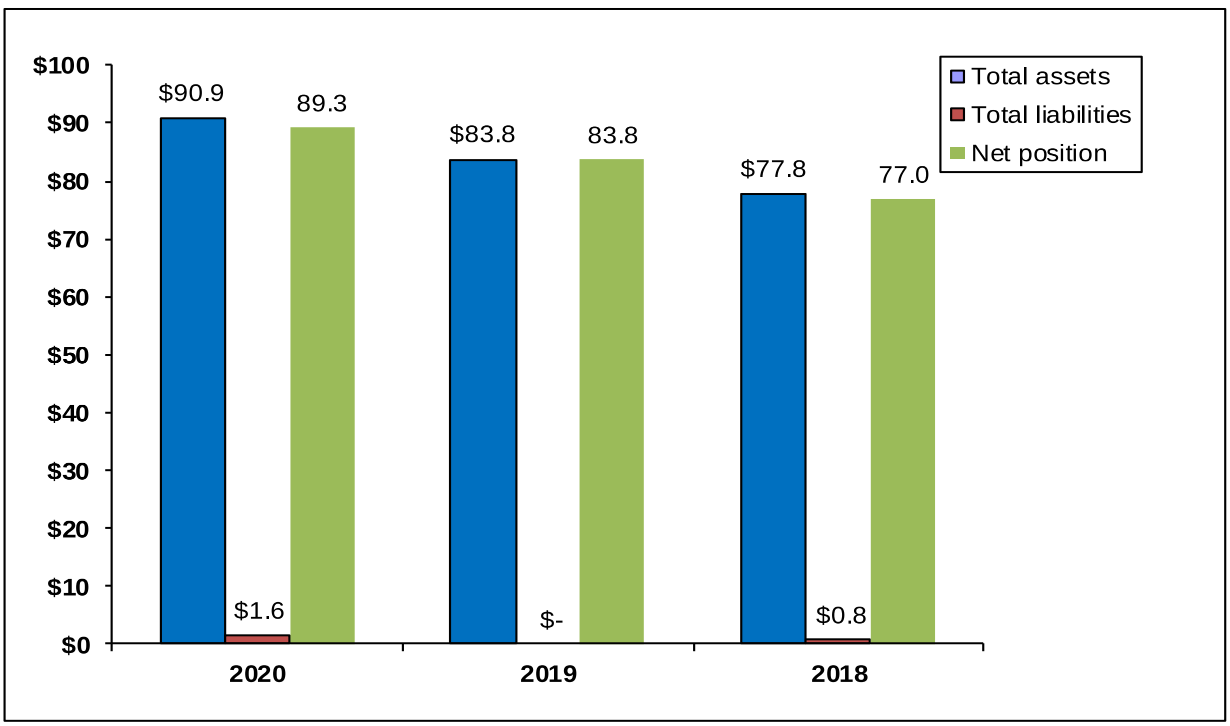
Operating Fund Assets, Liabilities, Deferred Inflows and Outflows and Net Position

(Dollar in millions)

2020	2019
Net Position	**Net Position**
Net position increased $0.1 million in 2019-2020.	• Net position decreased $189.4 million due to the implementation of GASB 75 and the adjustment for change in accounting policy of $189.9 million in 2018–2019.

The Federal Student Loan Reserve Fund (Federal Fund)

(Dollar in millions)



The Federal Fund assets are owned by the U.S. Department of Education and have restricted use, primarily to reimburse lender claims for defaulted student loans.

2020	2019
Assets	**Assets**
• Cash and cash equivalents increased $15.8 million in 2019-2020 as a result of $4.0 million in net income from operations due to a decrease in reinsurance receivable of $8.4 and a decrease in the federal reinsurance receivable of $1.1 million.	• Cash and cash equivalents increased $7.8 million in 2018–2019 as a result of $6.5 million in net income from operations and a reduction in the federal reinsurance receivable of $1.4 million.
• Noncurrent assets increased $0.1 million as a result of increased default aversion fee revenue and estimated future returns.	• Noncurrent assets decreased $0.9 million as a result of decreased default aversion fee revenue and estimated future returns.
Liabilities	**Liabilities**
• HESC current liabilities for the fiscal year 2019–2020 represent amounts due to lenders for outstanding checks. The increase in current liabilities from the prior year is primarily due to an increase in interfund balances. There were no amounts due to the Operating Fund for the fiscal year 2018–2019.	• HESC current liabilities for the fiscal year 2018–2019 represent amounts due to lenders for outstanding checks. The decrease in current liabilities from the prior year is primarily due to a decrease in interfund balances. There are no amounts due to the Operating Fund for the fiscal year 2018–2019.
Net Position	**Net Position**
• Net position increased $5.5 million or 6% in 2019-2020 as a result of higher reinsurance reimbursement rates on default purchases and $0.1 million increase in investment income.	• Net position increased $6.9 million or 9% in 2018–2019 as a result of higher reinsurance reimbursement rates on default purchases and $1.0 million increase in investment income.

Significant Known Facts, Decisions and Conditions

The Operating Fund will continue to support the operational expenses of the grant and scholarship programs during fiscal year ended March 31, 2021.

HESC expects a significant decline in total revenue in state fiscal year 2020-2021 due to the COVID-19 pandemic.

Contacting Financial Management

This financial report is designed to provide our customers, business partners and creditors with a general overview of 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 HESC's Chief Financial Officer, Warren Wallin at (518) 486-7443 or Warren.Wallin@hesc.ny.gov.

THE GUARANTEED STUDENT LOAN PROGRAMS' OPERATING FUND AND FEDERAL FUND OF THE NEW YORK STATE HIGHER EDUCATION SERVICES CORPORATION

(A Component Unit of the State of New York)

Statements of Net Position

March 31, 2020 and 2019

		2020		2019	
Assets and Deferred Outflows of Resources		**Operating fund**	**Federal fund**	**Operating fund**	**Federal fund**
Current assets:					
Cash and cash equivalents (note 4)	$	69,786,952	86,902,626	73,608,486	71,060,362
Receivables due from U.S. Department of Education:					
Administrative fees (note 5)		1,345,197	—	1,512,111	—
Reinsurance		—	2,894,196	—	11,326,951
Interfund balances (note 6)		1,598,671	—	—	424,285
Amounts receivable from schools		—	—	17,138	—
Prepaid expenses and other assets		195,536	89,334	205,152	140,468
Due from Federal Government		989,946	—	1,025,270	—
Total current assets		73,916,302	89,886,156	76,368,157	82,952,066
Noncurrent assets:					
Interfund default aversion fee allowance (note 5)		—	975,572	—	857,386
Capital assets, net		14,294	—	25,412	—
Total noncurrent assets		14,294	975,572	25,412	857,386
Total assets		73,930,596	90,861,728	76,393,569	83,809,452
Deferred outflows of resources related to pension and other postemployment benefit obligations (notes 8 and 9)		9,808,150	—	9,267,981	—
Total assets and deferred outflows of resources	$	83,738,746	90,861,728	85,661,550	83,809,452
Liabilities, Deferred Inflows of Resources and Net Position					
Current liabilities:					
Accounts payable and accrued liabilities	$	9,346,741	140	7,940,566	558
Interfund balances (note 6)		—	1,598,671	424,285	—
Amounts payable to schools		6,992	—	—	—
Total current liabilities		9,353,733	1,598,811	8,364,851	558
Noncurrent liabilities:					
OPEB payable (note 9)		181,301,617	—	186,112,003	—
Pension contributions payable (note 8)		909,094	—	1,268,448	—
Net pension liability (note 8)		2,446,843	—	1,233,781	—
Interfund default aversion fee allowance (note 5)		975,572	—	857,386	—
Total noncurrent liabilities		185,633,126	—	189,471,618	—
Total liabilities		194,986,859	1,598,811	197,836,469	558
Deferred inflows of resources related to pension and other postemployment benefit obligations (notes 8 and 9)		17,517,991	—	16,719,249	—
Total liabilities and deferred inflows of resources		212,504,850	1,598,811	214,555,718	558
Net position:					
Invested in capital assets		14,294	—	25,412	—
Restricted (notes 2(c) and 9)		(128,780,398)	89,262,917	(128,919,580)	83,808,894
Total net position		(128,766,104)	89,262,917	(128,894,168)	83,808,894
Total liabilities, deferred inflows of resources and net position	$	83,738,746	90,861,728	85,661,550	83,809,452

See accompanying notes to financial statements.

THE GUARANTEED STUDENT LOAN PROGRAMS' OPERATING FUND AND FEDERAL FUND OF 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, 2020 and 2019

	2020		2019	
	Operating fund	**Federal fund**	**Operating fund**	**Federal fund**
Operating revenues:				
Defaulted loan collections (note 2(e))	$ 36,899,802	135,841,425	52,701,766	194,456,759
Administrative and program fee income (note 5)	5,047,415	—	6,587,031	—
Reimbursement on purchases of default loans from lenders (note 2(f))	—	239,592,823	—	305,181,976
Default aversion fee subsidy	—	585,559	—	—
Other revenue	1,325,121	—	709,721	—
Total operating revenues	43,272,338	376,019,807	59,998,518	499,638,735
Operating expenses:				
Salaries and employee benefits	9,104,132	—	19,216,280	—
General and administrative	3,219,523	—	3,673,473	—
Collection vendors	10,364,038	—	16,102,436	—
NYS servicing	1,921,046	—	2,496,764	—
NYS Information Technology Services infrastructure	835,262	—	841,692	—
Purchases of default loans from lenders (note 2(f))	—	239,236,954	—	304,769,046
Defaulted loan collections paid to U.S. Department of Education (note 2(e))	—	132,790,116	—	189,114,857
Default aversion fee subsidy	—	—	—	260,090
Depreciation	11,118	—	14,294	—
Other expense	1,324,971	5,095	708,853	3,796
Total operating expenses	26,780,090	372,032,165	43,053,792	494,147,789
Operating income	16,492,248	3,987,642	16,944,726	5,490,946
Nonoperating revenues (expenses):				
Interest income	1,458,935	1,466,381	1,651,611	1,371,412
Federal grant revenue	4,162,826	—	3,936,962	—
Federal grant administrative expenses	(4,692,926)	—	(4,839,111)	—
New York State initiatives (note 7)	(17,293,019)	—	(17,104,740)	—
Total nonoperating (expenses) revenues	(16,364,184)	1,466,381	(16,355,278)	1,371,412
Increase in net position	128,064	5,454,023	589,448	6,862,358
Net position, beginning	(128,894,168)	83,808,894	60,477,571	76,946,536
Cumulative effect of change in accounting principle – GASB 75 (note 2(i))	—	—	(189,961,187)	—
Net position, ending	$ (128,766,104)	89,262,917	(128,894,168)	83,808,894

See accompanying notes to financial statements.

THE GUARANTEED STUDENT LOAN PROGRAMS' OPERATING FUND AND FEDERAL FUND OF 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, 2020 and 2019

	2020		2019	
	Operating fund	**Federal fund**	**Operating fund**	**Federal fund**
Cash flows from operating activities:				
Receipts from:				
Collections	$ 36,531,291	137,851,254	53,950,348	193,197,209
Administrative fees	5,319,388	480,501	5,883,935	633,017
Other sources	1,325,121	—	709,721	—
Reimbursement on purchases of default loan from lenders	—	247,938,732	—	315,268,269
Federal default aversion fee income	—	—	—	—
Payments for:				
Salaries and employee benefits	(13,197,659)	—	(26,581,099)	—
Purchases of default loans from lenders	—	(239,236,954)	—	(313,452,223)
Collections paid to U.S. Department of Education	—	(132,703,688)	—	(189,115,455)
General, administrative and other expenses	(16,845,010)	(5,096)	(16,157,508)	(3,798)
Net cash provided by operating activities	13,133,131	14,324,749	17,805,397	6,527,019
Cash flows from noncapital financing activities:				
Payments to NYS – other student aid activities	(18,476,926)	—	(19,381,586)	—
Net cash used in noncapital financing activities	(18,476,926)	—	(19,381,586)	—
Purchases of capital assets	—	—	—	—
Net cash used in capital financing activities	—	—	—	—
Cash flows from investing activities:				
Interest received	1,522,261	1,517,515	1,505,405	1,230,944
Net cash provided by investing activities	1,522,261	1,517,515	1,505,405	1,230,944
(Decrease) increase in cash and cash equivalents	(3,821,534)	15,842,264	(70,784)	7,757,963
Cash and cash equivalents, beginning	73,608,486	71,060,362	73,679,270	63,302,399
Cash and cash equivalents, ending	$ 69,786,952	86,902,626	73,608,486	71,060,362
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	$ 16,492,248	3,987,642	16,944,726	5,490,946
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	11,118	—	14,294	—
Change in assets and liabilities that provided (used) cash:				
Receivables from U.S. Department of Education	166,914	8,432,755	190,010	1,405,040
Due from Federal Fund	(35,324)	—	(594,468)	7
Other assets	(18,387)	—	126,741	—
Interfund balances	(2,022,956)	2,022,956	1,254,140	(1,254,140)
Accounts payable and accrued liabilities and other liabilities	2,119,437	(418)	(3,364,532)	(2,528)
Allowance for default aversion refunds	118,186	(118,186)	(887,694)	887,694
Net pension liability, net of deferred outflows of resources, deferred inflows of resources, and pension contribution payable	162,056	—	7,971,364	—
OPEB liability, net of deferred outflows of resources, and deferred inflows of resources	(3,860,161)	—	(3,849,184)	—
Total adjustments	(3,359,117)	10,337,107	860,671	1,036,073
Net cash provided by operating activities	$ 13,133,131	14,324,749	17,805,397	6,527,019

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 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. The Federal Fund assets, and earnings on those assets, are restricted in use and are property of the U.S. Department of Education. 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 also administers the Tuition Assistance Program and State Scholarship 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. This program is included in the accompanying financial statements as nonoperating revenue and expenses.

(2) Significant Accounting Policies

(a) Basis of Accounting

The Guaranteed Student Loan Programs' Operating Fund and Federal Fund of the New York State Higher Education Services Corporation 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 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 U.S. Department of Education, consisting of restricted assets reduced by related liabilities belonging to the U.S. Department of Education; 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 U.S. Department of Education.

(d) Operating Revenues and Expenses

Operating revenues and expenses 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.

(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 depending on the claim reason and date of original loan disbursement. As of March 2020, 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, net pension liability, the liability for other postemployment benefits, and certain accrued expenses. Actual results could differ from those estimates.

(i) Adoption of New Accounting Pronouncements and Restatements

During fiscal year 2018–2019, HESC implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and establishes accounting and financial reporting for other postemployment benefit (OPEB) plans including the immediate recognition of the full actuarial accrued liability upon adoption. This statement establishes standards for recognizing and measuring OPEB liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. HESC participates in and records a proportionate share of the New York State Health Insurance Program (NYSHIP) as a single employer defined benefit plan. GASB 75 identifies the methods and assumptions that are required to be used to project the benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. As a result of adopting this pronouncement, HESC has restated the Operating Fund beginning net position as of April 1, 2018, and the related amounts on the statements of revenues, expenses, and changes in net position for the year ended March 31, 2019.

The restatement of the beginning net position of the Operating Fund at April 1, 2018 of $(189,961,187) is as follows:

Net position as previously reported at March 31, 2018:	$	60,477,571
OPEB liability (measurement date as of March 31, 2018)		(195,693,588)
Deferred outflows:		
HESC contributions made during the year ended March 31, 2019		5,732,401
Total cumulative change in accounting principle		(189,961,187)
Net position as restated, April 1, 2018	$	(129,483,616)

(j) Risks and Uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a global pandemic. In response to the pandemic, the State of New York issued orders requiring business that do not conduct essential services to temporarily close their physical workplaces to employees. In addition, 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. 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. As a result, HESC experienced a decline in overall collections revenue. While the overall impact of COVID-19 on HESC cannot be predicted, the ongoing suspension of student loan payments will continue to cause a decline in overall collections revenue. The full extent of the impact of COVID-19 on HESC will depend on future developments, including the duration and spread of the outbreak. HESC will continue to monitor the effects of the pandemic on the financial statements.

(3) Guaranteed Loans Outstanding and Respective Unpaid Balances

As of March 31, 2020 and 2019, the Federal Fund was the guarantor of loans outstanding with original principal amounts of approximately $9,026,000,000 and $10,144,000,000, respectively, made to students by participating lending institutions. A substantial portion of that amount is guaranteed by the U.S. Department of Education, with an amount representing less than 1% guaranteed by the State. At March 31, 2020 and 2019, the unpaid balances were approximately $6,776,000,000 and $7,591,000,000, 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 the U.S. Department of Education.

(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 the U.S. Department of Education. 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 dealer 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, 2020 and 2019, which approximates cost.

Cash and cash equivalents at March 31 were as follows:

		2020	2019
Operating Fund:			
Cash in State Comptroller's short-term investment pool	$	64,104,229	69,198,875
Cash in bank		5,682,723	4,409,611
Total Operating Fund cash and cash equivalents	$	69,786,952	73,608,486
Federal Fund:			
Cash in State Comptroller's short-term investment pool	$	77,853,903	66,892,113
Cash in bank		9,048,723	4,168,249
Total Federal Fund cash and cash equivalents	$	86,902,626	71,060,362

(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 $975,572 and $857,386 at March 31, 2020 and 2019, 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 the U.S. Department of Education or as an authorized transfer from the Federal Fund on a quarterly basis.

For the years ended March 31, 2020 and 2019, the administrative fees receivable from U.S. Department of Education consisted of the following:

		2020	2019
Operating Fund:			
Account maintenance fee receivable	$	1,345,197	1,512,111

For the years ended March 31, 2020 and 2019, administrative fee income is as follows:

		2020	2019
Operating Fund:			
Default aversion fee subsidy, net of estimated refunds	$	(585,559)	260,090
Account maintenance fee		5,632,974	6,326,941
Total administrative and program fee income	$	5,047,415	6,587,031

Gross default aversion fee income for the years ended March 31, 2020 and 2019, was $555,108 and $674,888, respectively. The estimated reserve for default aversion fee refunds is netted against default aversion fee income. In 2020 and 2019, the default aversion fee allowance estimate was $1,140,667 and $414,798, respectively. The estimate of the refunds is based on the three 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 U.S. Department of Education'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, 2020, the Operating Fund had a net interfund receivable balance of $1,598,671 consisting of a receivable from the Federal Fund for overpayment of collections for the month of $1,659,725 and an interfund default aversion payable of $61,054. At March 31, 2019, the Operating Fund had a net interfund receivable balance of $424,285 consisting of a receivable from the Federal Fund for overpayment of collections for the month of $350,104 and an interfund default aversion payable of $74,181.

(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 scholarship programs, which amounted to $17,247,100 and $16,657,204 in the years ended March 31, 2020 and 2019, respectively.

In the years ended March 31, 2020 and 2019, HESC's Operating Fund incurred costs of $23,459 and $65,708, respectively, 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, 2020 and 2019 in the amounts of $22,460 and $20,147, respectively.

HESC's Operating Fund incurred costs for the administration of the New York State Mentoring Program during the state fiscal year ended 2019 of $361,681. The costs associated with this program were incurred by HESC through December 2018, no future costs will be incurred by HESC.

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 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, 2020 and 2019 was 17.74% and 18.86%, 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, 2020 of $1,131,938, of which $909,094 is in noncurrent liabilities and $222,844 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, 2019 of $1,530,130, of which $1,268,448 is in noncurrent liabilities and $261,682 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 $2,446,843 at March 31, 2020. The liability was measured as of March 31, 2019, using an actuarial valuation as of April 1, 2018, with update procedures used to roll forward the total pension liability to March 31, 2019. HESC's proportionate share of the State's collective net pension liability was $1,233,781 at March 31, 2019. The liability was measured as of March 31, 2018, using an actuarial valuation as of April 1, 2017, with update procedures used to rollforward the total pension liability to March 31, 2018. 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, 2019, HESC's proportion of the net pension liability of the New York State Employees' Retirement System (ERS) was 0.034534%, compared to 0.038228% at March 31, 2018.

For the year ended March 31, 2020, HESC recognized a pension expense of $1,991,317. At March 31, 2020, 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	$	481,835	164,252
Net difference between projected and actual investment earnings on pension plan investments		—	627,995
Changes in proportion and differences between contributions and proportionate share of contributions		23,270	101,454
Changes of assumptions		615,036	—
Contributions made subsequent to measurement date		1,606,417	—
Total	$	2,726,558	893,701

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, 2021. 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:		
2021		481,162
2022		(506,037)
2023		(68,006)
2024		319,321
Total	$	226,440

For the year ended March 31, 2019, HESC recognized a pension expense of $2,044,297. At March 31, 2019, 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	$ 440,050	(363,641)
Net difference between projected and actual investment earnings on pension plan investments	—	(1,745,198)
Changes in proportion and differences between contributions and proportionate share of contributions	30,730	(88,974)
Changes of assumptions	818,099	—
Contributions made subsequent to measurement date	2,050,139	—
Total	$ 3,339,018	(2,197,813)

(e) Actuarial Assumptions

The total pension liability at the measurement date of March 31, 2019 was determined by using an actuarial valuation as of April 1, 2018, with update procedures used to roll forward the total pension liability to March 31, 2019. The total pension liability at the measurement date of March 31, 2018 was determined by using an actuarial valuation as of April 1, 2017, with update procedures used to roll forward the total pension liability to March 31, 2018. Actuarial methods and assumptions used in the actuarial valuations were as follows:

	2020	2019
Actuarial cost method	Entry age normal	Entry age normal
Measurement date	March 31, 2019	March 31, 2018
Inflation	2.5%	2.5%
Salary scale	4.2%, indexed by service	3.8%, indexed by service
Investment rate of return, including inflation	7.0% compounded annually, net of investment expenses	7.0% compounded annually, net of investment expenses
Cost of living adjustments	1.3% annually	1.3% annually
Decrements	Developed from the Plan's 2015 experience study for period April 1, 2010 through March 31, 2015	Developed from the Plan's 2015 experience study for period April 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2014	Society of Actuaries Scale MP-2014

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, 2018 and 2017 are summarized below:

Asset class	Target allocation	Long-term expected real rate of return
Domestic equity	36 %	4.55 %
International equity	14	6.35
Private equity	10	7.50

Asset class	Target allocation	Long-term expected real rate of return
Real estate	10 %	5.55 %
Absolute return strategies	2	3.75
Opportunistic portfolio	3	5.68
Real assets	3	5.29
Bonds and mortgages	17	1.31
Cash	1	(0.25)
Inflation indexed bonds	4	1.25
	100 %	

The real rate of return is net of the long-term inflation assumption of 2.50%.

(i) Discount Rate

The discount rate used to calculate the total pension liability was 7.0% for the March 31, 2019 and March 31, 2018 measurement dates. 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 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 of 7.0%, 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 (6.0%) or 1 percentage-point higher (8.0%) than the current assumption:

	1% Decrease (6.0%)	Current assumption (7.0%)	1% Increase (8.0%)
2020	$ 10,697,989	2,446,843	(4,484,705)
2019	9,335,120	1,233,781	(5,619,628)

(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 and financial information is reported in an agency fund and accounted for on the accrual basis of accounting. 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, 2020, 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. As of March 31, 2020 and 2019, HESC had 533 and 534 retired and/or spouses of retired employees receiving retiree health care benefits with an annual pay-as-you-go cost of approximately $6.1 million and $5.9 million, respectively.

(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-a 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, 2018	April 1, 2017
Active employees	179	195
Retirees and surviving spouses receiving benefit payments	533	530
Total participants	712	725

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, 2019 and March 31, 2018, HESC's proportion of the Total OPEB liability of the State of New York was 0.351232% and 0.363937%, respectively.

(c) Actuarial Assumptions

HESC recognized an OPEB liability of $181.3 million and $186.1 million for its proportionate share of New York State total OPEB liability at March 31, 2020 and March 31, 2019, respectively. The OPEB liability at March 31, 2020 was measured as of March 31, 2019 and was determined by an actuarial valuation as of April 1, 2018, with update procedures used to roll forward the OPEB liability to March 31, 2019. The OPEB liability at March 31, 2019 was measured as of March 31, 2018 and was determined by an actuarial valuation as of April 1, 2017, with update procedures used to roll forward the OPEB liability to March 31, 2018. The OPEB liability was calculated using the Entry Age Normal cost method. The actuarial valuations included the following actuarial assumptions:

Assumptions	2020	2019
Inflation	2.50%	2.50%
Measurement date	March 31, 2019	March 31, 2018
Mortality improvement	Society of Actuaries' Scale MP-2014	Society of Actuaries' Scale MP-2014
Discount rate	3.79%	3.89%

The discount rate is based on the Bond Buyer 20 year general obligation municipal bond index rate at March 31, 2019 and 2018.

The salary increase rate varies by system. The salary increase rates for ERS varies by years of service, starting at 8% and decreasing to 3% after 18 years of service at March 31, 2019 and 2018

Health care trend rates were split to reflect separate trends for pre-65 and post-65 claims at March 31, 2019 and 2018. At March 31, 2019 and 2018, the pre-65 trend assumption begins at 6.25% and decreases to 4.50% long-term trend rate for all health care benefits after eight years. At March 31, 2019 and 2018, the trend assumption for post-65 begins at 5.10% and decreases to a 4.50% long-term trend rate for all health care benefits after eight years. At March 31 2019 and 2018, the drug assumption begins at 9.00% and decreases to a 4.50% long-term trend rate after eight years. Additionally, at March 31, 2019 and 2018, a trend starting at 9.00% and decreasing to 4.50% after eight years 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 experience under the New York State and Local Retirement System and the New York State Teacher's Retirement System. In order to reflect future mortality improvement, the mortality is projected generationally using MP-2014 projection scale at March 31, 2019 and 2018

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 from 3.89% as of March 31, 2019 to 3.79% as of March 31, 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 Preferred Provider Organization (PPO) plans and premium rates for the Health Maintenance Organization (HMO) plans. There were no significant changes between the March 31, 2019 measurement and March 31, 2020 that will have a significant effect on the total OPEB liability as of March 31, 2020.

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, 2020 and 2019 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, 2020	$ 213,835,776	181,301,617	155,651,503
Total OPEB liability as of March 31, 2019	221,153,957	186,112,003	158,736,650

Sensitivity of total OPEB liability to changes in health care cost trend rates. The following presents the total OPEB liability as of March 31, 2020 and 2019, 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, 2020	$ 152,629,573	181,301,617	218,604,028
Total OPEB liability as of March 31, 2019	155,592,052	186,112,003	226,177,786

HESC recognized approximately $3,900,000 million in income related to OPEB during the year ended March 31, 2020, a result of a change in HESC proportionate share. As of March 31, 2020, 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	$ 1,012,229	(10,446,555)
Changes in assumptions	—	(5,670,755)
Employer contributions made subsequent to the		—
measurement date	6,069,363	—
Proportionate share of differences	—	(506,980)
Total	$ 7,081,592	(16,624,290)

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, 2021. 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:		
2021	$	(4,113,895)
2022		(4,113,895)
2023		(4,113,895)
2024		(2,820,043)
2025		(450,333)
Total	$	(15,612,061)

HESC recognized approximately $4,700,000 in expense related to OPEB during the year ended March 31, 2019, a result of a change in HESC proportionate share. As of March 31, 2019, 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	$	—	(13,839,635)
Changes in assumptions		—	(681,801)
Employer contributions made subsequent to the measurement date		5,928,963	—
Total	$	5,928,963	(14,521,436)

(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 $1,181,562 and $1,269,298 as of March 31, 2020 and 2019, respectively, and is recorded in accounts payable and accrued expenses in the Operating Fund.

(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 March 31, 2020. HESC's lease of office space expired in July 2017, but will continue to rent existing space on a month-to-month basis lease agreement until the State's Office for General Services negotiates a new lease for HESC. 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, 2020 and 2019, was $1,940,173 and $1,942,572, respectively.

(13) Contingencies

The Operating Fund and the Federal Fund are subject to U.S. Department of Education 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 the U.S. Department of Education 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 Guaranteed Student Loan Programs are 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, 2020 and 2019, 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 GUARANTEED STUDENT LOAN PROGRAMS' OPERATING FUND AND FEDERAL FUND OF 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, 2020

		2020	2019	2018	2017
Contractually determined contribution	$	1,280,249	1,434,583	1,601,962	1,669,723
Contributions in relation to the contractually required contribution		1,606,417	2,318,184	2,553,882	2,096,423
Contribution excess	$	(326,168)	(883,601)	(951,920)	(426,700)
Covered payroll	$	10,295,891	12,126,914	13,485,270	14,190,287
Contributions as a percentage of covered payroll		15.60%	11.83%	11.88%	11.77%

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

THE GUARANTEED STUDENT LOAN PROGRAMS' OPERATING FUND AND FEDERAL FUND OF 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, 2020

		2020	2019	2018	2017
HESC's proportionate share of the net pension liability		0.034534%	0.038228%	0.042281%	0.044732%
HESC's proportionate share of the net pension liability	$	2,446,843	1,233,781	3,972,815	7,179,512
Covered payroll	$	12,126,914	13,485,270	14,190,287	15,157,162
HESC's proportionate share of the net pension liability as a percentage of its covered payroll		20.18%	9.15%	28.00%	47.47%
Plan fiduciary net position as a percentage of the total pension liability		96.3 %	98.2 %	94.7 %	90.7 %

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.

The 2018 pension information is based on an actuarial date of April 1, 2016 using a measurement date of March 31, 2017.

The 2017 pension information is based on an actuarial date of April 1, 2015 using a measurement date of March 31, 2016.

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, 2020 actuarial valuations.

Changes in assumptions: There were no changes in the actuarial assumptions for the March 31, 2020 actuarial valuation.

**THE GUARANTEED STUDENT LOAN PROGRAMS'
OPERATING FUND AND FEDERAL FUND OF
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, 2020

		2020	2019
Contractually determined contributions	$	6,069,363	5,928,963
Contributions in relation to the contractually required contribution		6,069,363	5,928,963
Contributions deficiency (excess)	$	—	—
Covered payroll		10,295,891	12,126,914
Contributions as a percentage of covered payroll		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 GUARANTEED STUDENT LOAN PROGRAMS' OPERATING FUND AND FEDERAL FUND OF 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, 2020

		2020	2019
HESC's proportionate share of the OPEB liability		0.351230%	0.363937%
HESC's proportionate share of the OPEB liability	$	181,301,617	186,112,003
Covered payroll	$	12,126,914	13,485,270
HESC's proportionate share of the OPEB as a percentage of it's covered payroll		1495%	1380%

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.