



**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, 2021 and 2020

(With Independent Auditors' Report Thereon)

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March 31, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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, 2021, 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, 2021

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(Unaudited)

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, 2021 and 2020. 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.

2021 Financial Highlights – Operating Fund

- 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.

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- The Operating Fund provided approximately \$15.9 million for the cost of administering the NYS grant and scholarship 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.

2021 Financial Highlights – 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.

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 NYS grant and scholarship programs, which is an increase of \$0.6 million or 4% from the prior year.

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- 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 ED consistent with operating revenues.

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Condensed Financial Information

Dollar in thousands

	Operating Fund			Federal Fund		
	2021	2020	2019	2021	2020	2019
Current assets	\$ 61,808	73,916	76,368	99,075	89,886	82,952
Capital assets	6	14	25	—	—	—
Other noncurrent assets	—	—	—	355	976	857
Total assets	\$ 61,814	73,930	76,393	99,430	90,862	83,809
Deferred outflows of resources	\$ 34,449	9,808	9,268	—	—	—
Current liabilities	\$ 11,421	9,354	8,365	10,618	1,599	—
Noncurrent liabilities	219,743	185,633	189,472	—	—	—
Total liabilities	\$ 231,164	194,987	197,837	10,618	1,599	—
Deferred inflows of resources	\$ 12,046	17,518	16,719	—	—	—
Net position:						
Invested in capital assets	\$ 6	14	25	—	—	—
Restricted	(146,954)	(128,781)	(128,920)	88,812	89,263	83,809
Total net position	\$ (146,948)	(128,767)	(128,895)	88,812	89,263	83,809
Operating revenues:						
Defaulted loan collections	\$ 17,779	36,900	52,702	61,932	135,841	194,457
Reimbursement of defaulted loans	—	—	—	173,078	239,593	305,182
Other operating revenues	11,384	6,372	7,297	6,477	585	—
Nonoperating revenues	1,766	5,622	5,589	164	1,466	1,371
Total revenues	30,929	48,894	65,588	241,651	377,485	501,010
Operating expenses:						
Administrative	27,621	25,444	42,331	—	—	—
Default loan purchases	—	—	—	173,015	239,237	304,769
Collection payments to ED	—	—	—	60,780	132,790	189,115
Other operating expenses	1,665	1,336	723	8,307	5	264
Nonoperating expenses	19,824	21,986	21,944	—	—	—
Total expenses	49,110	48,766	64,998	242,102	372,032	494,148
Cumulative effect of changes in accounting principles	—	—	(189,961)	—	—	—
(Decrease) increase in net position	\$ (18,181)	128	(189,371)	(451)	5,453	6,862

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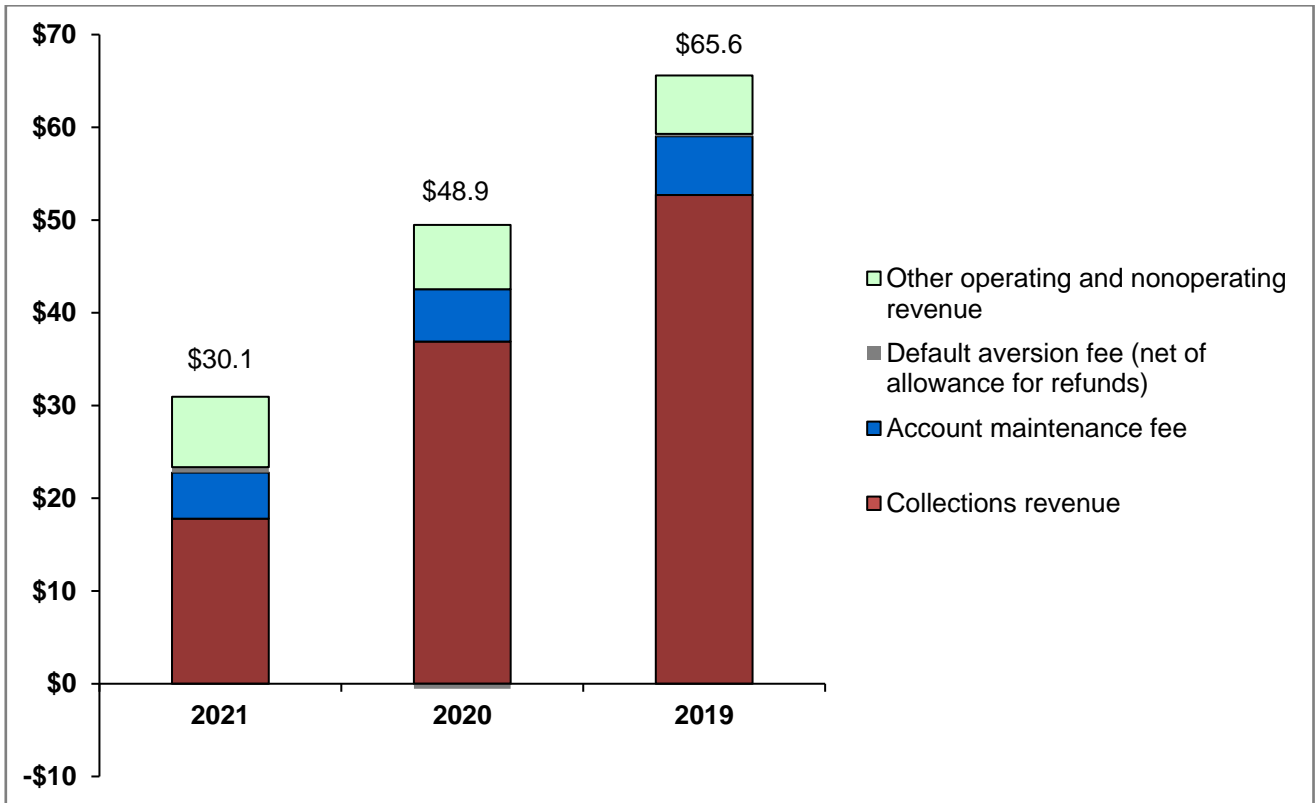
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(Unaudited)

Total Operating Fund Revenue

(Dollar in millions)



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Operating Fund Revenue Highlights for fiscal year ending March 31

2021	2020
<ul style="list-style-type: none"> • Collections 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 2020-2021. 	<ul style="list-style-type: none"> • 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. COVID 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.

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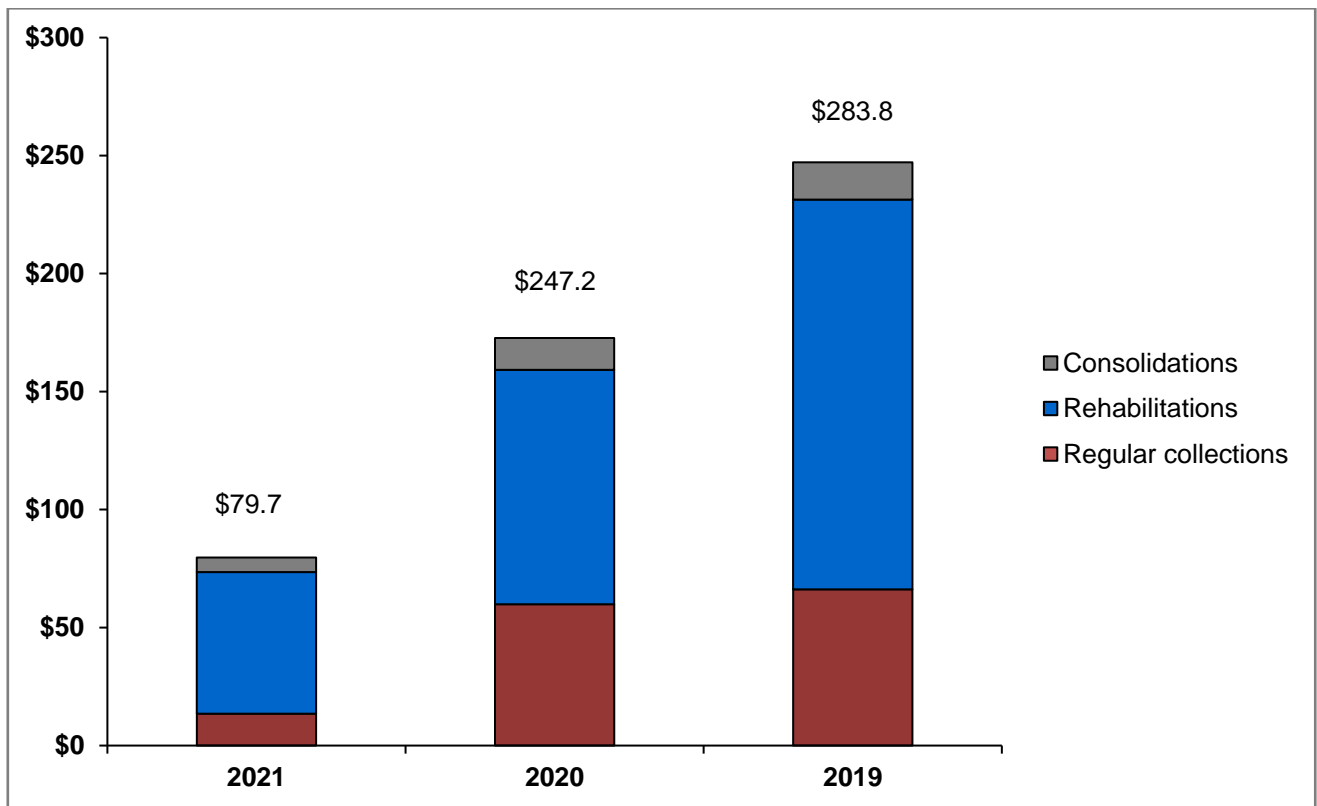
Management's Discussion and Analysis

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(Unaudited)

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.

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Collection Recovery Highlights for the fiscal year ending March 31

2021	2020
<ul style="list-style-type: none"> 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%. 	<ul style="list-style-type: none"> 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 of the change in rehab lender and the COVID 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.

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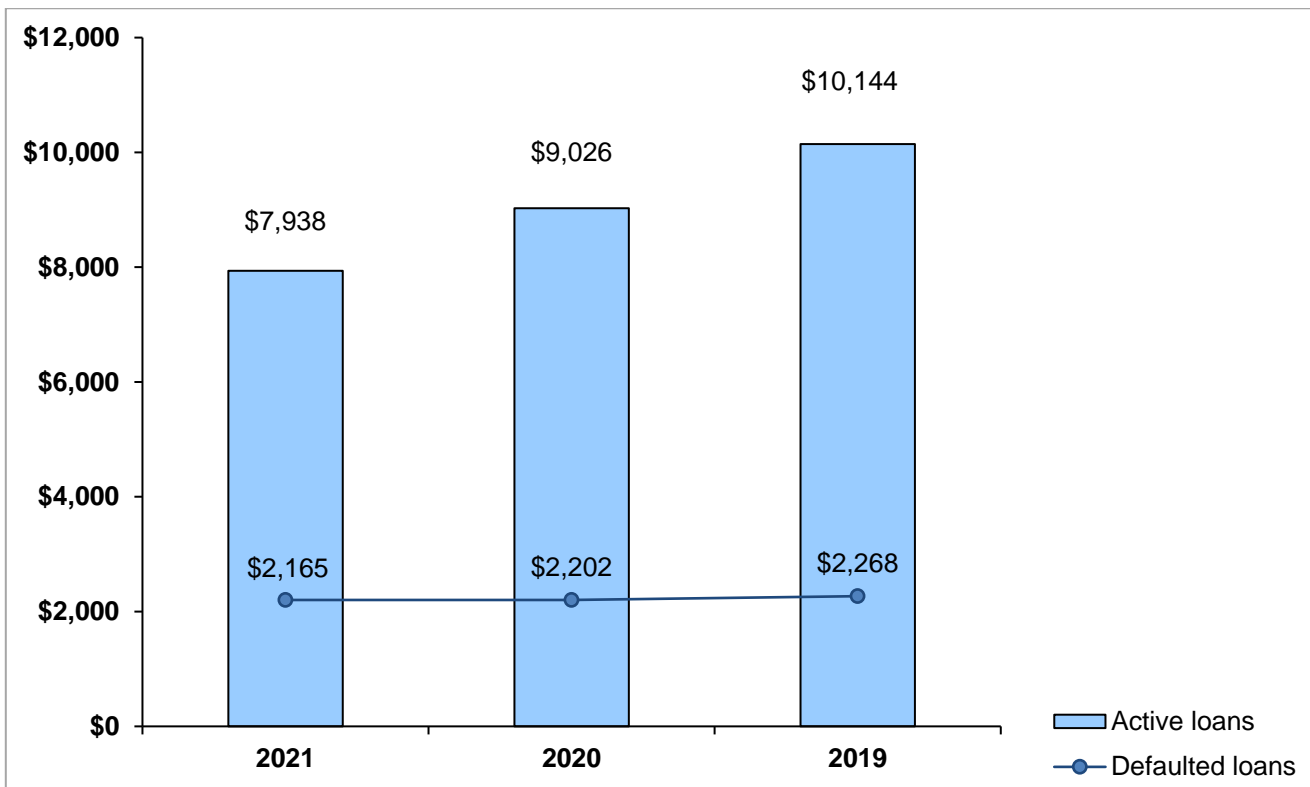
Management's Discussion and Analysis

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(Unaudited)

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.

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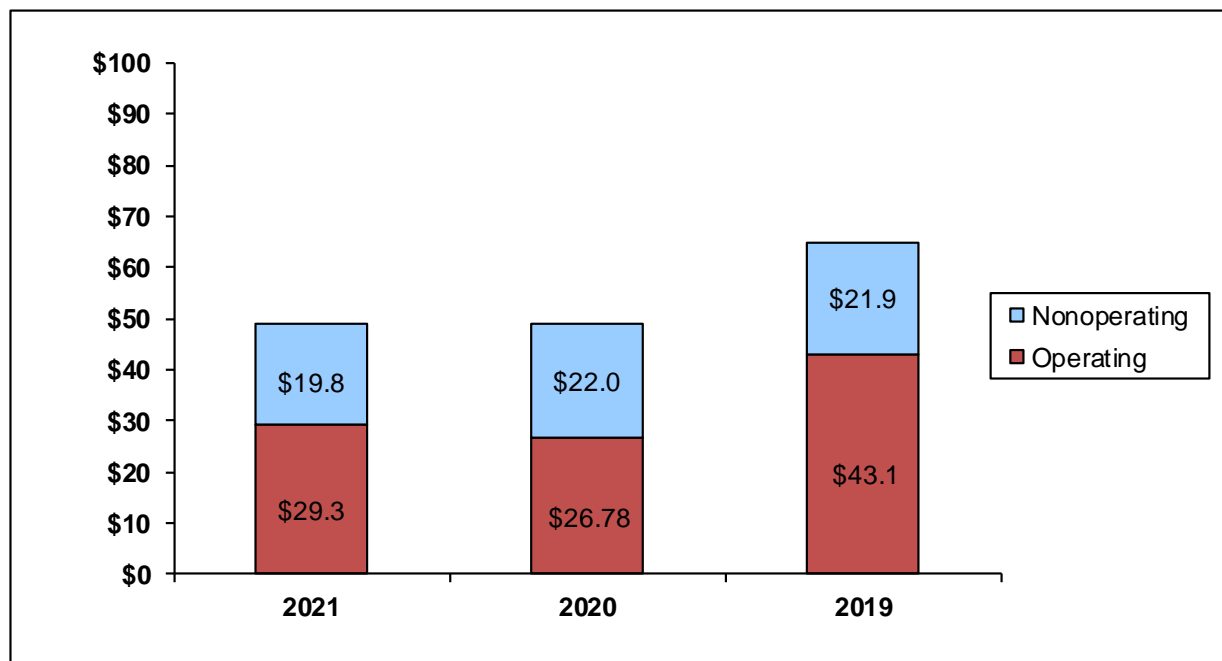
(Unaudited)

Administrative Revenue Highlights for the fiscal year ending March 31

2021	2020
<ul style="list-style-type: none"> 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. <p>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.</p>	<ul style="list-style-type: none"> 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.

Total Operating Fund Expenses

(Dollar in millions)



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Operating Expense Highlights for fiscal year ending March 31

2021	2020
<p>Operating Expenses</p> <ul style="list-style-type: none"> • 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 is 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 a 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. 	<p>Operating Expenses</p> <ul style="list-style-type: none"> • 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 ED.

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Nonoperating Expense Highlights for fiscal year ending March 31

2021	2020
<p>Nonoperating Expenses</p> <ul style="list-style-type: none"> Grant and scholarship 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. 	<p>Nonoperating Expenses</p> <ul style="list-style-type: none"> 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.

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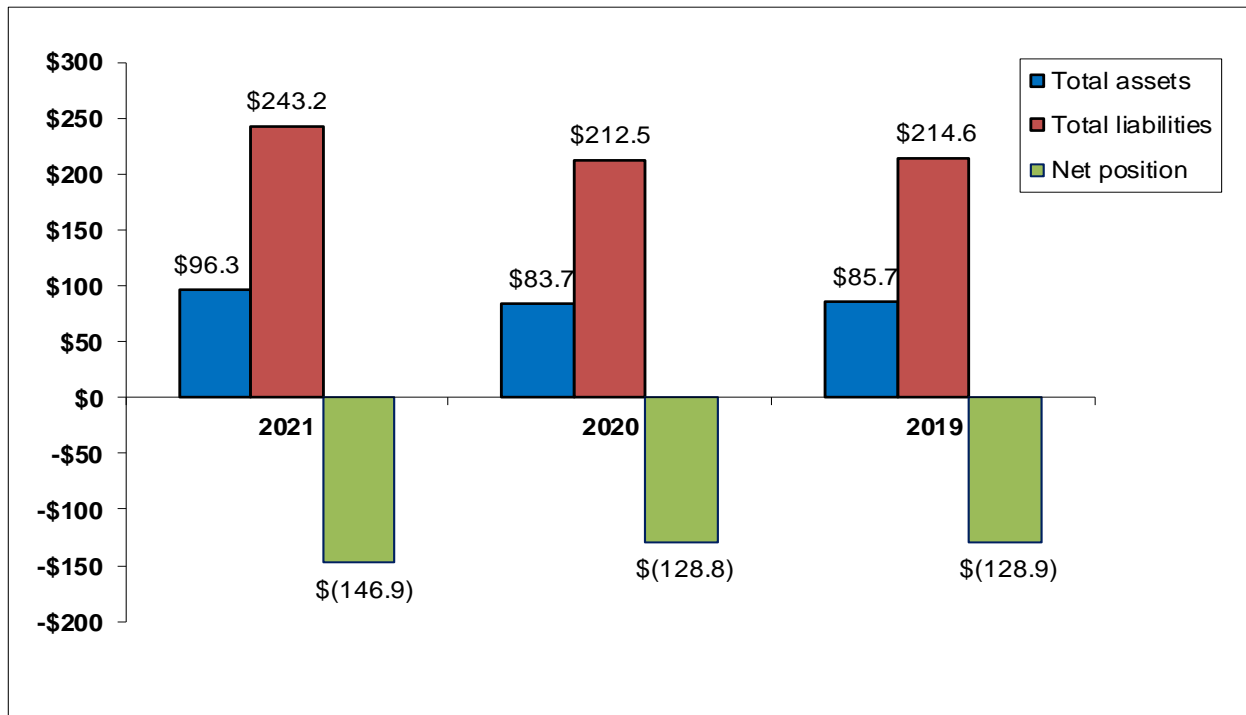
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Operating Fund Assets, Liabilities, Deferred Inflows and Outflows and Net Position

(Dollar in millions)



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

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

(Dollar in millions)

2021	2020
Assets	Assets
<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • Total operating fund assets are primarily current assets, consisting of cash and cash equivalents and receivables due from ED. • 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.
Liabilities	Liabilities
<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • 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.

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

(Dollar in millions)

2021	2020
<p>Deferred Outflows and Inflows of Resources</p> <ul style="list-style-type: none"> • 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. <p style="text-align: center;">Net Position</p> <ul style="list-style-type: none"> • Net position decreased \$18.2 million in 2020-2021. 	<p>Deferred Outflows and Inflows of Resources</p> <ul style="list-style-type: none"> • 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 2019-2020. <p style="text-align: center;">Net Position</p> <ul style="list-style-type: none"> • Net position increased \$0.1 million in 2019-2020.

**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)

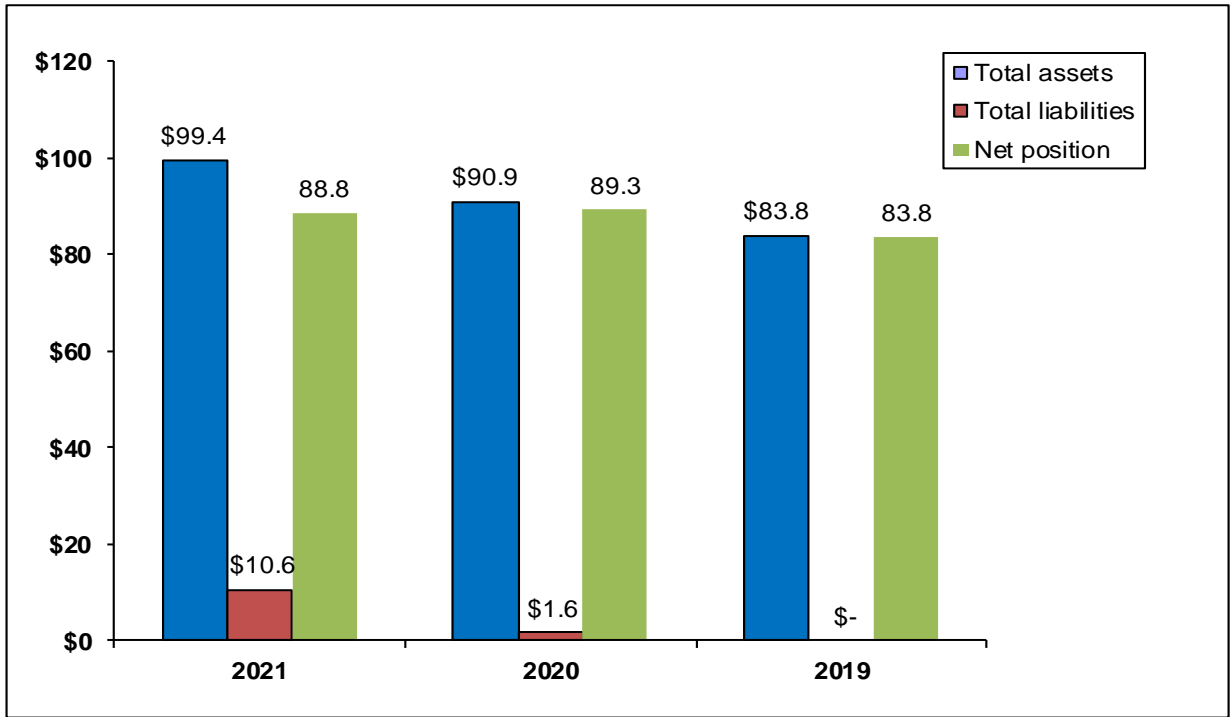
Management's Discussion and Analysis

March 31, 2021 and 2020

(Unaudited)

The Federal Student Loan Reserve Fund (Federal Fund)

(Dollar in millions)



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March 31, 2021 and 2020

(Unaudited)

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.

2021	2020
<p style="text-align: center;">Assets</p> <ul style="list-style-type: none"> • 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. <p style="text-align: center;">Liabilities</p> <ul style="list-style-type: none"> • 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. <p style="text-align: center;">Net Position</p> <ul style="list-style-type: none"> • Net position decreased \$0.45 million in 2020-2021 as a result of additional receivables and as a result Federally implemented COVID related requirements. 	<p style="text-align: center;">Assets</p> <ul style="list-style-type: none"> • 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. • Noncurrent assets increased \$0.1 million as a result of increased default aversion fee revenue and estimated future returns. <p style="text-align: center;">Liabilities</p> <ul style="list-style-type: none"> • HESC's 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. <p style="text-align: center;">Net Position</p> <ul style="list-style-type: none"> • 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.

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, 2022.

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(Unaudited)

ED, Federal Student Aid, issued a Dear Colleague Letter (DCL) dated May 10, 2021 extending the student loan pause through September 30, 2021. 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's revenue recapture method has not been submitted to ED for approval and as such the potential revenue is not included in these statements. However, HESC has included the impact of the collection refunds mandated by the DCL.

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'
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Statements of Net Position

March 31, 2021 and 2020

	2021		2020	
	Operating fund	Federal fund	Operating fund	Federal fund
Assets and Deferred Outflows of Resources				
Current assets:				
Cash and cash equivalents (note 4)	\$ 52,366,007	83,672,789	69,786,952	86,902,626
Receivables due from U.S. Department of Education:				
Administrative fees (note 5)	1,183,644	—	1,345,197	—
Reinsurance	—	8,918,434	—	2,894,196
Interfund balances (note 6)	4,140,847	—	1,598,671	—
Prepaid expenses and other assets	2,995,576	6,377	195,536	89,334
Due from Federal Government	1,121,684	6,476,965	989,946	—
Total current assets	<u>61,807,758</u>	<u>99,074,565</u>	<u>73,916,302</u>	<u>89,886,156</u>
Noncurrent assets:				
Interfund default aversion fee allowance (note 5)	—	355,543	—	975,572
Capital assets, net	6,353	—	14,294	—
Total noncurrent assets	<u>6,353</u>	<u>355,543</u>	<u>14,294</u>	<u>975,572</u>
Total assets	<u>61,814,111</u>	<u>99,430,108</u>	<u>73,930,596</u>	<u>90,861,728</u>
Deferred outflows of resources related to pension and other postemployment benefit obligations (notes 8 and 9)	34,449,351	—	9,808,150	—
Total assets and deferred outflows of resources	<u>\$ 96,263,462</u>	<u>99,430,108</u>	<u>83,738,746</u>	<u>90,861,728</u>
Liabilities, Deferred Inflows of Resources and Net Position				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 10,187,392	6,477,103	9,346,741	140
Interfund balances (note 6)	—	4,140,847	—	1,598,671
Other payable - refunds due to borrowers	1,233,708	—	—	—
Amounts payable to schools	—	—	6,992	—
Total current liabilities	<u>11,421,100</u>	<u>10,617,950</u>	<u>9,353,733</u>	<u>1,598,811</u>
Noncurrent liabilities:				
OPEB payable (note 9)	211,871,821	—	181,301,617	—
Pension contributions payable (note 8)	—	—	909,094	—
Net pension liability (note 8)	7,515,835	—	2,446,843	—
Interfund default aversion fee allowance (note 5)	355,543	—	975,572	—
Total noncurrent liabilities	<u>219,743,199</u>	<u>—</u>	<u>185,633,126</u>	<u>—</u>
Total liabilities	<u>231,164,299</u>	<u>10,617,950</u>	<u>194,986,859</u>	<u>1,598,811</u>
Deferred inflows of resources related to pension and other postemployment benefit obligations (notes 8 and 9)	12,046,341	—	17,517,991	—
Total liabilities and deferred inflows of resources	<u>243,210,640</u>	<u>10,617,950</u>	<u>212,504,850</u>	<u>1,598,811</u>
Net position:				
Invested in capital assets	6,353	—	14,294	—
Restricted (notes 2(c) and 9)	(146,953,531)	88,812,158	(128,780,398)	89,262,917
Total net position	<u>(146,947,178)</u>	<u>88,812,158</u>	<u>(128,766,104)</u>	<u>89,262,917</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 96,263,462</u>	<u>99,430,108</u>	<u>83,738,746</u>	<u>90,861,728</u>

See accompanying notes to financial statements.

**THE GUARANTEED STUDENT LOAN PROGRAMS'
OPERATING FUND AND FEDERAL FUND OF
THE NEW YORK STATE HIGHER EDUCATION
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Statements of Revenue, Expenses, and Changes in Net Position

Years ended March 31, 2021 and 2020

	2021		2020	
	Operating fund	Federal fund	Operating fund	Federal fund
Operating revenues:				
Defaulted loan collections (note 2(e))	\$ 17,779,324	61,932,397	36,899,802	135,841,425
Administrative and program fee income (note 5)	5,568,375	—	5,047,415	—
Reimbursement on purchases of default loans from lenders (note 2(f))	—	173,078,340	—	239,592,823
Default aversion fee subsidy	—	—	—	585,559
Other revenue	5,815,782	6,476,965	1,325,121	—
Total operating revenues	<u>29,163,481</u>	<u>241,487,702</u>	<u>43,272,338</u>	<u>376,019,807</u>
Operating expenses:				
Salaries and employee benefits	13,715,642	—	9,104,132	—
General and administrative	3,584,882	—	3,219,523	—
Collection vendors	6,215,035	—	10,364,038	—
NYS servicing	2,954,272	—	1,921,046	—
NYS Information Technology Services infrastructure	1,151,968	—	835,262	—
Purchases of default loans from lenders (note 2(f))	—	173,014,942	—	239,236,954
Defaulted loan collections paid to U.S. Department of Education (note 2(e))	—	60,779,682	—	132,790,116
Default aversion fee subsidy	—	593,280	—	—
Depreciation	7,941	—	11,118	—
Other expense	1,657,303	7,714,072	1,324,971	5,095
Total operating expenses	<u>29,287,043</u>	<u>242,101,976</u>	<u>26,780,090</u>	<u>372,032,165</u>
Operating (loss) income	<u>(123,562)</u>	<u>(614,274)</u>	<u>16,492,248</u>	<u>3,987,642</u>
Nonoperating revenues (expenses):				
Interest income	132,068	163,515	1,458,935	1,466,381
Federal grant revenue	1,634,124	—	4,162,826	—
Federal grant administrative expenses	(1,967,834)	—	(4,692,926)	—
New York State initiatives (note 7)	(17,855,870)	—	(17,293,019)	—
Total nonoperating (expenses) revenues	<u>(18,057,512)</u>	<u>163,515</u>	<u>(16,364,184)</u>	<u>1,466,381</u>
(Decrease) increase in net position	<u>(18,181,074)</u>	<u>(450,759)</u>	<u>128,064</u>	<u>5,454,023</u>
Net position, beginning	(128,766,104)	89,262,917	(128,894,168)	83,808,894
Net position, ending	<u>\$ (146,947,178)</u>	<u>88,812,158</u>	<u>(128,766,104)</u>	<u>89,262,917</u>

See accompanying notes to financial statements.

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Statements of Cash Flows

Years ended March 31, 2021 and 2020

	2021		2020	
	Operating fund	Federal fund	Operating fund	Federal fund
Cash flows from operating activities:				
Receipts from:				
Collections	\$ 14,481,456	63,173,243	36,531,291	137,851,254
Administrative fees	5,042,278	—	5,319,388	480,501
Other sources	1,658,868	—	1,325,121	—
Reimbursement on purchases of default loan from lenders	—	167,142,806	—	247,938,732
Federal default aversion fee income	—	94,371	—	—
Payments for:				
Salaries and employee benefits	20,401,998	—	(13,197,659)	—
Purchases of default loans from lenders	—	(173,014,942)	—	(239,236,954)
Collections paid to U.S. Department of Education	—	(59,634,679)	—	(132,703,688)
General, administrative and other expenses	(44,106,840)	(1,237,106)	(16,845,010)	(5,096)
Net cash (used in) provided by operating activities	<u>(2,522,240)</u>	<u>(3,476,307)</u>	<u>13,133,131</u>	<u>14,324,749</u>
Cash flows from noncapital financing activities:				
Payments to NYS – other student aid activities	(15,109,309)	—	(18,476,926)	—
Net cash used in noncapital financing activities	<u>(15,109,309)</u>	<u>—</u>	<u>(18,476,926)</u>	<u>—</u>
Cash flows from investing activities:				
Interest received	210,604	246,472	1,522,261	1,517,515
Net cash provided by investing activities	<u>210,604</u>	<u>246,472</u>	<u>1,522,261</u>	<u>1,517,515</u>
(Decrease) increase in cash and cash equivalents	(17,420,945)	(3,229,835)	(3,821,534)	15,842,264
Cash and cash equivalents, beginning	69,786,952	86,902,626	73,608,486	71,060,362
Cash and cash equivalents, ending	<u>\$ 52,366,007</u>	<u>83,672,791</u>	<u>69,786,952</u>	<u>86,902,626</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating (loss) income	\$ (123,562)	(614,274)	16,492,248	3,987,642
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:				
Depreciation	7,941	—	11,118	—
Change in assets and liabilities that provided (used) cash:				
Receivables from U.S. Department of Education	161,553	(6,024,238)	166,914	8,432,755
Due from Federal Fund	(131,738)	(6,476,965)	(35,324)	—
Other assets	(2,878,577)	—	(18,387)	—
Interfund balances	(2,542,176)	2,542,176	(2,022,956)	2,022,956
Accounts payable and accrued liabilities and other liabilities	(1,012,903)	6,476,965	2,119,437	(418)
Allowance for default aversion refunds	(620,029)	620,029	118,186	(118,186)
Net pension liability, net of deferred outflows of resources, deferred inflows of resources, and pension contribution payable	(8,988)	—	162,056	—
OPEB liability, net of deferred outflows of resources, and deferred inflows of resources	4,626,239	—	(3,860,161)	—
Total adjustments	<u>(2,398,678)</u>	<u>(2,862,033)</u>	<u>(3,359,117)</u>	<u>10,337,107</u>
Net cash (used in) provided by operating activities	<u>\$ (2,522,240)</u>	<u>(3,476,307)</u>	<u>13,133,131</u>	<u>14,324,749</u>

See accompanying notes to financial statements.

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March 31, 2021 and 2020

(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. 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 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.

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(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 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 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.

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(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 2021, HESC was processing claims for 6 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. 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 since that time. As a result, HESC experienced a decline in overall collections revenue and corresponding expenses. The full impact of COVID on HESC will depend on future developments including further directions from ED regarding the FFELP. 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, 2021 and 2020, the Federal Fund was the guarantor of loans outstanding with original principal amounts of approximately \$7,938,000,000 and \$9,026,000,000, respectively, made to students by

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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, 2021 and 2020, the unpaid balances were approximately \$6,056,000,000 and \$6,776,000,000, 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, 2021 and 2020, which approximates cost. These investments are considered level 1 under GASB 72 valuation.

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Cash and cash equivalents at March 31 were as follows:

	2021	2020
Operating Fund:		
Cash in State Comptroller's short-term investment pool	\$ 51,644,251	64,104,229
Cash in bank	721,756	5,682,723
Total Operating Fund cash and cash equivalents	\$ 52,366,007	69,786,952
Federal Fund:		
Cash in State Comptroller's short-term investment pool	\$ 79,090,097	77,853,903
Cash in bank	4,582,692	9,048,723
Total Federal Fund cash and cash equivalents	\$ 83,672,789	86,902,626

(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 \$355,543 and \$975,572 at March 31, 2021 and 2020, 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, 2021 and 2020, the administrative fees receivable from ED consisted of the following:

	2021	2020
Operating Fund:		
Account maintenance fee receivable	\$ 1,183,644	1,345,197

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For the years ended March 31, 2021 and 2020, administrative fee income is as follows:

	2021	2020
Operating Fund:		
Default aversion fee subsidy, net of estimated refunds	\$ 593,280	(585,559)
Account maintenance fee	4,975,095	5,632,974
Total administrative and program fee income	\$ 5,568,375	5,047,415

Gross default aversion fee income for the years ended March 31, 2021 and 2020, was \$496,399 and \$555,108, respectively. The estimated reserve for default aversion fee refunds is netted against default aversion fee income. In 2021 and 2020, the default aversion fee allowance estimate adjustment was \$(96,881) and \$1,140,667, 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, 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. 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.

(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 \$15,894,965 and \$17,247,100 in the years ended March 31, 2021 and 2020, respectively.

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

In the years ended March 31, 2021 and 2020, HESC's Operating Fund incurred costs of \$33,277 and \$23,459, respectively, for costs associated with administering the New York Higher Education Loan Program (NYHELPS).

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HESC's Operating Fund incurred costs for the administration of the college savings program during state fiscal years ended March 31, 2021 and 2020 in the amounts of \$18,763 and \$22,460, 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 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.

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- 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.

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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, 2021 and 2020 was 17.71% and 17.74%, 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, 2021 of \$7,515,835, of 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, 2020 of \$1,131,938, of which \$909,094 is in noncurrent liabilities and \$222,844 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 \$7,515,835 at March 31, 2021. The liability was measured using an actuarial valuation as of April 1, 2018, with update procedures used to roll forward the total pension liability to March 31, 2020. HESC's proportionate share of the State's collective net pension liability was \$2,446,843 at March 31, 2020. The liability was measured 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 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.

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At the measurement date of March 31, 2020, HESC's proportion of the net pension liability of the New York State Employees' Retirement System (ERS) was 0.028382%, compared to 0.034534% at March 31, 2019.

For the year ended March 31, 2021, HESC recognized a 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:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
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	<u>1,782,407</u>	<u>—</u>
Total	<u>\$ 6,239,983</u>	<u>(238,240)</u>

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, 2022. 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	691,205
2022	1,051,225
2023	1,369,643
2024	<u>1,107,263</u>
Total	<u>\$ 4,219,336</u>

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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	<u>1,606,417</u>	<u>—</u>
Total	<u>\$ 2,726,558</u>	<u>(893,701)</u>

(e) Actuarial Assumptions

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. 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

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forward the total pension liability to March 31, 2019. Actuarial methods and assumptions used in the actuarial valuations were as follows:

	<u>2021</u>	<u>2020</u>
Actuarial cost method	Entry age normal	Entry age normal
Measurement date	March 31, 2020	March 31, 2019
Inflation	2.5%	2.5%
Salary scale	4.2%, indexed by service	4.2%, indexed by service
Investment rate of return, including inflation	6.8% 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, 2011 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-2018	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, 2019 and 2018 are summarized below:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Domestic equity	36 %	4.05 %
International equity	14	6.15
Private equity	10	6.75

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<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Real estate	10 %	4.95 %
Absolute return strategies	2	3.25
Opportunistic portfolio	3	4.65
Real assets	3	5.95
Bonds and mortgages	17	0.75
Cash	1	—
Inflation indexed bonds	4	0.50
	<u>100 %</u>	

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 6.8% and 7.0% for the March 31, 2020 and March 31, 2019 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 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:

	<u>1% Decrease</u>	<u>Current assumption</u>	<u>1% Increase</u>
2021	\$ 13,793,679	7,515,835	1,733,914
2020	10,697,989	2,446,843	(4,484,705)

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(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 the general fund and accounted for on the modified 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, 2021 and 2020, HESC had 528 and 533 retired and/or spouses of retired employees receiving retiree health care benefits with an annual pay-as-you-go cost of approximately \$6.4 million and \$6.1 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

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the amount of sick leave credits available at the time of retirement factored by the employee's retirement age.

<u>Health Care Participants</u>	<u>April 1, 2019</u>	<u>April 1, 2018</u>
Active employees	151	179
Retirees and surviving spouses receiving benefit payments	528	533
Total participants	<u>679</u>	<u>712</u>

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, 2020 and March 31, 2019, HESC's proportion of the Total OPEB liability of the State of New York was 0.348210% and 0.351232%, respectively.

(c) Actuarial Assumptions

HESC recognized an OPEB liability of \$211.9 million and \$181.3 million for its proportionate share of New York State total OPEB liability at March 31, 2021 and March 31, 2020, respectively. 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 the OPEB liability to March 31, 2020. 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 was calculated using the Entry Age Normal cost method. The actuarial valuations included the following actuarial assumptions:

<u>Assumptions</u>	<u>2021</u>	<u>2020</u>
Inflation	2.50%	2.50%
Measurement date	March 31, 2020	March 31, 2019
Mortality improvement	Society of Actuaries' Scale MP-2019	Society of Actuaries' Scale MP-2014
Discount rate	2.84%	3.79%

The discount rate is based on the Bond Buyer 20 year general obligation municipal bond index rate at March 31, 2020 and 2019.

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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 at March 31, 2019 and 2018.

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 six years. The drug assumption begins at 8.00% and decreases to a 4.50% long-term trend rate after six years. Additionally, at March 31, 2020 and 2019, a trend starting at 8.00% and decreasing to 4.50% after six 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-2019 and MP-2014 projection scales for measurement dates March 31, 2020 and 2019, respectively.

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 2.84% as of March 31, 2021 to 3.79% as of March 31, 2020. 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. The excise tax impact has been removed as a result of the SECURE Act. There were no significant changes that will have a significant effect on the total OPEB liability as of March 31, 2021.

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, 2021 and 2020 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:

	<u>1% Decrease</u>	<u>Current rate</u>	<u>1% Increase</u>
Total OPEB liability as of March 31, 2021	\$ 252,916,576	211,871,821	179,915,305
Total OPEB liability as of March 31, 2020	213,835,776	181,301,617	155,651,503

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Sensitivity of total OPEB liability to changes in health care cost trend rates. The following presents the total OPEB liability as of March 31, 2021 and 2020, 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:

	<u>1% Decrease</u>	<u>Current trend rates</u>	<u>1% Increase</u>
Total OPEB liability as of March 31, 2021	\$ 176,161,907	211,871,821	259,078,228
Total OPEB liability as of March 31, 2020	152,629,573	181,301,617	218,604,028

HESC recognized approximately \$11.0 million in 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:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
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	<u>8,707</u>	<u>(138,644)</u>
Total	<u>\$ 28,209,368</u>	<u>(11,808,101)</u>

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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, 2022. 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:		
2022		748,619
2023		748,619
2024		1,989,686
2025		4,262,719
2026		<u>2,300,394</u>
Total	\$	<u><u>10,050,037</u></u>

HESC recognized approximately \$3.9 million in expense related to OPEB during the year ended March 31, 2020. As of March 31, 2020, HESC reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

		<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
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		<u>—</u>	<u>(506,980)</u>
Total	\$	<u><u>7,081,592</u></u>	<u><u>(16,624,290)</u></u>

(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 \$1,350,666 and \$1,181,562 as of March 31, 2021 and 2020, respectively, and is recorded in accounts payable and accrued expenses in the Operating Fund.

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(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, 2021. 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, 2021 and 2020, was \$1,964,603 and \$1,940,173, 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, 2021 and 2020, 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, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually determined contribution	\$ 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	<u>1,782,407</u>	<u>1,606,417</u>	<u>2,318,184</u>	<u>2,553,882</u>	<u>2,096,423</u>	<u>2,263,283</u>
Contribution excess	<u>\$ (656,826)</u>	<u>(326,168)</u>	<u>(883,601)</u>	<u>(951,920)</u>	<u>(426,700)</u>	<u>(256,041)</u>
Covered payroll	\$ 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	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.

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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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
HESC's proportionate share of the net pension liability	0.028382%	0.034534%	0.038228%	0.042281%	0.044732%	0.048820%
HESC's proportionate share of the net pension liability	\$ 7,515,835	2,446,843	1,233,781	3,972,815	7,179,512	1,649,233
Covered payroll	\$ 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	71.02%	20.18%	9.15%	28.00%	47.37%	10.14%
Plan fiduciary net position as a percentage of the total pension liability	86.4 %	96.3 %	98.2 %	94.7 %	90.7 %	97.9 %

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.

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

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, 2021 actuarial valuations.

Changes in assumptions: The actuarial assumptions for the mortality basis used for the January 1, 2020 actuarial valuations were changed from the RP-2014 mortality tables, by gender, with fully generational improvements using Scale MP-2018 to Pri-2012 mortality tables for employees and healthy annuitants with mortality improvements projected using Scale MP-2019 on a fully generational basis.

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Required Supplementary Information

Schedule of Contributions –
New York State Plan (Unaudited)

March 31, 2020

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually determined contributions	\$ 6,351,230	6,069,363	5,928,963
Contributions in relation to the contractually required contribution	<u>6,351,230</u>	<u>6,069,363</u>	<u>5,928,963</u>
Contributions deficiency (excess)	\$ <u>—</u>	<u>—</u>	<u>—</u>
Covered payroll	10,093,803	10,295,891	12,126,914
Contributions as a percentage of covered payroll	62.92%	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'
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Required Supplementary Information

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

March 31, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>
HESC's proportionate share of the OPEB liability	0.348210%	0.351230%	0.363937%
HESC's proportionate share of the OPEB liability	\$ 211,871,821	181,301,617	186,112,003
Covered payroll	\$ 10,582,130	12,126,914	13,485,270
HESC's proportionate share of the OPEB as a percentage of it's covered payroll	2002%	1495%	1380%

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.

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 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.