

**SUFFOLK COUNTY PUBLIC EMPLOYEES DEFERRED  
COMPENSATION PLAN**

**AUDITED FINANCIAL STATEMENTS**

**Years Ended June 30, 2017 and 2016**

# **SUFFOLK COUNTY PUBLIC EMPLOYEES DEFERRED COMPENSATION PLAN**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Members of the Board  
Suffolk County Public Employees Deferred Compensation Plan

We have audited the accompanying financial statements of Suffolk County Public Employees Deferred Compensation Plan (the "Plan"), which comprise the statements of net position available for plan benefits as of June 30, 2017, and the related statements of changes in net position available for plan benefits for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position available for plan benefits of Suffolk County Public Employees Deferred Compensation Plan as of June 30, 2017, and the changes in net position available for plan benefits for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Prior Period Financial Statements**

The financial statements of Suffolk County Public Employees Deferred Compensation Plan as of June 30, 2016, were audited by other auditors whose report dated June 2, 2017, expressed an unmodified opinion on those statements.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit 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.

The logo for UHY LLP, featuring the letters 'UHY' in a large, stylized, cursive font, with 'LLP' in a smaller, simpler font to the right.

New York, New York  
December 21, 2017

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**SUFFOLK COUNTY PUBLIC EMPLOYEES DEFERRED COMPENSATION PLAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2017 and 2016**

**Overview**

The following discussion and analysis is supplementary information required by accounting principles generally accepted in the United States of America and is intended to provide background and summary information for the Suffolk County (the County) Public Employees Deferred Compensation Plan (the Plan). This discussion and analysis should be read in conjunction with the financial statements, including notes, which begin on page 8.

These financial statements consist of the statements of net position available for plan benefits and the statements of changes in net position available for plan benefits which provide information about the financial status of the Plan. These statements include all assets and liabilities using the accrual basis of accounting. Additions and deductions are taken into account regardless of when cash is received or paid.

**Financial Highlights**

Net position available for plan benefits totaled \$1,423,513,497 and \$1,231,792,130 at June 30, 2017 and 2016, respectively. This represents an increase of 15.6% and 1.6% in 2017 and 2016, respectively. The increase was significantly greater in 2017 and 2016 due to market appreciation of the investments coupled with an increase in investment interest and dividends.

Employee contributions increased in 2017. Contributions from participants were \$54,465,966 and \$50,254,156 in 2017 and 2016, respectively. The 2017 contributions represented an increase of 8.4% over the 2016 contributions. Contributions may have increased due to expanded efforts to increase plan awareness, participation rates and deferral rates.

**Plan Additions for 2017 and 2016**

	<u>Years Ended June 30,</u>		<u>% Change</u>
	<u>2017</u>	<u>2016</u>	
Employee contributions	\$ 54,465,966	\$ 50,254,156	8.4%
Rollovers and transfers, net	1,488,501	2,394,893	-37.8%
Interest and dividends	53,131,898	32,717,673	62.4%
Interest on participant loans	687,451	654,392	5.1%
Net appreciation (depreciation) in fair value of investments	125,994,795	(26,077,580)	-583.2%
Other income	909,500	1,444,998	-37.1%
Total additions	<u>\$ 236,678,111</u>	<u>\$ 61,388,532</u>	285.5%

**Plan Additions for 2016 and 2015**

	<u>Years Ended June 30,</u>		<u>% Change</u>
	<u>2016</u>	<u>2015</u>	
Employee contributions	\$ 50,254,156	\$ 47,439,968	5.9%
Rollovers and transfers, net	2,394,893	1,384,493	73.0%
Interest and dividends	32,717,673	70,447,844	-53.6%
Interest on participant loans	654,392	652,192	0.3%
Net appreciation (depreciation) in fair value of investments	(26,077,580)	(8,400,094)	210.4%
Other income	1,444,998	69,950	1965.8%
Total additions	<u>\$ 61,388,532</u>	<u>\$ 111,594,353</u>	-45.0%

**SUFFOLK COUNTY PUBLIC EMPLOYEES DEFERRED COMPENSATION PLAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2017 and 2016**

Distributions to participants continue to slowly increase, at a rate similar to the increase in participants' contributions.

**Plan Distributions and Expenses for 2017 and 2016**

	Years Ended June 30,		% Change
	2017	2016	
Distributions to participants and beneficiaries	\$ 44,655,132	\$ 41,308,778	8.1%
Administrative expenses	301,612	403,143	-25.2%
Total deductions	<u>\$ 44,956,744</u>	<u>\$ 41,711,921</u>	7.8%

**Plan Distributions and Expenses for 2016 and 2015**

	Years Ended June 30,		% Change
	2016	2015	
Distributions to participants and beneficiaries	\$ 41,308,778	\$ 38,833,066	6.4%
Administrative expenses	403,143	250,259	61.1%
Total deductions	<u>\$ 41,711,921</u>	<u>\$ 39,083,325</u>	6.7%

Participant loans continue to be a popular option. As of June 30, 2017 and 2016, outstanding loan balances were \$14,862,659 and \$15,447,615, respectively.

**Statements of Net Position Available for Plan Benefits**

	June 30,	
	2017	2016
Mutual funds	\$ 620,512,278	\$ 521,702,691
Common trust funds	519,771,300	433,104,737
Guaranteed investment contracts	268,037,298	260,244,920
Notes receivable from participants	14,862,659	15,447,615
Revenue sharing receivable	154,969	1,080,836
Cash in bank	195,293	241,481
Accrued expenses	(20,300)	(30,150)
Net position available for plan benefits	<u>\$ 1,423,513,497</u>	<u>\$ 1,231,792,130</u>

**Statements of Net Position Available for Plan Benefits**

	June 30,	
	2016	2015
Mutual funds	\$ 521,702,691	\$ 569,148,831
Common trust funds	433,104,737	388,128,709
Guaranteed investment contracts	260,244,920	238,401,596
Notes receivable from participants	15,447,615	16,204,455
Revenue sharing receivable	1,080,836	-
Cash in bank	241,481	231,928
Accrued expenses	(30,150)	-
Net position available for plan benefits	<u>\$ 1,231,792,130</u>	<u>\$ 1,212,115,519</u>

**SUFFOLK COUNTY PUBLIC EMPLOYEES DEFERRED COMPENSATION PLAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2017 and 2016**

**Decision and Conditions Expected to Have a Significant Impact on the Plan's Future Financial Position**

The annual maximum contribution was \$18,000 for 2017 and 2016. If an employee is age 50 or older, the contribution limit was \$24,000 for 2017 and 2016. These contribution limits will increase in 2018 to \$18,500 (\$24,500 if an employee is age 50 or older).

The market value of the Plan's assets from mid-2016 to mid-2017 increased in excess of \$193 million, compared to an increase from mid-2015 to mid-2016 in excess of \$19 million.

**Factors that may have a positive impact on the net position available for plan benefits include:**

- In July of 2015, the Board consolidated to one service provider and as a result, was able to offer common trust funds and mutual funds with lower expense/trustee fees. Additionally, the current services agreement states that revenue in excess of the service provider's per participant revenue threshold is to be returned to the Plan. Obtaining lower-fee funds and revenue in excess of a negotiated threshold should continue to have a positive impact in the future of net position available for plan benefits.
- In 2016, each of the Common Trust Funds that were added to the Plan in 2015 had trustee fee reductions of 4-8 basis points each. In early 2017, 14 of the Common Trust Funds had additional trustee fee reductions. This included an 11 basis point reduction on the trustee fee for all of the T. Rowe Price Retirement Trusts, which hold 15% of all Plan assets and are utilized for 27% of all new contributions. These fee reductions should result in higher investment gains for participants.
- T. Rowe Price currently provides representatives who are on-site at County buildings and union offices for 60 days per year. The representatives promote Plan enrollment, assist employees in the enrollment process and assist employees in making changes to their deferral amount and asset allocation. The Plan continues to see increases in the number of enrollments since the T. Rowe Price on-site visits began in 2015. At least quarterly, the Board reviews statistics provided by the on-site representative to adjust locations and scheduling in an effort to assist as many employees as possible.
- The Board anticipates launching online (paperless) enrollment in 2018 and hopes that this enhancement will result in employees enrolling in the Plan earlier on in their careers.
- Negotiated bargaining agreements by most bargaining units extend into the future. If employees know they will get steps (increases) or scheduled salary raises, they are more likely to plan ahead and increase their bi-weekly contribution amounts. In addition, many County employees who have completed ten years of service no longer contribute to the New York State pension plan. These employees are sent letters encouraging them to join the Plan or increase their deferrals since they will no longer have the obligation of contributing to their pension.

**SUFFOLK COUNTY PUBLIC EMPLOYEES DEFERRED COMPENSATION PLAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2017 and 2016**

- It is hoped that the lack of quarterly or annual participant fees, the availability of funds with low expense ratios, as well as the Board's policy to allow retirees and terminated employees to stay in the Plan will encourage former employees to remain in the Plan rather than roll out their account balances into Individual Retirement Accounts (IRAs) or other employers' plans. The Plan Administrator attends union retirement seminars to educate participants on their options after separation from County service.
- In a continual effort to enhance and improve the Plan, the Board evaluates the Plan offerings and removes and/or replaces funds due to a variety of factors, including under-performance over time or under-utilization.
- The Board is committed to exploring options to reach out to non-participants or to educate participants on the importance of reaching their retirement goals. The Plan has had its own website ([www.sdeferredcomp.org](http://www.sdeferredcomp.org)) since 2006. The site provides access to Board-produced and provider-produced forms as well as informational materials, including the enrollment form and list of fund offerings for prospective participants. The site has grown to include links to the providers as well as links to the bargaining units whose members sit on the Board. The website enables the Board to announce enhancements as well as store all prior employee memorandums relating to our Plan and quarterly Plan newsletters.
- The Board produced a *Plan Summary Guide*, formerly known as the Retirement Savings Planning Guide, to inform both non-participants and current participants of the benefits of joining and remaining in the Plan. The guide includes a comparative table to help the participant understand the value of contributing to a pre-tax deferral 457 plan as opposed to a post-tax deferral savings plan. This guide is posted on the Plan's website.
- The Plan Administrator conducts employee orientations so that new employees are introduced to the Plan, given plan materials and can have their questions answered. Promoting rollover of assets, such as prior employers' qualified plans and IRAs, into our Plan has been incorporated into the orientation's PowerPoint slides.

**Factors that may negatively impact the net position available for plan benefits include:**

- The volatility of the market could impact investment yields, loan levels and unforeseeable emergency (UFE) requests. In 2017, the Board approved 3 UFE requests compared to 6 UFE's approved by the Board in 2016. As of December 2017, \$14.7 million dollars in loans are outstanding compared to \$15.4 million in December 2016. The Board continues to educate participants on the possible negative effects that loans can have on their retirement savings.

**SUFFOLK COUNTY PUBLIC EMPLOYEES DEFERRED COMPENSATION PLAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2017 and 2016**

- The creation of a County 401(a) program for terminal pay, currently negotiated for five of eight bargaining units may re-direct contributions from the Plan. The 401(a) Terminal Pay Plan commenced in 2015. The first \$54,000 of separation pay must be contributed to the 401(a) plan, the remainder, if any, can be contributed to the Plan up to the 457(b) limits set by the Internal Revenue Service. The 401(a) has not yet impacted the Plan, as members of the five bargaining units participating typically receive separation pay checks that are large enough to contribute fully to both the 401(a) and 457(b). If other bargaining units negotiate to participate in the 401(a) plan, that will not be the case and there could be a negative impact on net position available for plan benefits.
- The continuing reduction in the County workforce will likely have a negative impact on Plan assets. The number of County employees has been reduced by approximately 10% over the last five years and a greater portion of the workforce is part time employees. Part time employees are less likely to participate in the Plan and less likely to contribute at the level that a full time employee would contribute.

## **FINANCIAL STATEMENTS**

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**SUFFOLK COUNTY PUBLIC EMPLOYEES DEFERRED COMPENSATION PLAN  
STATEMENTS OF NET POSITION AVAILABLE FOR PLAN BENEFITS**

	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Investments at fair value	<b>\$ 1,140,283,578</b>	\$ 954,807,428
Investments at contract value	<b>268,037,298</b>	260,244,920
Cash	<b>195,293</b>	241,481
Receivables:		
Revenue sharing receivable	<b>154,969</b>	1,080,836
Notes receivable from participants	<b>14,862,659</b>	15,447,615
Total receivables	<b><u>15,017,628</u></b>	<u>16,528,451</u>
Total assets	<b><u>\$ 1,423,533,797</u></b>	<u>\$ 1,231,822,280</u>
<b>LIABILITIES</b>		
Accrued expenses	<b>\$ 20,300</b>	\$ 30,150
Total liabilities	<b><u>20,300</u></b>	<u>30,150</u>
<b>NET POSITION AVAILABLE FOR PLAN BENEFITS</b>	<b><u>\$ 1,423,513,497</u></b>	<b><u>\$ 1,231,792,130</u></b>

See notes to financial statements.

**SUFFOLK COUNTY PUBLIC EMPLOYEES DEFERRED COMPENSATION PLAN  
STATEMENTS OF CHANGES IN NET POSITION AVAILABLE FOR PLAN BENEFITS**

	<b>Years Ended June 30,</b>	
	<b>2017</b>	<b>2016</b>
<b>ADDITIONS</b>		
Investment income:		
Net appreciation (depreciation) in the fair value of investments	\$ 125,994,795	\$ (26,077,580)
Interest and dividends	53,131,898	32,717,673
Participant loan interest	687,451	654,392
Total investment income	<u>179,814,144</u>	<u>7,294,485</u>
Contributions:		
Plan participants	54,465,966	50,254,156
Rollovers and transfers, net	1,488,501	2,394,893
Total contributions	<u>55,954,467</u>	<u>52,649,049</u>
Other income:		
Revenue sharing income	909,500	1,444,998
Total other income	<u>909,500</u>	<u>1,444,998</u>
Total additions	<u>236,678,111</u>	<u>61,388,532</u>
<b>DEDUCTIONS</b>		
Benefits paid to participants	44,655,132	41,308,778
Administrative expenses	301,612	403,143
Total deductions	<u>44,956,744</u>	<u>41,711,921</u>
<b>NET INCREASE</b>	<b>191,721,367</b>	<b>19,676,611</b>
<b>NET POSITION AVAILABLE FOR PLAN BENEFITS</b>		
<b>BEGINNING OF YEAR</b>	<u>1,231,792,130</u>	<u>1,212,115,519</u>
<b>END OF YEAR</b>	<u>\$ 1,423,513,497</u>	<u>\$ 1,231,792,130</u>

See notes to financial statements.

**SUFFOLK COUNTY PUBLIC EMPLOYEES DEFERRED COMPENSATION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**NOTE 1 — DESCRIPTION OF THE PLAN**

The following description of the Suffolk County Public Employees Deferred Compensation Plan (the “Plan”) is provided for general information purposes. Participants should refer to the Plan document for a more complete description of the Plan’s provisions.

**General**

The Plan is a defined contribution plan which permits employees of the County of Suffolk, New York (the “County”) to defer receipt of a portion of their current salary until future years. Participants do not pay income taxes on their contributions or investment returns while these funds remain in the Plan.

The Plan is intended to satisfy the requirements of an “eligible deferred compensation plan” under Section 457 of the Internal Revenue Code (“IRC”), and as such, are not subject to tax under the present income tax law.

Amounts maintained under a deferred compensation plan by a state or local government are to be held in trust for the exclusive benefit of plan participants and their beneficiaries. The Plan administrator believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC.

**Eligibility**

All full time and part time employees of the County are eligible to join the Plan from the initial date of employment.

**Contributions**

Participants may elect to defer a portion of their pre-tax eligible compensation, as defined in the Plan, through a payroll deduction. The amount an employee may contribute is limited to the maximum amount permitted under the IRC. Participants who have attained the age of 50 before the end of the Plan year are eligible to make catch-up contributions up to a maximum amount permitted under the IRC. An additional catch-up is allowed for previous missed contributions for participants within three years of retirement.

**Participant Accounts**

Individual accounts are maintained for each Plan participant. Each participant’s account is credited with the participant’s contributions as remitted and allocations of the Plan’s earnings and losses on the investment options in which the participant is invested. Contributions are invested at the direction of the participant among the investment options available under the Plan. Earnings or losses during the year are credited to or deducted from each account balance based on its relative share of the total of all account balances.

**Vesting**

Participants are 100% vested in their account balances at all times.

**SUFFOLK COUNTY PUBLIC EMPLOYEES DEFERRED COMPENSATION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**NOTE 1 — DESCRIPTION OF THE PLAN (Continued)**

**Investments**

The Plan's investment options were selected by the Suffolk County Public Employees Deferred Compensation Board (the "Board"). The Board serves as the Plan administrator and represents the County in all matters concerning administration of the Plan. The actions of the Board are governed by the terms of the Plan, IRC Section 457, and the Rules and Regulations of the New York State Deferred Compensation Board.

Participant contributions are deposited into a trust account, which is invested by the Trustee in various investment options as directed by each participant. The investment options available include money market funds, mutual funds, common trust funds, and a stable value common trust fund maintained by the Trustee. Participants, at their sole discretion, may transfer amounts among the various investment options in accordance with the terms of the Plan.

**Payment of Benefits**

A participant is entitled to receive their deferred compensation account balance upon termination of service, retirement, death, or the occurrence of certain unforeseeable emergencies ("UFE") as defined by the IRC. A participant may elect to receive one lump sum amount equal to the value of his or her account, a partial lump sum, or periodic payments in monthly, quarterly, semi-annual or annual installments.

Participants or beneficiaries have the right to redirect the timing, amount and method of payment of distributions. In connection with a participant's severance from employment, a participant may elect to have all or a portion of their account rolled over into a qualified plan, a 403(b) plan, another government 457 plan, or an individual retirement account.

Certain eligible participants are entitled to a full distribution ("inactive account distribution") of their account prior to separation from service if the total amount payable does not exceed \$5,000 and there have been no deferrals to the Plan by the participant in the prior two years. Participants are not eligible for an inactive account distribution if they have taken a prior inactive account distribution.

Participants, after approval from the Board, may receive a UFE withdrawal which may not exceed the lesser of the amount reasonably needed to meet the financial need created by such unforeseeable emergency or the value of the participant's plan balance as of the most recent valuation date. All payments shall be made in one lump sum cash withdrawal within 60 days after approval of the request.

**Notes Receivable from Participants (Participant Loans)**

Participants, upon the occurrence of events as specified in the Plan, may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000, or 50% of their vested account balance.

Participants may have only one loan outstanding at a time. The transactions are treated as a transfer to (from) the investment fund from (to) the participant loan. The maximum payment term for any loan is 5 years, unless the loan is to be used to purchase a primary residence, in which case the loan may extend to 15 years. The loans are secured by the balance in the participant's account and bear interest at prime rate plus 1%. Principal and interest are paid ratably through payroll deductions.

**SUFFOLK COUNTY PUBLIC EMPLOYEES DEFERRED COMPENSATION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**NOTE 1 — DESCRIPTION OF THE PLAN (Continued)**

**Plan Termination**

The County reserves the right to amend, suspend, or terminate the Plan and any deferrals there under, the trust agreement and any investment fund, in whole or in part for any reason and without the consent of any employee, participant, beneficiary, or other person. Upon termination of the Plan, all amounts deferred shall be payable as set forth in the Plan document.

**NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The Plan's financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Investment Valuation and Income Recognition**

The Plan's investments are reported at fair value except for fully benefit-responsive investment contracts, which are reported at contract value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Contract value is the relevant measure for the stable value fund (the "Fund") offered and managed by the Trustee. The Fund invests in synthetic and traditional guaranteed investment contracts and cash and cash equivalents, including money market instruments. Contract value is the amount participants normally would receive if they were to initiate permitted transactions under the terms of the Plan document.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Net appreciation (depreciation) includes the Plan's gains and losses on investments bought and sold as well as held during the year.

The only investment that represented more than 5% of the Plan's total investments was the T. Rowe Price Stable Value Common Trust Fund which amounted to \$268,037,298 and \$260,244,920 at June 30, 2017 and 2016, respectively.

**Notes Receivable from Participants (Participant Loans)**

Notes receivable from participants are measured at their unpaid principal balance plus any unpaid accrued interest. Interest income is recorded on the accrual basis. No allowance for credit losses has been recorded as of June 30, 2017 and 2016. Delinquent note receivables from participants are reclassified to distributions based on the terms of the Plan document.

**SUFFOLK COUNTY PUBLIC EMPLOYEES DEFERRED COMPENSATION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Benefit Payments**

Benefits are recognized when due and payable in accordance with the terms of the Plan document.

**Administrative Expenses**

Fees related to the administration of participant loans are paid by participants. All other expenses of maintaining the Plan are paid by the Plan's revenue sharing income. Other expenses are attributable to fees for trustee, administrative services, audit, and the Board's administrative expenses.

**Subsequent Events**

The Plan has evaluated subsequent events through December 21, 2017, the date the financial statements were available to be issued.

**NOTE 3 — INVESTMENTS**

The Plan offers participants the option to choose among money market funds, mutual funds, common trust funds, and a stable value common trust fund, which primarily consists of Guaranteed Investment Contracts (GICs).

Money market funds, mutual funds and common trust funds options consists of the following at June 30:

	2017	2016
MONEY MARKET FUNDS		
T Rowe Price Government Money	1,604,775	-
MUTUAL FUNDS		
BOND FUNDS		
TRP Spectrum Income Fund	19,487,440	18,292,087
TRP High Yield Fund	9,357,533	7,103,552
TRP U.S. Treasury Long-Term Fund	7,456,508	9,896,695
TRP Gnma Fund	6,717,364	6,944,648
TRP Emerging Markets Bond Fund	3,483,771 *	2,990,284 *
TRP Short-Term Bond Fund	3,229,635	3,162,730
Pimco Total Return Instl	3,016,781	2,329,021
TRP International Bond Fund	2,550,656 *	2,830,341 *
American Century Gov Bond	2,014,553	2,114,645
Franklin Strategic Income	2,014,092	1,755,444
AM Century Infl Adj Bond	1,567,349	1,585,182
Pioneer High Yield Y	-	921,572
STOCK FUNDS		
TRP Science & Technology Fund	62,433,625	48,470,351
TRP Media & Telecommunications	62,303,287	51,082,656

*(Continued...)*

**SUFFOLK COUNTY PUBLIC EMPLOYEES DEFERRED COMPENSATION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**NOTE 3 — INVESTMENTS (Continued)**

	<u>2017</u>	<u>2016</u>
Vanguard Inst Index	61,928,085	48,108,882
TRP Health Sciences Fund	53,379,625	55,685,240
TRP New America Growth Fund	52,077,508	42,778,715
TRP Spectrum Growth Fund	23,089,534	19,496,013
TRP Global Technology Fund	19,985,331	12,451,431
TRP Balanced Fund	19,783,419	17,703,367
AF Growth Fund of America	16,043,664	12,221,272
TRP Real Estate Fund	13,712,996	15,400,668
TRP Dividend Growth Fund	13,275,193	9,675,029
Dreyfus Mid Cap Index	12,319,732	9,884,366
TRP New Asia Fund	12,307,496 *	10,644,751 *
TRP New Era Fund	10,498,150	9,926,178
TRP Financial Services Fund	10,151,456	5,413,167
Dodge & Cox Intl Stock	8,897,678 *	7,220,339 *
TRP Latin America Fund	8,811,622 *	6,061,872 *
Dreyfus Small Cap Stock Index	6,841,138	4,535,360
Allianzgi Technology Instl	6,401,768	3,766,802
TRP Emerging Markets Stock Fund	5,964,744 *	4,254,907 *
American Funds New Perspectives	5,854,775 *	4,908,552 *
JPMorgan Large Cap Growth	5,326,776	4,343,111
Neuberger Berman Genesis	5,300,254	4,717,022
American Century Eq Income	5,080,940	4,115,989
American Cent Balanced Inst	5,068,936	4,615,774
Franklin SM-Mid Cap Growth	4,995,434	4,760,230
Virtus Ceredex Mid Cap Val Eq	4,493,144	3,722,809
AMG MNGRS Fairpoint Mid Cap I	4,297,609	2,961,336
Amer Beac Small Cap Val Inst	3,812,184	2,136,551
American Funds Europac Grw	3,771,552 *	3,260,243 *
American Century Heritage	3,427,143	3,630,329
Fidelity Adv Health Care I	3,380,691	3,778,453
Oppenheimer Develop Markets I	3,325,315 *	2,741,016 *
Fidelity Advisor Div Intl I	3,039,390 *	2,758,338 *
TRP European Stock Fund	2,622,607 *	2,553,476 *
TRP Spectrum International Fund	2,544,827 *	2,147,123 *
TRP Overseas Stock Fund	2,364,115 *	1,742,373 *
TRP Japan Fund	2,237,580 *	2,456,065 *
TRP Emerging Europe	2,196,434 *	2,111,404 *
Oppenheimer Value I	2,089,929	1,307,267
Franklin Natural Resources Adv	1,988,142	1,309,297
TRP Africa & Middle East Fund	587,994 *	918,370 *

(Continued...)

**SUFFOLK COUNTY PUBLIC EMPLOYEES DEFERRED COMPENSATION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**NOTE 3 — INVESTMENTS (Continued)**

	<u>2017</u>	<u>2016</u>
COMMON TRUST FUNDS		
TRP Blue Chip Growth Trust T5	57,606,666	48,021,408
TRP Trp Equity Income Trust D	51,158,609	45,115,071
TRP Capital Appreciation Trust D	47,211,523	42,779,540
T Rowe Price Retire 2020 Tr F	44,937,416	-
T Rowe Price Retire 2020 Tr A	-	37,915,976
T Rowe Price Retire 2025 Tr F	44,659,896	-
T Rowe Price Retire 2025 Tr A	-	33,915,292
TRP U.S. Mid-Cap Growth Eq Trust D	38,808,206	34,820,221
T Rowe Price Retire 2030 Tr F	33,567,137	-
T Rowe Price Retire 2030 Tr A	-	24,610,495
TRP New Horizons Trust D	28,266,587	23,993,990
TRP U.S. Small-Cap Val Eq Trust D	27,023,300	20,900,589
T Rowe Price Retire 2015 Tr F	22,433,010	-
T Rowe Price Retire 2015 Tr A	-	20,048,904
T Rowe Price Retire 2035 Tr F	20,937,920	-
T Rowe Price Retire 2035 Tr A	-	14,315,059
TRP Intl Growth Equity Trust D	16,276,720 *	14,033,783 *
TRP U.S. Value Equity Trust D	15,869,496	14,560,485
T Rowe Price Retire 2040 Tr F	12,436,701	-
T Rowe Price Retire 2040 Tr A	-	8,294,740
T Rowe Price Retire 2010 Tr F	12,394,964	-
T Rowe Price Retire 2010 Tr A	-	10,929,144
TRP Intl Small Cap Equity Trust D	11,896,033 *	10,438,983 *
TRP Bond Trust I T5	9,094,259	9,981,062
T Rowe Price Retire 2045 Tr F	8,295,133	-
T Rowe Price Retire 2045 Tr A	-	5,484,679
T Rowe Price Retire Bal Tr F	6,973,273	-
T Rowe Price Retire Bal Tr A	-	5,911,847
T Rowe Price Retire 2005 Tr F	5,040,361	-
T Rowe Price Retire 2005 Tr A	-	4,537,746
T Rowe Price Retire 2050 Tr F	2,114,765	-
T Rowe Price Retire 2050 Tr A	-	1,034,356
T Rowe Price Retire 2055 Tr F	1,483,908	-
T Rowe Price Retire 2055 Tr A	-	1,144,561
T Rowe Price Retire 2060 Tr F	1,285,417	-
T Rowe Price Retire 2060 Tr A	-	316,806
Total	<u>1,140,283,578</u>	<u>954,807,428</u>

\* Represents international mutual funds or accounts.

All mutual funds and common trust funds mature in less than 1 year.

**SUFFOLK COUNTY PUBLIC EMPLOYEES DEFERRED COMPENSATION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**NOTE 3 — INVESTMENTS (Continued)**

Investments included in the stable value common trust fund consisted of the following at June 30:

Investment Name	Asset	2017 Contract	2017 Discount		
	Duration	/Fund Rate	Rate/Yield	2017	2016
Metropolitan Life	3.77	2.318%	2.514%	\$ 42,187,498	\$ 40,877,481
Pacific Life	3.39	2.394%	2.549%	36,368,958	37,206,026
State Street	3.43	2.350%	2.545%	31,578,128	32,320,003
Prudential	3.37	2.219%	2.507%	26,538,329	27,160,674
Transamerica	2.98	2.193%	2.420%	26,220,932	26,804,221
Royal Bank of Canada	3.18	2.231%	2.446%	20,407,509	20,876,305
American General	3.25	2.103%	2.491%	16,851,694	17,240,074
TRP ST Retirement Fund	-	1.173%	1.173%	15,875,262	24,071,459
Bank of Tokyo	3.04	2.094%	2.429%	15,384,721	15,737,417
New York Life	3.14	1.841%	2.462%	12,698,846	-
RGA Reinsurance	2.99	1.912%	2.416%	10,636,167	9,945,902
JP Morgan Chase Bank, N.A.	3.32	2.097%	2.479%	9,661,802	8,005,357
Mass Mutual	3.15	2.310%	2.464%	3,627,453	-
				<u>\$ 268,037,298</u>	<u>\$ 260,244,920</u>

**Interest Rate Risk**

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

**Credit Risk**

At June 30, 2017 and 2016, the fair value of the underlying investments exceeded the book value. Since all investments are participant directed, all risks exist at the participant level. Each individual within the Plan has the ability to liquidate their positions on demand and have responsibility for managing their exposure to fair value loss.

**Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates that could adversely affect the fair value of the investment. The Plan allows the option of investments in mutual funds and common trust funds that invest outside the United States not required to disclose the individual assets within the fund. The fair value of these investments were \$98,733,310 and \$84,072,220 as of June 30, 2017 and 2016, respectively. The individual funds are identified on pages 13 through 15.

**SUFFOLK COUNTY PUBLIC EMPLOYEES DEFERRED COMPENSATION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**NOTE 3 — INVESTMENTS (Continued)**

**Custodial Credit Risk**

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

All deposits of the Plan are held on behalf of the Plan by the Plan custodian in accordance with the formal deposit policy for custodial credit risk and are not exposed to custodial credit risk.

**Concentration of Credit Risk**

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

**NOTE 4 — REVENUE SHARING INCOME AND RECEIVABLE**

The Plan entered into a revenue sharing agreement with the Service Provider which was retroactive for the term beginning July 1, 2015 through June 30, 2018, with two one year options to renew, at the Board's discretion. The Service Provider agreed to provide the Plan with a portion of their administrative revenue. The revenue sharing is calculated quarterly, using an average assets formula for less a pre-determined threshold per participant. The revenue received is placed into an investment account to be used for Plan expenses and/or reallocated back to the Plan participants

The revenue sharing income for the years ended June 30, 2017 and 2016 amounted to \$909,500 and \$1,408,356, respectively. For the year ended June 30, 2016, revenue sharing income included an additional amount of \$36,642 which was received from Plan's prior revenue sharing arrangement.

At June 30, 2017 and 2016, the revenue sharing receivable represents monies owed to the Plan, net of Plan expenses payable.

