

**MEMPHIS LIGHT, GAS AND WATER DIVISION
OTHER POST EMPLOYMENT BENEFITS TRUST**

Financial Statements
December 31, 2023 and 2022

**MEMPHIS LIGHT, GAS AND WATER DIVISION
OTHER POST EMPLOYMENT BENEFITS TRUST**

Financial Statements

For the Years ended December 31, 2023 and 2022

Table of Contents

Introductory Section:

Letter of Transmittal

OPEB Trust Investment Committee Members

Professional Consultants

Financial Section:

Independent Auditor's Report..... 1-3

Management's Discussion and Analysis 4-11

Financial Statements:

Statements of Fiduciary Net Position12

Statements of Changes in Fiduciary Net Position.....13

Notes to the Financial Statements..... 14-33

Required Supplementary Information:

Schedule of Changes in Net OPEB Liability34

Schedule of Employer Contributions.....35

Schedule of Investment Returns36

Notes to the Required Schedules 37-38

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards* - Independent Auditor's Report..... 39-40

Schedule of Findings.....41

Summary Schedule of Prior Year Findings42

Letter of Transmittal

MEMPHIS LIGHT, GAS AND WATER DIVISION OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

To the Board of Commissioners and OPEB Trust Investment Committee:

We are pleased to submit the Annual Report of Memphis Light, Gas and Water Division (“MLGW” or “the Division”) Other Post Employment Benefits Trust (the “OPEB Trust”) for the year ended December 31, 2023. This report has been prepared in conformity with generally accepted accounting principles in the United States of America (“GAAP”).

Responsibility for the accuracy and presentation of the information provided is the full responsibility of the management of MLGW. Disclosures necessary to assist the reader in understanding of the financial statements have been included.

MLGW OPEB Trust’s 2023 financial statements have been audited by FORVIS. The goal of the independent audit was to provide reasonable assurance that the financial statements of MLGW OPEB Trust for the year ended December 31, 2023, are free from material misstatement. The independent audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements; evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditor issued an unmodified opinion on the MLGW OPEB Trust’s financial statements for the years ended December 31, 2023 and 2022. The independent auditor’s report is presented as the first component of the financial section of the report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management’s Discussion and Analysis (“MD&A”). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. MLGW OPEB Trust’s MD&A can be found immediately following the report of the independent auditor.

Profile of the “Trust” – MLGW and the Board of Commissioners of MLGW (the “Trustee”) established the OPEB Trust, effective January 1, 2007. The Trust holds assets that are available to be used to assist MLGW in providing medical and life insurance benefits for retired employees of MLGW and their dependents who meet the eligibility requirements. In accordance with the OPEB Trust agreement, the OPEB Trust is permitted to pay or reimburse MLGW for benefits paid

under the MLGW medical benefits plan. The contribution requirements of plan members and MLGW are established and may be amended by the MLGW Board of Commissioners. Contribution rates for retired plan members and beneficiaries currently receiving benefits are periodically reset and are currently at 25% of costs for medical and drug benefits and 40% for life insurance and AD&D.

The Board of Commissioners of Memphis Light, Gas and Water Division serves as the “Trustee” and establishes the policies of the MLGW OPEB Trust. The Trustee shall fulfill the duties of the fiduciary responsible for MLGW OPEB Trust’s administration and shall have overall control of the administration of the Plan, with all powers and discretion necessary to enable it to properly carry out its duties. The Trustee delegated the responsibility and authority to administer the assets of the OPEB Trust to the OPEB Trust Investment Committee.

The OPEB Trust Investment Committee is comprised of one member of the Board of Commissioners of the Division (who serves as Chairman), the President and CEO of the Division, the Sr.Vice President, CFO & CAO (Secretary-Treasurer) of the Division, two Employee Members, one Retiree Member, and one Citizen Member.

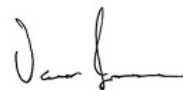
Funded Status - As of December 31, 2023, the plan was 84.40% funded. The Total OPEB Liability for benefits was \$827,119,558 and the Plan Fiduciary Net Position was \$698,068,595 resulting in a Net OPEB Liability (“NOL”) of \$129,050,963. The covered employee payroll was \$191,237,413 and the ratio of the NOL to the covered employee payroll was 67.48%.

Acknowledgements - The preparation of this report was made possible by the overall dedication of MLGW’s Finance Division. We would like to express our appreciation to the members of the Finance Division who contributed to the preparation of this report. Special thanks must also be given to FORVIS for their efficient and timely completion of this year’s audit.

Respectfully submitted,



Douglas McGowen
President and CEO



Dana Jeanes
SVP, CFO & CAO (Secretary-Treasurer)

**MEMPHIS LIGHT, GAS AND WATER DIVISION
OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST**
Memphis, Tennessee

OPEB Trust Investment Committee Members



Carl Person
Chairman



Doug McGowen
Vice Chairman



Dana Jeanes
Secretary-Treasurer



Nicholas Newman
Employee Member
Term Expires: 12/31/2024



Rodney Cleek
Employee Member
Term Expires: 12/31/2025



Jerry Collins
Retired Member
Term Expired: 12/31/2023



Pamela Z. Clary
Citizen Member
Term Expires: 6/30/2026

The Memphis Light, Gas and Water Division OPEB Trust (“OPEB Trust”) was established for the exclusive benefit of MLGW’s retired employees and their dependents (who meet the eligibility requirements) to fund the postemployment benefits provided through the health and welfare benefit plan. Amounts contributed to the OPEB Trust by MLGW are held in trust and are irrevocable and are for the sole and exclusive purpose of funding health and welfare benefits of the eligible participants, and the cost of operating and administering the OPEB Trust. The OPEB Trust is administered by the MLGW OPEB Trust Investment Committee.

PROFESSIONAL CONSULTANTS

The MLGW OPEB Trust contracts with several independent consultants to provide services that are vital to the professional and successful operation of the plan.

INVESTMENT CONSULTANT

CBIZ Investment Advisory Services, LLC

Robert A. Longfield, CFA
Executive Vice President and Senior Consultant

Brian Jones
Senior Vice President and Senior Consultant

CUSTODIAN

Northern Trust Corporation

Diana Kodanov
Vice President | Asset Servicing, Americas

Victor Paniagua
Account Manager-Trust

ACTUARY CONSULTANT

Segal Consulting

Samuel Boustani, ASA, MAAA
Consulting Actuary

LEGAL CONSULTANT

Evans & Petree, PC

Frank N. Stockdale Carney
Shareholder

Elizabeth Friary
Associate

Independent Auditor's Report

Board of Commissioners and Management
Memphis Light, Gas and Water Division
Other Post Employment Benefits Trust
Memphis, Tennessee

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Memphis Light, Gas and Water Division Other Post Employment Benefits Trust (the "OPEB Trust"), a fiduciary fund of the City of Memphis, Tennessee, which comprise the statements of fiduciary net position as of December 31, 2023 and 2022, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the fiduciary net position of the OPEB Trust as of December 31, 2023 and 2022, and the changes in its fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 1, the accompanying financial statements are those of Memphis Light, Gas and Water Division Other Post Employment Benefits Trust. The financial statements do not purport to present the financial position of the Light, Gas and Water Division of the City of Memphis or the City of Memphis as of December 31, 2023 and 2022, and the respective changes in their financial position or, where applicable, their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis the Schedule of Changes in Net OPEB Liability, the Schedule of Employer Contributions, and the Schedule of Investment Returns on pages 4 through 11 and 35 through 39 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2024, on our consideration of the OPEB Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the OPEB Trust's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the OPEB Trust's internal control over financial reporting and compliance.

Forvis Mazars, LLP

**Memphis, Tennessee
June 12, 2024**

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended December 31, 2023 and 2022



The following management discussion and analysis for the Memphis Light, Gas and Water Division (“MLGW”) Other Post Employment Benefits Trust (“OPEB Trust”), formerly Trust for Retiree Medical and Life Insurance Benefits (the “Trust”), provides a narrative overview and analysis of the OPEB Trust financial activities and funding conditions for the years ended December 31, 2023 and December 31, 2022. Please read it in conjunction with the OPEB Trust’s financial statements, notes, and required supplementary information, which follow this section.

The MLGW OPEB Trust was established for the purpose of providing for the funding and payment of healthcare benefits for retired and disabled employees of MLGW and their dependents and beneficiaries.

FINANCIAL HIGHLIGHTS

- Total OPEB Trust fiduciary net position at December 31, 2023 was \$698.1 million, an increase of \$63.2 million, or 10.0%, over total fiduciary net position at December 31, 2022.
- Cash and cash equivalents increased \$6.0 million from \$11.3 million at December 31, 2022 to \$17.2 million at December 31, 2023.
- Investments at fair value were \$680.1 million at December 31, 2023, an increase of \$57.9 million, or 9.3%, from investments of \$622.1 million at December 31, 2022.
- The OPEB Trust experienced a gain of \$63.2 million and a loss of \$69.5 million in 2023 and 2022, respectively.
- Total additions to OPEB Trust fiduciary net position were \$102.2 million in 2023, compared to -\$35.2 million in 2022.
- Net investment activities income was \$62.0 million in 2023, compared to an investment loss of \$73.6 million in 2022. For 2023, net appreciation in fair value of investments totaled \$52.4 million compared with net depreciation in the fair value of investments of \$82.9 million for 2022.
- Total deductions from OPEB Trust fiduciary net position were \$39.0 million during 2023, an increase of \$4.8 million compared to 2022.



OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements of the OPEB Trust are the Statements of Fiduciary Net Position, the Statements of Changes in Fiduciary Net Position, and the Notes to the Financial Statements. This report also contains required supplementary information in addition to the basic financial statements. Statements are shown for the most recent and previous years for comparison and analysis of changes in individual line items. The statements are presented using the accrual basis of accounting.

The Statements of Fiduciary Net Position are a measure of the OPEB Trust's assets and liabilities at the close of the year. Total assets less liabilities equal net position held in the OPEB Trust for the future payment of benefits.

The Statements of Changes in Fiduciary Net Position present how the OPEB Trust's net position changed during the year as a result of contributions, investment income (loss), operating expenses, and insurance premiums paid.

The OPEB Trust shall be used exclusively to provide benefits for OPEB Trust participants and their beneficiaries, and for the cost of operating and administering the OPEB Trust. MLGW may make payments to provide benefits for retired employees or their beneficiaries as they become due under the terms of the OPEB Trust.

The Notes to the Financial Statements are a fundamental part of the financial statements and provide important information to support the amounts in the financial statements. The Notes describe accounting policies, funded status, actuarial methods and significant assumptions used to value MLGW's OPEB obligation.

The Required Supplementary Information consists of a Schedule of Changes in Net OPEB Liability, a Schedule of Employer Contributions, a Schedule of Investment Returns, and Notes to the Required Schedules.

See next page

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended December 31, 2023 and 2022



ANALYSIS OF OPEB TRUST FIDUCIARY NET POSITION

Condensed financial information comparing MLGW's OPEB Trust fiduciary net position for the past three years is presented below:

Table 1 Condensed OPEB Trust Fiduciary Net Position December 31					
	<u>2023</u>	<u>2022</u>	<u>FY23 - FY22 Percentage Change</u>	<u>2021</u>	<u>FY22 - FY21 Percentage Change</u>
Assets					
Cash and cash equivalents	\$ 17,238,388	\$ 11,287,727	52.7%	\$ 9,558,214	18.1%
Investments, at fair value*	680,058,146	622,109,926	9.3%	694,590,617	-10.4%
Receivables	2,375,193	7,314,420	-67.5%	6,567,868	11.4%
Collateral held for securities on loan	<u>655,079</u>	<u>245,195</u>	<u>167.2%</u>	<u>486,388</u>	<u>-49.6%</u>
Total assets	<u>700,326,806</u>	<u>640,957,268</u>	<u>9.3%</u>	<u>711,203,088</u>	<u>-9.9%</u>
Liabilities					
Employer	954,210	831,248	14.8%	914,066	-9.1%
Liability for securities purchased and accrued expenses	648,922	4,990,499	-87.0%	5,454,170	-8.5%
Collateral subject to return to borrowers	<u>655,079</u>	<u>245,195</u>	<u>167.2%</u>	<u>486,388</u>	<u>-49.6%</u>
Total liabilities	<u>2,258,211</u>	<u>6,066,942</u>	<u>-62.8%</u>	<u>6,854,624</u>	<u>-11.5%</u>
Net position restricted for OPEB	<u><u>\$ 698,068,595</u></u>	<u><u>\$ 634,890,326</u></u>	<u>10.0%</u>	<u><u>\$ 704,348,463</u></u>	<u>-9.9%</u>

Assets

2023 Compared to 2022

At December 31, 2023, total assets were \$700.3 million, an increase of \$59.4 million, or 9.3%, over 2022. The increase in total assets is primarily due to net investment gains.

ANALYSIS OF OPEB TRUST FIDUCIARY NET POSITION (Continued)

Assets (continued)

The OPEB Trust's assets consist primarily of investments in domestic and international equities, domestic and international fixed income securities, domestic and international special strategies funds, real estate funds, life settlement funds, hedge fund, and short-term investments. For 2023, investments at fair value totaled \$680.1 million, an increase of \$57.9 million, or 9.3% over 2022. The increase in total investments was offset in part by a \$5.0 million decrease in receivables for securities sold compared to 2022.

2022 Compared to 2021

At December 31, 2022, total assets were \$641.0 million, a decrease of \$70.2 million, or 9.9%, under 2021. The decrease in total assets is primarily due to a net investments loss. The OPEB Trust's assets consist primarily of investments in domestic and international equities, domestic and international fixed income securities, domestic and international special strategies funds, real estate funds, life settlement funds, hedge fund, and short-term investments. For 2022, investments at fair value totaled \$622.1 million, a decrease of \$72.5 million, or 10.4% under 2021. The decrease in total investments was offset in part by a \$0.8 million increase in receivables for securities sold compared to 2021.

Liabilities

2023 Compared to 2022

At December 31, 2023, total liabilities were \$2.3 million, a decrease of \$3.8 million, or 62.8% from \$6.1 million at 2022. The decrease is primarily derived from the decrease in securities purchased and accrued expenses, offset in part by an increase in collateral and other liabilities subject to return to borrowers under the OPEB Trust's securities lending program.

2022 Compared to 2021

At December 31, 2022, total liabilities were \$6.1 million, a decrease of \$0.8 million, or 11.5% from \$6.9 million at 2021. The decrease is primarily derived from the decrease in securities purchased and accrued expenses, collateral subject to return to borrowers under the OPEB Trust's securities lending program, and a decrease in other liabilities.



ANALYSIS OF OPEB TRUST FIDUCIARY NET POSITION (Continued)

Fiduciary Net Position

2023 Compared to 2022

At December 31, 2023, the OPEB Trust fiduciary net position was \$698.1 million, an increase of \$63.2 million, or 10.0% over December 31, 2022 net position. The increase in net position is primarily due to contributions: investment of earnings of \$102.2 million, offset in part by benefit payments of \$38.4 million.

2022 Compared to 2021

At December 31, 2022, the OPEB Trust fiduciary net position was \$634.9 million, a decrease of \$69.5 million, or 9.9%, from December 31, 2021 net position. The decrease in net position is primarily due to investment losses of \$73.6 million and benefit payments of \$33.8 million, partially offset by contributions of \$38.4 million.

See next page



ANALYSIS OF CHANGES IN OPEB TRUST FIDUCIARY NET POSITION

Condensed financial information comparing MLGW's changes in OPEB Trust fiduciary net position for the past three years is presented below:

Table 2 Condensed Changes in Fiduciary Net Position Years Ended December 31, 2023, 2022 and 2021					
	<u>2023</u>	<u>2022</u>	<u>FY23 - FY22 Percentage Change</u>	<u>2021</u>	<u>FY22 - FY21 Percentage Change</u>
Additions (Reductions)					
Contributions	\$ 40,135,967	\$ 38,380,621	4.6%	\$ 37,560,901	2.2%
Net investment activities income (loss)	62,030,365	(73,597,827)	184.3%	106,492,979	-169.1%
Securities lending activities income	12,444	6,983	78.2%	18,697	-62.7%
Total additions (reductions)	<u>102,178,776</u>	<u>(35,210,223)</u>	<u>390.2%</u>	<u>144,072,577</u>	<u>-124.4%</u>
Deductions					
Benefit payments	38,406,204	33,805,464	13.6%	32,445,083	4.2%
Administrative expense	594,303	442,450	34.3%	823,301	-46.3%
Total deductions	<u>39,000,507</u>	<u>34,247,914</u>	<u>13.9%</u>	<u>33,268,384</u>	<u>2.9%</u>
Net increase (decrease)	63,178,269	(69,458,137)	191.0%	110,804,193	-162.7%
Net position restricted for OPEB					
Beginning of year	<u>634,890,326</u>	<u>704,348,463</u>	<u>-9.9%</u>	<u>593,544,270</u>	<u>18.7%</u>
End of year	<u>\$ 698,068,595</u>	<u>\$ 634,890,326</u>	<u>10.0%</u>	<u>\$ 704,348,463</u>	<u>-9.9%</u>

Change in Net Position

2023 Compared to 2022

The change in net position of \$63.2 million in 2023, represents a 191.0% increase compared to the prior year's decrease of \$69.5 million. This change is a result of a net investment activities gain, offset by an increase in benefit payments, and an increase in employer contributions. Net investment activities income increased by \$135.6 million, or 184.3%, due to net appreciation in the fair value of investments across the OPEB Trust's portfolio of asset classes. The investment appreciation was affiliated with domestic common stock funds, domestic and international collective funds, domestic and international private equity funds, international distressed debt fund and domestic equity mutual index funds.

ANALYSIS OF CHANGES IN OPEB TRUST FIDUCIARY NET POSITION (Continued)

Change in Net Position (continued)

2022 Compared to 2021

The decrease in net position of \$69.5 million in 2022, represents a 162.7% decrease compared to the prior year's increase of \$110.8 million. This change is a result of a net investment activities loss, an increase in benefit payments, offset in part by an increase in employer contributions and a decrease in administrative expenses. Net investment activities income decreased by \$180.1 million, or 169.1%, due to net depreciation in the fair value of investments across the OPEB Trust's portfolio of asset classes. The investment depreciation was affiliated with domestic common stock funds, domestic and international collective funds, international distressed debt fund, domestic equity mutual index fund, and domestic private equity funds.

Additions

2023 Compared to 2022

Total additions (reductions) to fiduciary net position increased by \$137.4 million, or 390.2%, compared to 2022, primarily as a result of an increase in net investment activities of \$135.6 million and an increase in employer contributions of \$1.8 million.

2022 Compared to 2021

Total additions (reductions) to fiduciary net position decreased by \$179.3 million, or 124.4%, compared to 2021, primarily as a result of a decrease in net investment activities of \$180.1 million offset by an increase in employer contributions of \$0.8 million.

Deductions

2023 Compared to 2022

Total deductions from fiduciary net position amounted to \$39.0 million for 2023, up from \$34.2 million for 2022. The increase is primarily due to a \$4.6 million increase in benefit payments.



ANALYSIS OF CHANGES IN OPEB TRUST FIDUCIARY NET POSITION (Continued)

Deductions (continued)

2022 Compared to 2021

Total deductions from fiduciary net position amounted to \$34.2 million for 2022, up from \$33.3 million for 2021. The increase is primarily due to a \$1.4 million increase in benefit payments.

ECONOMIC FACTORS

Income for the OPEB Trust is derived primarily from employer contributions and investment income. Employer contributions are based on the recommendation of an actuarial valuation.

REQUESTS FOR INFORMATION

Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Memphis Light, Gas and Water Division
SVP, CFO & CAO (Secretary-Treasurer)
P.O. Box 430
Memphis, TN 38101-0430

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

STATEMENTS OF FIDUCIARY NET POSITION

Years Ended December 31, 2023 and 2022



	December 31	
	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$ 17,238,388	\$ 11,287,727
Investments, at Fair Value:		
Equity Funds:		
Common stock - domestic	132,706,716	111,592,206
Common stock - international	590,686	357,870
Equity mutual fund - international	26,679,038	22,508,165
Equity collective fund - domestic	47,642,311	42,711,700
Equity collective fund - international	28,936,338	24,395,289
Equity commingled fund - international	14,507,207	13,309,279
Equity mutual index fund - domestic	94,341,288	84,703,021
Equity hedge fund - domestic	10,374,947	9,379,875
Fixed Income Funds:		
Corporate bonds - domestic	1,471,768	-
Corporate bonds - international	278,303	-
Corporate bond mutual funds - domestic	54,878,188	43,464,308
Convertible bond mutual funds - domestic	10,620,813	13,744,663
Government bonds - domestic	4,344,242	-
Government agencies - domestic	718,939	-
Global bond fund - international	23,705,538	22,071,134
Municipal/Provincial bonds - domestic	59,931	-
Mortgage backed securities - domestic	2,158,272	-
Commercial mortgage backed - domestic	388,982	-
Collateralized mortgage backed securities - domestic	285,350	-
Asset backed securities - domestic	454,352	-
Asset backed securities - international	100,952	-
Special Strategies Funds:		
Private equity funds - domestic*	72,732,597	71,856,953
Private equity funds - international	10,334,238	9,885,061
Private debt fund - domestic	10,750,125	7,556,392
Distressed debt funds - domestic	11,751,632	15,958,822
Distressed debt funds - international	15,217,234	17,102,281
Life Settlement funds	16,058,569	16,768,348
Real Estate Funds	87,969,590	94,744,559
Total investments	<u>680,058,146</u>	<u>622,109,926</u>
Receivables:		
Employer	954,210	831,248
Interest and dividends	1,048,903	1,128,870
Securities sold and accrued income	372,080	5,354,302
Total receivables	<u>2,375,193</u>	<u>7,314,420</u>
Collateral held in trust for securities on loan	<u>655,079</u>	<u>245,195</u>
Total assets	<u>700,326,806</u>	<u>640,957,268</u>
Liabilities		
Employer	954,210	831,248
Securities purchased and accrued expenses	648,922	4,990,499
Collateral subject to return to borrowers	655,079	245,195
Total liabilities	<u>2,258,211</u>	<u>6,066,942</u>
Net position restricted for other post employment benefits	<u>\$ 698,068,595</u>	<u>\$ 634,890,326</u>

The accompanying notes are an integral part of these financial statements.

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
Years Ended December 31, 2023 and 2022



	Years Ended December 31	
	2023	2022
	<u>2023</u>	<u>2022</u>
Additions		
Contributions:		
Employer	\$ 40,135,967	\$ 38,380,621
Total contributions	<u>40,135,967</u>	<u>38,380,621</u>
Investment Activities Income (Loss):		
Net appreciation (depreciation) in fair value of investments	52,364,066	(82,847,518)
Interest income	6,518,785	6,990,024
Real estate income	1,358,445	1,107,390
Dividend income	3,882,112	3,342,350
Other income	<u>63,984</u>	<u>116,742</u>
Investment activities income (loss)	64,187,392	(71,291,012)
Less investment activities expense	<u>2,157,027</u>	<u>2,306,815</u>
Net investment activities income (loss)	62,030,365	(73,597,827)
Securities Lending Activities:		
Securities lending income	25,853	12,492
Securities Lending Expenses:		
Borrower fees	(10,308)	(3,770)
Management fees	<u>(3,101)</u>	<u>(1,739)</u>
Total securities lending expenses	<u>(13,409)</u>	<u>(5,509)</u>
Net securities lending activities income	<u>12,444</u>	<u>6,983</u>
Total investment activities income (loss)	<u>62,042,809</u>	<u>(73,590,844)</u>
Total additions (reductions)	102,178,776	(35,210,223)
Deductions		
Benefit payments	38,406,204	33,805,464
Administrative expense	<u>594,303</u>	<u>442,450</u>
Total deductions	<u>39,000,507</u>	<u>34,247,914</u>
Change in net position	63,178,269	(69,458,137)
Net position restricted for other post employment benefits		
Beginning of year	634,890,326	704,348,463
End of year	<u>\$ 698,068,595</u>	<u>\$ 634,890,326</u>

The accompanying notes are an integral part of these financial statements.



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

By an agreement dated January 1, 1995, by and between Memphis Light, Gas and Water Division (“MLGW” or the “Division”) and the Board of Commissioners of Memphis Light, Gas and Water Division (the “Trustee”), the Memphis Light, Gas and Water Division Trust for Retiree Medical and Life Insurance Benefits (the “Trust”) was established. The Trust was established as a grantor trust in accordance with Subtitle 1 of the Internal Revenue Code of 1986, as amended. The Trust held assets that could be used to assist MLGW in providing medical and life insurance benefits for retired employees of MLGW.

By an agreement dated December 4, 2007, but effective as of January 1, 2007, by and between MLGW and the Trustee, the Memphis Light, Gas and Water Division Other Post Employment Benefits Trust (“OPEB Trust”) was established. The OPEB Trust is for the exclusive benefit of MLGW’s retired employees and their dependents, who meet the eligibility requirements, to fund the postemployment benefits provided through the health and welfare benefit plan. Amounts contributed to the OPEB Trust by MLGW are held in trust and are irrevocable. The assets are for the sole and exclusive purpose of funding for health and welfare benefits of the eligible participants and the cost of operating and administering the OPEB Trust. The OPEB Trust is administered by the MLGW OPEB Investment Committee.

Basis of Presentation

The financial statements present only the Other Post Employment Benefits Trust Fund in conformity with accounting principles generally accepted in the United States of America that are applicable to a fiduciary fund of a governmental trust unit. The accompanying financial statements present the separate financial position and results of operations for the Other Post Employment Benefits Trust, but do not present the financial position or results of operations of MLGW, a division of the City of Memphis (the “City”). Accordingly, the accompanying disclosures are related separately to the Other Post Employment Benefits Trust, as applicable, and not collectively to MLGW. These statements are not intended to present the financial position of the City or the results of the City’s operations.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The OPEB Trust's financial statements are prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America that are applicable to a fiduciary fund of a governmental trust unit.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates and assumptions.

Cash and Cash Equivalents

The OPEB Trust considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The OPEB Trust's investments are reported at fair value. Securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the fiscal year. Investments traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the average of the last reported bid and ask prices.

Equity securities are comprised of both domestic and international securities.

Collective Investment Trusts ("CITs") are incorporated into the OPEB Trust and are designed to streamline investment management for the investment manager by combining assets from different clients into a single fund with a specific investment strategy, similar to a mutual fund. They provide for pooling of assets of employee benefits trusts, that meet all of the conditions as permitted under Revenue Rulings 81-100 and 2011-1, or subsequent guidance, and that are operated or maintained exclusively for the commingling and collective investment of funds from other trusts.

For certain corporate and convertible bonds that do not have quoted prices in active markets, MLGW's Custodian determines the value using basic assumptive information received from Bloomberg or Reuter's Analytics after the prices for the majority of corporate deals are obtained.

The special strategies funds are comprised of domestic and international limited partnerships and other investments in the following categories: private equity, distressed debt, private debt, and life settlement. The fair value of these funds and the real estate funds is based on information obtained from the partnerships' monthly and quarterly statements provided by the fund managers. They are measured at Net Asset Value ("NAV").

2. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

Memphis Light, Gas and Water Division, by resolution of its Board of Commissioners, has established, adopted, and maintains a medical benefits (health and welfare) plan (the "Plan") for its retired employees and their eligible dependents. The Plan is a single employer defined benefit healthcare plan administered by MLGW.

The Board of Commissioners of Memphis Light, Gas and Water Division serves as the "Trustee" and establishes the policies of the MLGW Plan. The Trustee shall fulfill the duties of the fiduciary responsible for MLGW OPEB Trust's administration and shall have overall control of the administration of the Plan with all powers and discretion necessary to enable it to properly carry

2. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Plan Description (continued)

out its duties. The Trustee delegated the responsibility and authority to administer the assets of the OPEB Trust to the OPEB Trust Investment Committee.

The OPEB Trust Investment Committee is comprised of one member of the Board of Commissioners of the Division (who serves as Chairman), the President and CEO of the Division, the Sr. Vice President, CFO, CAO (Secretary-Treasurer) of the Division, two Employee Members, one Retiree Member, and one Citizen Member.

The Plan provides postemployment healthcare, prescription drugs, life insurance and accidental death and dismemberment insurance (“AD&D”) to retirees. Changes to plan benefits must be approved by the MLGW Board of Commissioners. Eligible dependents are provided life insurance, healthcare and prescription drugs. Benefits are payable to retirees and their spouse for their lifetime. Qualified dependents will continue to receive benefits as long as they are qualified under the Plan. Dental, dependent life insurance, cancer, accident and long-term care benefits are available, but are 100% paid by the retiree.

Employees retired under the MLGW Retirement and Pension System (“the MLGW Pension Plan”) or disabled with five years of service at any age or disabled in the line of duty at any age with no years of service restriction, are eligible for OPEB benefits. Health care benefits are also offered to qualifying survivors of active employees who are eligible to retire at the time of death.

Members of the Plan consisted of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Retirees and beneficiaries receiving benefits	3,718	3,722
Active plan members	2,424	2,416
Total	<u>6,142</u>	<u>6,138</u>

2. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Plan Description (continued)

The contribution requirements of plan members and MLGW are established and may be amended by the MLGW Board of Commissioners. Contribution rates for retired plan members and beneficiaries currently receiving benefits are periodically reset and are currently at 25.0% of costs for medical and drug benefits. For life insurance and AD&D, retirees contribute 40.0% of the cost. For the year ended December 31, 2023, plan members contributed \$5,519,487, or 12.5% of total premiums and expenses, through their required contributions of \$54.30 to \$531.92 per month depending on the coverage (retiree only, retiree and spouse, or family) and health plan selected. For the year ended December 31, 2022, plan members contributed \$5,990,695 or 15.0% of total premiums and expenses, through their required contributions of \$54.30 to \$531.92 per month depending on the coverage (retiree only, retiree and spouse, or family) and health plan selected. On the Statements of Changes in Fiduciary Net Position, plan member contributions are netted against benefit payments.

In accordance with the OPEB Trust agreement, MLGW, in its sole discretion, with the approval of the Council of the City of Memphis (“Council”), may at any time make deposits, contributions, and payments of cash or other property to the OPEB Trust to be held and administered in accordance with the terms and provisions of the OPEB Trust.

Approximately \$36,704,711 previously held by MLGW for retiree health care benefits was transferred to the former Trust upon its establishment in 1995. In addition, MLGW made contributions to the former Trust from 1995 through 1997. Subsequent to the establishment of the OPEB Trust in 2007, MLGW has made annual contributions. MLGW contributed \$40,135,967 and \$38,380,621 for the years ended December 31, 2023 and 2022, respectively.

In accordance with the OPEB Trust agreement, the OPEB Trust is permitted to pay or reimburse MLGW for benefits paid under the Plan. The OPEB Trust premium expenses totaled \$38,705,279 and \$33,974,621 for 2023 and 2022, respectively. On the Statements of Changes in Fiduciary Net Position, these premium expenses equal total deductions of \$39,000,507 and \$34,247,914 in 2023 and 2022, respectively, less professional services related administrative expenses (e.g., investment advisory fees, actuarial consulting fees, etc.) of \$295,228 and \$273,293 in 2023 and 2022, respectively.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

2. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Contributions

The accompanying schedules of employer contributions present trend information about the amounts contributed to the plan by employers in comparison to the actuarially determined contribution (“ADC”), an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The ADC is determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of calculations.

Net OPEB Liability (“NOL”)

The components of the Net OPEB Liability of the OPEB Trust at December 31, 2023 and 2022 were as follows:

The components of the Net OPEB Liability of the OPEB Trust at December 31, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Total OPEB Liability	\$ 827,119,558	\$ 861,574,968
Plan Fiduciary Net Position	698,068,595	634,890,326
Net OPEB Liability	<u>\$ 129,050,963</u>	<u>\$ 226,684,642</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	84.40%	73.69%

2. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Net OPEB Liability (“NOL”) (continued)

The total OPEB liability is based on valuations as of December 31, 2023 and January 1, 2022, with measurement dates as of December 31, 2023 and 2022, respectively, based on census data collected as of December 31, 2023, and adjusted forward for the purposes of the valuation.

Significant assumptions were as follows at December 31, 2023 and 2022:

Actuarial Assumptions:

Inflation	2.50%
Salary increases	Inflation plus merit increases based on age and service
Discount Rate	7.00%
Healthcare costs trend rates	
Medical	7.00% grading to 4.50% over 10 years
Prescription drug	8.00% grading to 4.50% over 14 years
Dental, Administrative costs	3.00%
Mortality rates	PRI-2012 Healthy Annuitant Mortality Table, Headcount-Weighted, for males and females, as appropriate, with adjustments for mortality improvement using Scale SSA-2019.

Discount Rate and Investment Rates of Return

The discount rate used to measure the total OPEB liability was 7.00% for December 31, 2023 and 2022. The projection of cash flows used to determine the discount rate assumed that MLGW contributions would be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the OPEB Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members as of December 31, 2023.

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which best estimate ranges of expected future rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These returns 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 and subtracting expected investment expenses and a risk margin.

2. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Discount Rate and Investment Rates of Return (continued)

The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table as of December 31, 2023:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	35.00%	6.60%
International Equity	12.00%	6.70%
Fixed Income	21.50%	1.80%
Alternatives	15.50%	7.60%
Real Estate	15.00%	3.40%
Short Term Investments	1.00%	1.00%
Total	100.00%	

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Cost Trend

The following presents the NOL of the Division as of December 31, 2023, as well as what the Division's NOL would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate. Also, shown is the NOL as if it were calculated using healthcare cost trend rates that were 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rate.

	<u>1% Decrease in Discount Rate (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase in Discount Rate (8.00%)</u>
Net OPEB Liability as of December 31, 2023 (\$ in thousands)	\$ 242,028,702	\$ 129,050,963	\$ 36,414,289

	<u>1% Decrease in Health Care Cost Trend Rate</u>	<u>Current Health Care Cost Trend Rate</u>	<u>1% Increase in Health Care Cost Trend Rate</u>
Net OPEB Liability as of December 31, 2023 (\$ in thousands)	\$ 39,655,847	\$ 129,050,963	\$ 238,967,711

3. DEPOSITS AND INVESTMENTS

The OPEB Trust adopted a new Investment Policy Statement in August 2015, to establish and set forth a clear understanding on the part of the OPEB Trust's Investment Committee in its role as the Investment Committee for the assets of the OPEB Trust ("Fund") and as to the investment policy and objectives for the assets of the Fund. The intent of this Investment Policy Statement is to design an investment environment with specific parameters that reflects the philosophy of the Trustees and which allows the investment managers to obtain desired performance goals of the Fund. The overall investment objective is to provide for the funding needs of the OPEB Trust.

The Trustees are charged with the responsibility to manage assets of the Fund. The Trustees exercise authority and control over the OPEB Trust's portfolio by setting policies which MLGW's investment staff executes either internally or through the use of external prudent experts. The Trustees oversee and guide the Fund with the advice of the OPEB Investment Committee subject to the following basic fiduciary responsibilities:

- Act solely in the interest of the Fund and for the exclusive purpose of meeting the financial needs of the Fund.
- Act with the care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and similar goals.
- Determine the asset allocation that offers the highest probability of achieving the investment goals and objectives. Moreover, update and revise the asset mix as the financial needs of the Fund and/or the outlook for the capital markets change. Also, place certain maximum exposures on some of the assets being employed by the Fund. The maximum exposures are disclosed in the following section of this note. The Trustees have delegated to the OPEB Investment Committee the responsibility of determining the asset allocation. In addition, the OPEB Investment Committee determines the target asset allocation of the Fund, as set periodically, to give balance to the overall structure of the Fund's investment program over a long time horizon.
- Engage the services of registered investment managers, co-fiduciaries of the Fund, who possess the necessary specialized research facilities and skilled professionals to meet the investment objectives and guidelines of the Fund. They are expected to invest the assets entrusted to them according to the goals and objectives of the Fund and within the constraints placed on them by the MLGW Board.

In accordance with the OPEB Trust's investment policy, the OPEB Trust may invest in the following major asset classes: domestic, international and enhanced equities; domestic, international and enhanced fixed income with specified ratings; real estate; futures contracts; special strategies; life settlement funds; hedge fund; and short-term investments.

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2023 and 2022



3. DEPOSITS AND INVESTMENTS (CONTINUED)

As of December 31, 2023, the OPEB Trust's cash and cash equivalents and investments consisted of the following:

Investment Type	Fair Value	Actual Exposure	Maximum Exposure	Minimum Exposure
Domestic Equity Funds:				
Common stock - domestic	\$ 129,348,294	18.55%		
Equity collective fund - domestic	47,642,311	6.83%		
Equity mutual index fund - domestic	94,341,288	13.53%		
Equity hedge fund - domestic	10,374,947	1.49%		
Securities on Loan:				
Common stock - domestic	3,358,423	0.48%		
Subtotal Domestic Equity Funds:	285,065,263	40.88%	65%	20%
International Equity Funds:				
Common stock - international	505,759	0.07%		
Equity collective funds - international	28,936,338	4.15%		
Equity commingled fund - international	14,507,207	2.08%		
Equity mutual fund - international	26,679,038	3.83%		
Securities on Loan:				
Common stock - international	84,927	0.01%		
Subtotal International Equity Funds:	70,713,269	10.14%	25%	0%
Domestic Fixed Income Funds:				
Corporate bonds - domestic	1,471,768	0.21%		
Corporate bond mutual funds - domestic	54,878,188	7.87%		
Convertible bond mutual fund - domestic	10,620,813	1.52%		
Government bonds - domestic	4,344,242	0.62%		
Government agencies	718,939	0.10%		
Municipal/provincial bonds - domestic	59,931	0.01%		
Mortgage backed securities - domestic	2,158,272	0.31%		
Commercial mortgage backed - domestic	388,982	0.06%		
Collateralized mortgage backed securities - domestic	285,350	0.04%		
Asset backed securities - domestic	454,352	0.07%		
Subtotal Domestic Fixed Income Funds:	75,380,837	10.81%	50%	5%
International Fixed Income Funds:				
Corporate bonds - international	278,303	0.04%		
Global bond fund - international	23,705,538	3.40%		
Asset backed securities - international	100,952	0.01%		
Subtotal International Fixed Income Funds:	24,084,793	3.45%	25%	0%
Special Strategies Funds:				
Domestic:				
Private equity funds - domestic	72,732,597	10.43%		
Private debt fund - domestic	10,750,125	1.54%		
Distressed debt funds - domestic	11,751,632	1.69%		
Life settlement funds	16,058,569	2.30%		
Subtotal Domestic Special Strategies Funds:	111,292,923	15.96%		
International:				
Private equity funds - international	10,334,238	1.48%		
Distressed debt funds - international	15,217,234	2.18%		
Subtotal International Special Strategies Funds:	25,551,472	3.66%		
Subtotal Special Strategies Funds:	136,844,395	19.61%	25%	0%
Real Estate Funds	\$ 87,969,589	12.62%	20%	0%
Cash and Cash Equivalents	17,238,388	2.47%	40%	0%
Total Cash and Cash Equivalents and Investments	\$ 697,296,534	100.00%		

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2023 and 2022



3. DEPOSITS AND INVESTMENTS (CONTINUED)

The OPEB Trust's investments (including investments bought, sold, as well as held during the year) appreciated (depreciated) in fair value, as follows during the years ended December 31:

	Net Appreciation (Depreciation) in Fair Value	
	2023	2022
Investments, at Fair Value:		
Equity Funds:		
Common stock - domestic	\$ 22,525,788	\$ (21,646,030)
Common stock - international	(15,002)	(47,875)
Equity collective fund - domestic	6,930,611	(6,389,459)
Equity collective funds - international	4,760,202	(13,184,964)
Equity commingled fund - international	1,197,927	(2,687,178)
Equity mutual fund - international	3,990,294	(8,078,567)
Equity mutual index fund - domestic	18,372,747	(17,854,830)
Equity hedge fund - domestic	995,072	(2,006,689)
Subtotal Equity Funds:	<u>58,757,639</u>	<u>(71,895,592)</u>
Fixed Income Funds:		
Corporate bonds - domestic	48,139.00	-
Corporate bonds - international	6,915	-
Corporate bond mutual funds - domestic	1,815,646	(8,969,931)
Other fixed income fund - domestic	231	9,696
Convertible bond mutual funds - domestic	596,171	(3,359,502)
Government bonds - domestic	95,512	-
Government agencies - domestic	15,732	-
Global bond fund - international	1,734,430	(6,182,039)
Municipal/provincial bonds - domestic	3,456	-
Mortgage backed securities - domestic	57,475	-
Commercial mortgage backed securities - domestic	13,772.00	-
Collateralized mortgage backed securities - domestic	10,391.00	-
Asset backed securities - domestic	7,643.00	-
Asset backed securities - international	1,280.00	-
Subtotal Fixed Income Funds:	<u>4,406,793</u>	<u>(18,501,776)</u>
Special Strategies Funds:		
Private equity funds - domestic	780,673	2,520,948
Private equity funds - international	29,177	(39,003)
Private debt fund - domestic	18,556	205,718
Distressed debt funds - domestic	(30,365)	(301,127)
Distressed debt funds - international	1,872,490	(762,175)
Life settlement funds	185,204	619,438
Subtotal Special Strategies Funds:	<u>2,855,735</u>	<u>2,243,799</u>
Real Estate Funds	(13,656,101)	5,306,051
Total Net Appreciation (Depreciation) in fair value	<u>\$ 52,364,066</u>	<u>\$ (82,847,518)</u>

3. DEPOSITS AND INVESTMENTS (CONTINUED)

Rate of Return

For the years ended December 31, 2023 and 2022, the annual money-weighted rate of return on the OPEB Trust's investments, net of investment expenses, was 9.83% and -10.40 %, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Credit Risk

Credit risk is the risk that an issuer of a debt security will not fulfill its obligation. This credit risk is measured by the credit quality of investments in debt securities as described by nationally recognized statistical rating organizations. Investments in obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk. The following table presents the OPEB Trust's investment exposure to credit risk as of December 31, 2023:

Investment Type	Fair Value	S&P Rating	Moody's Rating
Corporate bonds	\$ 1,750,071	A-	A2
Corporate bond mutual funds	54,878,188	Not Rated	Not Rated
Convertible bond mutual fund	10,620,813	Not Rated	Not Rated
Global bond fund	23,705,538	Unavailable	Unavailable
Government bonds	4,344,242	TSY	Aaa
Government agencies	718,939	AAA	AGY
Municipal/provincial bonds	59,931	AA+	Aa1
Mortgage backed securities	2,158,272	AGY	AGY
Commercial mortgage backed	388,982	AAA	AGY
Collateralized mortgage backed securities	285,350	Not Rated	Aaa
Asset backed securities	555,304	AA+	Aaa
Total credit risk debt securities	99,465,630		
Money market funds and short term securities	17,238,388 ¹	AAAm	Aaa-mf
Total Fixed Income Securities	\$ 116,704,018		



3. DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of failure of the counterparty to a transaction, the Fund will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty, or the counterparty's trust department or agent but not in the name of the Fund. Investments in external investment pools and in open-end mutual funds are not exposed to custodial credit risks because their existence is not evidenced by securities that exist in physical or book entry form. In addition, underlying securities are not subject to custodial credit risk disclosure requirements if the collateral for those loans is reported in the statements of fiduciary net position.

By an agreement dated December 20, 2007, between the Board and The Northern Trust Company ("Northern"), the MLGW OPEB Trust Master Custody Agreement ("Agreement") was established. The Agreement requires Northern to hold securities or other property for the OPEB Trust through an agent or in the name of its nominee or in a corporate depository of federal book entry account system or other form as it deems best. The OPEB Trust does not have a formal policy for custodial credit risk. None of the Fund's investments at December 31, 2023 were exposed to custodial credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Investments in any one issuer that represents five percent or more of total investments must be disclosed by amount and issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.

In accordance with the investment policy, no more than 5% of the OPEB Trust's portfolio will be invested in the securities of any single issuer with the following exceptions: short-term investments will not exceed 10%. Of the investments subject to concentration of credit risk, there were no investments in any one issuer that represented 5% or more of the Fund's investments at December 31, 2023.

3. DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment in debt securities. The OPEB Trust Investment Policy Statement does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. For interest rate risk disclosure, the weighted average maturity method was used.

At December 31, 2023, the OPEB Trust had the following investments exposed to interest rate risk:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (in years)</u>
Corporate bonds	\$ 1,750,071	5.09
Corporate bond mutual funds	54,878,188	6.69
Convertible bond mutual fund	10,620,813	Not available
Global bond fund	23,705,538	20.49
Government bonds	4,344,242	7.27
Government agencies	718,939	7.77
Municipal/provincial bonds	59,931	9.98
Mortgage backed securities	2,158,272	5.41
Commercial mortgage backed	388,982	5.34
Collateralized mortgage backed securities	285,350	3.62
Asset backed securities	555,304	1.52
Total:	<u>\$ 99,465,630</u>	

Securities Lending Transactions

The OPEB Trust has authorized The Northern Trust Company (“Agent”) to enter into, on behalf of the OPEB Trust, securities lending transactions—loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. Initial collateral, consisting of cash or securities, levels must be at least 102% of the market value of borrowed securities, or at least 105% if the borrowed securities and collateral are denominated in different currencies. The maturities of the investments made with cash collateral do not necessarily match the maturities of the securities on loan. There are no restrictions on the amount of securities that can be lent at one time or to one borrower. The borrower is required to deliver additional collateral when necessary so that the total collateral held by the Agent for all loans to the borrower will at least equal the market value of the securities loaned. The OPEB Trust does not have the ability to pledge or sell collateral securities without a borrower default.

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2023 and 2022



3. DEPOSITS AND INVESTMENTS (CONTINUED)

Securities Lending Transactions (continued)

Collateral held in trust for securities on loan included in the 2023 and 2022 Statements of Fiduciary Net Position consists of cash collateral. At December 31, 2023 and 2022, the OPEB Trust has no credit risk exposure to borrowers because the amounts the OPEB Trust owes to the borrowers exceed the amounts the borrowers owe the OPEB Trust. Under the terms of the lending agreement, the OPEB Trust is indemnified against any losses, damages, costs and expenses should the Agent be unable to recover borrowed securities and distributions due borrower filing for bankruptcy or similar relief or failure of the Agent to properly evaluate the creditworthiness of the borrower. In addition, the OPEB Trust is indemnified against loss should the Agent fail to demand adequate and appropriate collateral on a timely basis. Investments held by broker-dealers under securities loans consist of the following:

As of December 31, 2023						
Security Type	Market Value of Loaned Securities Collateralized			Collateral Received from Borrowers		
	Cash Collateral	Non-Cash Collateral	Total	Cash Collateral	Non-Cash Collateral ¹	Total
Global Equities	\$ -	\$ 328,027	\$ 328,027	\$ -	\$ 350,373	\$ 350,373
US Corporate Fixed	\$ 118,677	\$ 199,263	\$ 317,940	\$ 121,513	\$ 207,433	\$ 328,946
US Equities	\$ 515,451	\$ 2,599,871	\$ 3,115,322	\$ 533,566	\$ 2,681,921	\$ 3,215,487
US Gov't Fixed	\$ -	\$ 1,950,432	\$ 1,950,432	\$ -	\$ 2,005,963	\$ 2,005,963
Total	\$ 634,128	\$ 5,077,593	\$ 5,711,721	\$ 655,079	\$ 5,245,690	\$ 5,900,769

As of December 31, 2022						
Security Type	Market Value of Loaned Securities Collateralized			Collateral Received from Borrowers		
	Cash Collateral	Non-Cash Collateral	Total	Cash Collateral	Non-Cash Collateral ¹	Total
US Equities	\$ 238,514	\$ 3,177,187	\$ 3,415,701	\$ 245,195	\$ 3,254,554	\$ 3,499,749
Total	\$ 238,514	\$ 3,177,187	\$ 3,415,701	\$ 245,195	\$ 3,254,554	\$ 3,499,749

¹ Collateral values are estimates based on program wide collateralization levels.

4. FAIR VALUE MEASUREMENTS

The definition of 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. GASB Statement No. 72 requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. This Statement establishes a hierarchy that prioritizes and ranks the inputs to valuation techniques used to measure fair value based on observability. The accounting standards break down the fair value hierarchy into three levels, based on how observable the inputs are that make up the valuation.

Level 1: Fair value is determined using unadjusted quoted prices for identical assets or liabilities in active markets that are accessible on the measurement date. Level 1 investments include the following: (i) common and preferred stock, (ii) mutual funds, (iii) short-term securities.

Level 2: Fair value is determined using quoted market prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive market; inputs other than quoted prices that are observable for the asset or liability; market-corroborated inputs. Level 2 investments include the following: bond or fixed income fund valued by a pricing service that uses matrix pricing.

Level 3: Fair value is determined using unobservable inputs for an asset or liability. As a general rule, Level 3 inputs are those that are difficult to obtain on a regular basis and require verification from an outside party to validate the valuation.

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2023 and 2022



4. FAIR VALUE MEASUREMENTS (CONTINUED)

The following table displays information regarding investments measured using the fair value hierarchy at December 31, 2023:

Investments Measured at Fair Value (Dollars in Thousands)				
	December 31 2023	Fair Value Measurements		
		Level 1	Level 2	Level 3
Investments by fair value level				
Debt Securities and Fixed Income Funds				
Asset Backed Securities	\$ 555	\$ -	\$ 529	\$ 26
Corporate Bonds	1,750	-	1,750	-
Bond mutual fund	65,498	65,498	-	-
Global bond	23,706	-	23,706	-
Government Mortgage-Backed Securities	2,505	-	2,472	33
Municipal Bonds	60	-	60	-
Non-Government Mortgage-Backed Securities	328	-	293	35
U.S. Government Agencies	719	-	566	153
U.S. Treasury Securities	4,344	4,344	-	-
Total Debt Securities and Fixed Income Funds	99,465	69,842	29,376	247
Equity Securities				
Communication Services	7,700	7,700	-	-
Consumer Discretionary	18,144	18,144	-	-
Consumer Staples	6,891	6,891	-	-
Energy	7,864	7,864	-	-
Equity Other	222,479	222,479	-	-
Financials	19,345	19,345	-	-
Health Care	17,298	17,298	-	-
Industrials	17,430	17,430	-	-
Information Technology	28,393	28,393	-	-
Materials	8,604	8,604	-	-
Real Estate	962	962	-	-
Utilities	668	668	-	-
Total Equity Securities	355,778	355,778	-	-
Total investments by fair value level	455,243	\$ 425,620	\$ 29,376	\$ 247
Investments measured at the net asset value (NAV) *				
Distressed Debt	26,969			
Hedge Fund - Life Settlement Contracts	16,059			
Private Debt	10,750			
Private Equity**	83,067			
Real Estate	87,970			
Total investments Measured at Net Asset Value	224,815			
Total Investments Measured at Fair Value	\$ 680,058			

*In accordance with GASB 72, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of fiduciary net position.

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2023 and 2022



4. FAIR VALUE MEASUREMENTS (CONTINUED)

The following table displays information regarding investments measured using the fair value hierarchy at December 31, 2022:

Investments Measured at Fair Value (Dollars in Thousands)				
	December 31 2022	Fair Value Measurements		
		Level 1	Level 2	Level 3
Investments by fair value level				
Bond mutual funds and other	\$ 79,280	\$ 57,209	\$ 22,071	\$ -
Total Bond mutual funds and other	<u>79,280</u>	<u>57,209</u>	<u>22,071</u>	<u>-</u>
Equity Securities				
Communication Services	5,602	5,602	-	-
Consumer Discretionary	16,903	16,903	-	-
Consumer Staples	6,082	6,082	-	-
Energy	6,681	6,681	-	-
Equity Other	197,008	197,008	-	-
Financials	14,846	14,846	-	-
Health Care	18,666	18,666	-	-
Industrials	13,919	13,919	-	-
Information Technology	21,495	21,495	-	-
Materials	6,593	6,593	-	-
Real Estate	1,126	1,126	-	-
Utilities	37	37	-	-
Total Equity Securities	<u>308,958</u>	<u>308,958</u>	<u>-</u>	<u>-</u>
Total investments by fair value level	<u>388,238</u>	<u>\$ 366,167</u>	<u>\$ 22,071</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV) *				
Distressed Debt	33,061			
Hedge Fund - Life Settlement Contracts	16,768			
Private Debt	7,556			
Private Equity**	81,742			
Real Estate	94,745			
Total investments Measured at Net Asset Value	<u>233,872</u>			
Total Investments Measured at Fair Value	<u>\$ 622,110</u>			

*In accordance with GASB 72, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of fiduciary net position.

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2023 and 2022



4. FAIR VALUE MEASUREMENTS (CONTINUED)

OPEB Trust measures certain investments that do not have a readily determinable fair value using NAV as a practical expedient. These investments are generally structured as limited partnerships, hedge funds, private equity funds, private debt, and real estate funds. The investments measured at NAV as a practical expedient are excluded from the fair value hierarchy because the valuation is not based on actual market inputs, but rather is quantified using the fund’s reported NAV.

The following table displays information regarding investments that use NAV per share (or equivalent) as their fair value measurement at December 31, 2023 and 2022:

Investments Measured at Net Asset Value (NAV)						
(Dollars in Thousands)						
	Fair Value		Unfunded Commitments	Redemption Notice Period	Redemption Frequency (If Currently Eligible)	
	2023	2022				
Distressed Debt ¹	\$ 26,969	\$ 33,061	\$ 19,958	NA	NA	
Hedge Fund - life settlement contracts ²	16,059	16,768	-	90-120 days	Quarterly	
Private Debt ³	10,750	7,556	11,196	NA	NA	
Private Equity ⁴	83,067	81,742	18,640	NA	NA	
Real Estate ⁵	87,970	94,745	7,120	30-120 days	Quarterly/Annually	
Total investments measured at NAV	\$ 224,815	\$ 233,872	\$ 56,914			

1. *Distressed Debt.* This category includes seven distressed debt limited partnership funds that invest in senior secured debt and stressed assets that are restructuring or believed to be misunderstood in the market place. OPEB Trust investment in each fund is generally not subject to redemption and is normally returned through distributions as a result of the liquidation of holdings.
2. *Hedge fund – life settlement contracts.* This category includes four hedge funds - life settlement contracts that invest in longevity contingent assets, including life settlements and a portfolio of individual, non-variable, life insurance policies. OPEB Trust investments in this category are generally subject to a 1-year lockup period before redemption is permissible. The investments in this category representing 14.31% can be redeemed quarterly with 120 days notice; 36.23% can be redeemed quarterly with 90 days notice. The remaining 49.46% are not subject to redemption.
3. *Private debt.* This category includes two private debt funds that invest in miscellaneous investments. OPEB Trust investment in each fund is generally not subject to redemption and is normally returned through distributions as a result of the liquidation of holdings.
4. *Private Equity.* This category includes Fourteen private equity funds that invest in health care and technology, utilities, transportation, and energy assets, high quality cash flowing companies and secondary investments across various sectors. OPEB Trust investment in this category representing 14.37% can be redeemed monthly after the third month; 20.01% can be redeemed with 60-day notice. The remaining 65.62% is generally not subject to

4. FAIR VALUE MEASUREMENTS (CONTINUED)

redemption and is normally returned through distributions as a result of the liquidation of holdings.

5. *Real Estate.* This category includes nine real estate funds that invest in office, retail, industrial, and multi-family properties. OPEB Trust investment in this category representing 19.21% with no redemption queue; 18.49% can be redeemed quarterly with 45 days notice; 34.86% can be redeemed quarterly with 90 days notice. The remaining 27.44% are not subject to redemption.

5. INCOME TAX STATUS

The OPEB Trust is a non-taxable trust formed under Section 115 of the Internal Revenue Code as an essential government function trust. MLGW intends to obtain a private letter ruling confirming the Section 115 Trust. Management believes that the plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code.

REQUIRED SUPPLEMENTARY INFORMATION

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

REQUIRED SUPPLEMENTARY INFORMATION

Years Ended December 31, 2023 and 2022



	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability							
Service cost	\$ 18,547	\$ 18,094	\$ 16,093	\$ 15,400	\$ 15,804	\$ 15,381	\$ 19,520
Interest	60,267	57,870	54,019	51,712	53,030	50,560	64,667
Change of benefit terms	-	-	-	-	-	-	(61,896)
Differences between expected and actual experience	8,924	(5,593)	12,400	(4,090)	15,351	(3,134)	3,674
Changes in assumptions	(83,192)	-	30,869	-	(46,583)	-	(200,370)
Benefit payments, including refunds of employee contributions	(39,001)	(34,248)	(33,268)	(30,588)	(31,916)	(28,677)	(29,457)
Net change in Total OPEB Liability	(34,455)	36,123	80,113	32,434	5,686	34,130	(203,862)
Total OPEB Liability – beginning	861,575	825,452	745,339	712,905	707,219	673,089	876,951
Total OPEB Liability – ending (a)	\$ 827,120	\$ 861,575	\$ 825,452	\$ 745,339	\$ 712,905	\$ 707,219	\$ 673,089
Plan Fiduciary Net Position							
Contributions – employer	\$ 40,136	\$ 38,381	\$ 37,561	\$ 34,895	\$ 33,949	\$ 48,972	\$ 45,184
Contributions – employee	-	-	-	-	-	-	-
Net investment income	62,043	(73,591)	106,511	84,891	76,566	(14,273)	57,671
Benefit payments including refunds of employee contributions	(39,001)	(34,248)	(33,268)	(30,589)	(31,916)	(28,677)	(29,457)
Administrative expense	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Net change in Plan Fiduciary Net Position	63,178	(69,458)	110,804	89,197	78,599	6,022	73,398
Other Adjustments	-	-	-	-	-	-	-
Plan Fiduciary Net Position – beginning	634,890	704,348	593,544	504,347	425,748	419,726	346,328
Plan Fiduciary Net Position – ending (b)	\$ 698,069	\$ 634,890	\$ 704,348	\$ 593,544	\$ 504,347	\$ 425,748	\$ 419,726
Net OPEB Liability – ending (a) – (b)	\$ 129,051	\$ 226,685	\$ 121,104	\$ 151,795	\$ 208,558	\$ 281,471	\$ 253,363
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	84.40%	73.69%	85.33%	79.63%	70.75%	60.20%	62.36%
Covered employee payroll ¹	\$ 191,237	\$ 184,710	\$ 175,790	\$ 173,425	\$ 170,946	\$ 169,605	\$ 167,221
Plan Net OPEB Liability as a percentage of covered employee payroll	67.48%	122.72%	68.89%	87.53%	122.00%	165.96%	151.51%

Notes to Schedule:

¹ Covered payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of the retirement benefits are included.

Benefit changes: There have been no material changes in benefit provisions.

Change of assumptions:

- Effective with the December 31, 2022 measurement, there were no material changes in assumptions
- Effective with the December 31, 2021 measurement, the following assumption were changed:
 - Healthcare claims cost and trends were updated to reflect the most recent experience.
 - The actuarial factors used to estimate individual retiree and spouse costs by age and by gender were updated. The new factors are based on a review of historical claims experience by age, gender, and status (active vs retired) from Segal's claims data warehouse.

Historical data: This schedule will be expanded to reflect ten years of data, as the information becomes available

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

REQUIRED SUPPLEMENTARY INFORMATION

Years Ended December 31, 2023 and 2022



Schedule of Employer Contributions

Fiscal Year Ended December 31	Actuarially Determined Contribution (ADC)	Actual Contribution in Relation to ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Covered Payroll
2023	\$ 34,131	\$ 40,136	\$ (6,005)	\$ 191,237	20.99%
2022	31,406	38,381	(6,975)	184,710	20.78%
2021	32,403	37,561	(5,158)	175,790	21.37%
2020	32,111	34,895	(2,784)	173,425	20.12%
2019	31,701	33,949	(2,248)	170,946	19.86%
2018	48,270	48,972	(702)	169,605	28.87%
2017	46,978	45,184	1,794	167,221	27.02%
2016	45,289	42,496	2,793	161,926	26.24%
2015	38,187	38,438	(251)	160,641	23.93%
2014	38,386	42,100	(3,714)	152,368	27.63%

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

REQUIRED SUPPLEMENTARY INFORMATION

Years Ended December 31, 2023 and 2022



Schedule of Investment Returns
Last 10 Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense *	9.83%	-10.40%	17.75%	16.97%	17.84%	-3.45%	17.16%	9.26%	-2.36%	4.42%

*The annual money-weighted rate of return on the OPEB Trust’s investments is calculated as the internal rate of return on investments, net of investment expense. A money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The OPEB Trust’s investment expense should be measured on the accrual basis of accounting.

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

REQUIRED SUPPLEMENTARY INFORMATION

Years Ended December 31, 2023 and 2022



Notes to the Required Schedules

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Valuation Date	December 31, 2023	January 1, one year prior ¹ (for 2022 - 2017)								
Measurement Date	December 31, 2023	December 31, 2022	December 31, 2021	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2017	December 31, 2015	December 31, 2015	December 31, 2013
Census data collected	December 31, 2023	December 31, 2021	December 31, 2021	December 31, 2019	December 31, 2017	December 31, 2017	December 31, 2017	December 31, 2015	December 31, 2013	December 31, 2011
Actuarial cost method	Entry Age Actuarial Cost Method (for all years presented)									
Amortization method	Level percent of pay, 30-year closed amortization (for all years presented)									
Amortization period of initial unfunded AAL	21 years	22 years	23 years	25 years	26 years	27 years	28 years	29 years	21 years	22 years
Remaining amortization period	21 years	22 years	23 years	25 years	26 years	27 years	28 years	29 years	21 years	22 years
Asset valuation method	Market value ² (for all years presented)									
Investment rate of return	7.00%	7.00%	7.00%	7.25%	7.25%	7.50%	7.50%	7.50%	7.50%	7.50%
Inflation rate	2.50%	2.50%	2.50%	2.50%	2.50%	2.75%	2.75%	2.75%	2.75%	3.25%
Salary increases	Inflation plus merit increases that vary by age and service (for all years presented)									
Dental, Administrative costs	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
(Dental included beginning year 2022)										
Medical cost trend:	7.75% graded to 5.00% over 6 years for 2011 and 2012 7.75% graded to 5.00% over 11 years for 2013 and 2014 7.25% graded to 5.00% over 9 years for 2015 and 2016 7.00% graded to 4.50% over 10 years for 2017 through 2023									
Prescription cost trend:	6.50% graded to 5.00% over 3 years for 2011 and 2012 6.00% graded to 5.00% over 5 years for 2013 and 2014 11.50% graded to 5.00% over 11 years for 2015 9.50% graded to 5.00% over the 7 years for 2016 9.00% graded to 4.50% over the 10 years for 2017 through 2019 8.00% graded to 4.50% over 14 years for 2020 through 2023									

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

REQUIRED SUPPLEMENTARY INFORMATION

Years Ended December 31, 2023 and 2022



Notes to the Required Schedules (continued)

Mortality Rates (2012 - 2014):

Healthy Males: RP-2000 Combined Healthy Blue Collar Mortality Table
Females: RP-2000 Combined Healthy White Collar Mortality Table
Disabled RP-2000 Disabled Retiree Mortality Table
The above mortality tables were determined to contain provision appropriate to reasonable reflect future mortality improvement, based on a five-year review of mortality experience ended December 31, 2008.

Mortality Rates (2015 - 2019):

Pre-retirement: RP-2014 Employee Mortality Table with sex-distinct rates, projected generationally with a modified RPEC2014 projection table using a 15-year convergence period for cohort effects and a 10-year convergence for age/period effects.
Healthy annuitants: RP-2014 Healthy Annuitant Mortality Table with sex-distinct rates, adjusted by a factor of 138%, projected generationally with a modified RPEC2014 projection table using a 15-year convergence period for cohort effects and a 10-year convergence period for age/period effects.
Disabled annuitants: RP-2014 Disabled Retiree Mortality Table with sex-distinct rates, adjusted by a factor of 138%, projected generationally with a modified RPEC2014 projection table using a 15-year convergence period for cohort effects and a 10-year convergence period for age/period effects.

Mortality Rates (2020 - 2023):

Pre-retirement: PRI-2012 Employee Mortality Table, Headcount-Weighted, with sex-distinct rates, projected generationally with Scale SSA-2019.
Healthy annuitants: PRI-2012 Healthy Annuitant Mortality Table, Headcount-Weighted, with sex-distinct rates, plus a 20% load, projected generationally with SSA-2019.
Disabled annuitants: PRI-2012 Disabled Retiree Mortality Table, Headcount-Weighted, with sex-distinct rates, plus a 20% load, projected generationally with SSA-2019.
Beneficiaries: PRI-2012 Contingent Survivor Mortality Table, Headcount-Weighted, with sex-distinct rates, plus a 20% load, projected generationally with SSA-2019.

Notes:

¹ Actuarially determined contribution rates are calculated as of January 1, one year prior to the end of the fiscal year in which contributions are reported.

² Market value of assets less unrecognized returns in each of the last five years (applied prospectively beginning with 2014). Unrecognized return is equal to the difference between the actual market value return and the expected market return, and is recognized over a five-year period, further adjusted, if necessary, to be within 20% of the market value.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* - Independent Auditor's Report

Board of Commissioners and Management
Memphis Light, Gas and Water Division
Other Post Employment Benefits Trust
Memphis, Tennessee

We have audited, in accordance with the 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 ("*Government Auditing Standards*"), the financial statements of the Memphis Light, Gas and Water Division Other Post Employment Benefits Trust (the "OPEB Trust"), which comprise the statement of fiduciary net position as of December 31, 2023, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 12, 2024. Our report disclosed that the statements of the OPEB Trust do not purport to present the financial position of the Light, Gas and Water Division of the City of Memphis or the City of Memphis as of December 31, 2023, and the respective changes in their financial position or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the OPEB Trust's internal control over financial reporting ("internal control") as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the OPEB Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the OPEB Trust's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the OPEB Trust's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the OPEB Trust's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the OPEB Trust's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Forvis Mazars, LLP

**Memphis, Tennessee
June 12, 2024**

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

SCHEDULE OF FINDINGS

For the Year Ended December 31, 2023



Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America:	<u>Unmodified</u>	
Internal control over financial reporting:		
Material weakness(es) identified?	<u> </u> yes	<u> x </u> no
Significant deficiency(ies) identified not considered to be material weaknesses?	<u> </u> yes	<u> x </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> x </u> no

SECTION II - FINANCIAL STATEMENT FINDINGS

Current Year Findings

None reported.

Prior Year Findings

See Summary Schedule of Prior Year Findings

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

For the Year Ended December 31, 2023



Prior Year Findings

2022-001: Material Weakness – Total Other Post Employment Benefits (OPEB) Liability

Management implemented corrective action during the 2022 audit.