



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

Financial Statements

Years Ended December 31, 2024 and 2023

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

Years ended December 31, 2024 and 2023

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



To the MLGW 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, 2024. This report has been prepared in conformity with generally accepted accounting principles (“GAAP”) in the United States of America.

Management is responsible for the accurate and fair presentation of the information provided. Disclosures necessary to assist the reader in understanding the financial statements have been included.

MLGW OPEB Trust’s 2024 financial statements have been audited by Forvis Mazars, LLP, certified public accountants. 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, 2024, were free from material misstatement. The independent audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. It also involved evaluating the appropriateness of accounting policies used, the reasonableness of significant accounting estimates made by management.

The independent auditor issued an unmodified opinion on the MLGW OPEB Trust’s financial statements for the year ended December 31, 2024. The independent auditor’s report is presented as the first component of the report.

GASB Statement No. 34, *Basic Financial Statements-and Management Discussion and Analysis-for State and Local Governments* (“GASB 34”) 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. The OPEB Trust’s MD&A can be found immediately following the report of the independent auditor.

Profile of the “Trust” – The Memphis Light, Gas and Water Division, a division of the City of Memphis, under a resolution by the Board of Commissioners (the “Trustee”), established the OPEB Trust, effective January 1, 2007. The OPEB Trust was adopted and maintains medical benefits (health and welfare) for retired MLGW employees and their eligible dependents. As one of its essential functions and in the ordinary course of its operation and administration of the Plan, MLGW provides for contributions and accumulation of assets for payment of the Benefits under the Plan. The contribution requirements made by MLGW are established and may be amended by the MLGW Board of Commissioners.

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. Premium rates for retired members and beneficiaries 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 OPEB Trust establishes an investment committee (the “OPEB Investment Committee”) to oversee investment of the OPEB Fund. The OPEB Investment Committee is comprised of one member of the Board of Commissioners of the Division (who serves as Chairman), the President of the Division (who serves as Vice-Chairman), the Vice President, CFO and Secretary-Treasurer of the Division, two active Participants who have vested rights under the MLGW Pension Plan and who are elected by Participants, one retired Participant who is elected by retired Participants, and one citizen of Shelby County who is appointed by the Board of Commissioners of the Division. The members of the OPEB Investment Committees serve without compensation.

Funded Status – Based on the actuarial valuation and review measured as of December 31, 2024, the plan was 86.24% funded. The Total OPEB Liability for benefits was \$877,778,005 and the Plan Fiduciary Net Position was \$756,982,584 resulting in a Net OPEB Liability (“NOL”) of \$120,795,421. The covered employee payroll was \$207,482,561 and the ratio of the NOL to the covered employee payroll was 58.22%.

Acknowledgements - The annual report of the Memphis, Light, Gas and Water Division OPEB Trust was assembled through the combined efforts of the MLGW Pension Department, various finance professionals within the Division, the Plan’s actuary, its custodian, and the investment consultants. Their cooperation and assistance were essential and greatly appreciated. We would like to thank all personnel who contributed to the preparation of this report. Special thanks must also be given to Forvis Mazars, LLC. for their efficient and timely completion of this year’s audit.

Respectfully submitted,



Douglas McGowen
President and CEO



Rodney Cleek
VP, CFO & 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
Retired 12/28/2024***



***Rhonda Morgan
Employee Member
Term Expired: 12/31/2024***



***Rodney Cleek
Employee Member
Succeeded Dana Jeanes***



***Jerry R. Collins, Jr.
Retired Member
Term Expires: 12/31/2026***



***Matthew Johnson
Citizen Member
Term Expires: 11/30/2027***

The Memphis Light, Gas and Water Division (“MLGW”) Other Post Employment Benefits Trust (“OPEB Trust”) establishes an Investment Committee to oversee investment of assets of the OPEB Trust. The Investment Committee shall have the duty and responsibility to invest or direct the investment of the Trust Funds and shall have such other duties and responsibilities as designated by MLGW.

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 Longfield, CFA
Executive Vice President & Senior Consultant

Brian Jones
Senior Vice President & Senior Consultant

CUSTODIAN

Northern Trust Corporation

Diana Kodanov
Vice President | Asset Servicing, Americas

Benjamin J. Chow
Second Vice President | Senior Consultant
Client Business Solutions Consulting (CBS)

CONSULTING ACTUARY

Segal Consulting

Samuel Boustani, FCA ASA, MAAA
Consulting Actuary

LEGAL CONSTANT

Evans & Petree, PC

Frank N. Stockdale Carney
Attorney at Law

Financial Section

Independent Auditor's Report
Forvis Mazars, LLP

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, 2024 and 2023, 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, 2024 and 2023, 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, 2024 and 2023, 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 the OPEB Trust'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 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 basic financial statements and our auditor's report thereon. Our opinion on the basic 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 May 29, 2025, 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
May 29, 2025**

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended December 31, 2024 and 2023



The following management's discussion and analysis of the Memphis Light, Gas and Water Division ("MLGW") Other Post Employment Benefits Trust ("OPEB Trust") financial performance provides a narrative overview and analysis of the OPEB Trust financial activities and funding conditions for the years ended December 31, 2024, and December 31, 2023. Please read it in conjunction with the OPEB Trust's financial statements, notes, and required supplementary information, which follow this section. Information for fiscal years 2023 and 2022 is presented for comparative purposes.

FINANCIAL HIGHLIGHTS

- Total OPEB Trust fiduciary net position at December 31, 2024, was \$757.0 million, an increase of \$58.9 million, or 8.4%, compared to the total net position at December 31, 2023, of \$698.1 million. 2023 reflected an increase of \$63.2 million, or 10.0% from \$634.9 million total net position at December 31, 2022.
- Cash and cash equivalents increased \$9.7 million, or 56.4% to \$27.0 million at December 31, 2024, from \$17.2 million at December 31, 2023. 2023 reflected an increase of \$6.0 million, or 52.7% from \$11.3 million reported in 2022.
- Investments were \$728.6 million at December 31, 2024, an increase of \$48.6 million, or 7.1%, from the total of investments of \$680.1 million at December 31, 2023. 2023 reflected an increase of \$57.9 million, or 9.3% from total investments of \$622.1 million at December 31, 2022.
- Net investment income at December 31, 2024, was \$57.9 million representing a decrease of \$4.2 million, or 6.7%. The decrease was primarily due to the net appreciation in fair value of investments which reflected a decrease of \$4.6 million, or 8.7% from 2023. The decrease was partially offset by the increase in dividend income of \$2.0 million, or 50.3%. At December 31, 2023, net investment income was \$62.0 million, an increase of \$135.6 million, or 184.3% from net investment loss of \$73.6 million at December 31, 2022. For 2024, net appreciation in fair value of investment totaled \$47.8 million compared with net appreciation in fair value of investment of \$52.4 million for 2023. The net appreciation in fair value of investments for 2023 reflected an increase of \$135.2 million, or 163.2% from a net depreciation of \$82.8 million reported in 2022.
- Total OPEB Trust benefit payments increased by \$0.8 million, or 2.1% at December 31, 2024 to \$39.2 million from \$38.4 million at December 31, 2023. 2023 reflected an increase of \$4.6 million, or 13.6% from \$33.8 million reported in 2022.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report contains the following information:

- 1. Basic Financial Statements** including:
 - a. Statements of Fiduciary Net Position
 - b. Statements of Changes in Fiduciary Net Position
 - c. Notes to the Financial Statements
- 2. Required Supplementary Information** including:
 - a. Schedule of Changes in Net OPEB Liability (Asset)
 - b. Schedule of Employer's Contributions
 - c. Schedule of Investment Returns

The basic financial statements are described as follows:

- 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 total liabilities equal net position held in the OPEB Trust for the future payment of healthcare and welfare benefits for retirees and their eligible dependents.
- 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, net investment income (loss), operating expenses, and insurance premium paid.
- The Notes to the Financial Statements are an integral part of the financial statements and include additional detailed information and schedules to provide a better understanding of the financial statements.

The required supplementary information is based upon the MLGW OPEB Trust's adoption of GASB Statement 75 and provides historical trends that help to reflect the ongoing plan perspective and the long-term nature of the defined benefit plan.

- The Schedule of Changes in Net OPEB Liability contains actuarial information about the status of the Plan.
- The Schedule of Employer Contributions contains historical trend information regarding the value of the total annual contributions the employer must pay, and the actual contributions paid by the employer to meet this requirement. In addition, significant methods and assumptions used in calculating the actuarially determined contributions are included in the schedule.
- The Schedule of Investment Returns contains the annual money-weighted rate of return on the MLGW OPEB Trust investments for the last ten years.

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST**MANAGEMENT'S DISCUSSION AND ANALYSIS****Years Ended December 31, 2024 and 2023****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 Statements of Fiduciary Net Position December 31, 2024, 2023, and 2022 <i>(Dollars in Thousands)</i>					
	<u>2024</u>	<u>2023</u>	<u>FY24 - FY23</u> <u>Percentage</u> <u>Change</u>	<u>2022</u>	<u>FY23 - FY22</u> <u>Percentage</u> <u>Change</u>
Assets					
Cash and cash equivalents	\$ 26,967	\$ 17,238	56.4%	\$ 11,288	52.7%
Receivables	2,144	2,375	-9.7%	7,314	-67.5%
Investments	728,624	680,058	7.1%	622,110	9.3%
Collateral held for securities on loan	581	655	-11.3%	245	167.2%
Total assets	<u>758,316</u>	<u>700,326</u>	<u>8.3%</u>	<u>640,957</u>	<u>9.3%</u>
Liabilities					
Benefits payable	-	954	-100.0%	831	14.8%
Liability for securities purchased and accrued liabilities	752	649	15.9%	4,991	-87.0%
Collateral subject to return to borrowers	581	655	-11.3%	245	167.2%
Total liabilities	<u>1,333</u>	<u>2,258</u>	<u>-41.0%</u>	<u>6,067</u>	<u>-62.8%</u>
Net position restricted for OPEB	<u><u>\$ 756,983</u></u>	<u><u>\$ 698,068</u></u>	<u><u>8.4%</u></u>	<u><u>\$ 634,890</u></u>	<u><u>10.0%</u></u>

Assets**2024 Compared to 2023**

At December 31, 2024, total assets were \$758.3 million, representing an increase of \$58.0 million, or 8.3%, from 2023. The increase in total assets was primarily driven by the increases in cash and cash equivalents and total investments. The increase was slightly offset by the decrease in total receivables, specifically employer contribution receivable. Due to the change from CVS to Cigna in 2024, an accrual of employer contributions was not needed for the current period.

Cash and cash equivalents increased \$9.7 million, or 56.4% at December 31, 2024 to \$27.0 million compared to \$17.2 million in 2023. The increase was primarily due to \$12.6 million in gains from distributions received and from the disinvestment in existing money managers.

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended December 31, 2024 and 2023



The OPEB Trust's investments are comprised of domestic and international equities, domestic and international fixed income securities, domestic and international special strategies, and domestic and international real estate funds. At December 31, 2024, total investments were \$728.6 million, which reflected an increase of \$48.6 million, or 7.1%, from 2023. Investments within the Trust's equity funds were the main drivers of the increase, which accounted for a growth of \$24.6 million in the common stock domestic and equity collective domestic funds. Fixed income funds managed a slight increase of \$0.6 million. The special strategies funds rose \$3.2 million. The increases were partially offset by the Trust's investment in real estate domestic funds which declined \$6.1 million.

Receivables for securities sold increased by \$1.3 million, or 352.5% at December 31, 2024, to \$1.7 million from \$0.4 million at December 31, 2023, primarily due to domestic real estate receivables of \$1.5 million. Employer contribution receivable declined in 2024 compared to \$1.0 million reported in 2023, due to the change of prescription vendor in 2024 from CVS to CIGNA. As a result, employer contribution does not need to be accrued in the current period.

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.

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.

Liabilities

2024 Compared to 2023

At December 31, 2024, total liabilities were \$1.3 million, a decrease of \$0.9 million, or 41.0% from \$2.3 million at 2023. The decrease is primarily derived from the benefits payable declined in 2024 due to the change in prescription vendor from CVS to CIGNA. Under the new arrangement with Cigna, the payment of premium and claims were paid as incurred, eliminating the need to accrue benefit payments for the current period.

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.

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST**MANAGEMENT'S DISCUSSION AND ANALYSIS****Years Ended December 31, 2024 and 2023*****Fiduciary Net Position******2024 Compared to 2023***

At December 31, 2024, the OPEB Trust fiduciary net position was \$757.0 million, an increase of \$58.9 million, or 8.4% from the net position at December 31, 2023. The increase in net position restricted for OPEB Trust was primarily driven by the increases in cash and cash equivalents, coupled with a strong performance of the Trust's equity funds.

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.

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 Statements of Changes in Fiduciary Net Position Years Ended December 31, 2024, 2023 and 2022 <i>(Dollars in Thousands)</i>					
	<u>2024</u>	<u>2023</u>	<u>FY24 - FY23 Percentage Change</u>	<u>2022</u>	<u>FY23 - FY22 Percentage Change</u>
Additions					
Employer contributions	\$ 40,806	\$ 40,136	1.7%	\$ 38,381	4.6%
Net investment income (loss), other than from securities lending	57,869	62,030	-6.7%	(73,598)	184.3%
Net securities lending income	11	12	-8.3%	7	78.2%
Total additions (reductions)	98,686	102,178	-3.4%	(35,210)	390.2%
Deductions					
Benefits payments	39,210	38,406	2.1%	33,806	13.6%
Administrative expense	561	594	-5.6%	442	34.3%
Total deductions	39,771	39,000	2.0%	34,248	13.9%
Increase (decrease) in net position	58,915	63,178	-6.7%	(69,458)	191.0%
Net position restricted for OPEB					
Beginning of year	698,068	634,890	10.0%	704,348	-9.9%
End of year	\$ 756,983	\$ 698,068	8.4%	\$ 634,890	10.0%

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended December 31, 2024 and 2023



Change in Net Position

2024 Compared to 2023

The net position restricted for OPEB Trust reflected a decrease of \$58.9 million, down \$4.3 million, or 6.8% at December 31, 2024, from \$63.2 million at December 31, 2023. Net investment income decreased by \$4.2 million, or 6.7%, due to a \$4.6 million decrease in net appreciation in fair value of investments. The decline was attributed to the depreciation in fair value within the fixed income and real estate funds. Reductions in interest income, real estate income, and other income totaling \$1.4 million along with an increase in investment expenses, other than form securities lending of \$0.1 million also contributed to the decline in net investment income, which was offset, in part, by a \$2.0 million increase in dividend income.

2023 Compared to 2022

The net position restricted for OPEB Trust reflected an increase of \$63.2 million or 191.0% at December 31, 2023, compared to the prior year's decrease of \$69.5 million. This change is a result of a net investment income gain, offset by an increase in benefit payments, and an increase in employer contributions. Net investment 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.

Additions

2024 Compared to 2023

Total additions to fiduciary net position decreased \$3.5 million, or 3.4% to \$98.7 million at December 31, 2024, compared to \$102.2 million at December 31, 2023. The decrease in net appreciation in fair value of investments was the main reason for the decline in net investment income.

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 income of \$135.6 million and an increase in employer contribution of \$1.8 million.

Deductions

2024 Compared to 2023

Total deductions from net position totaled \$39.8 million, an increase of \$0.8 million, or 2.0% for 2024, up from \$39.0 million in 2023. The increase is primarily due to a \$0.8 million increase in benefit payments.

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended December 31, 2024 and 2023



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.

ECONOMIC FACTORS

The medical benefits (health and welfare) for retired MLGW employees and their eligible dependents are financed by the Division's contributions and income earned from the OPEB Trust's investments. Over the long term, the investment portfolio returns have been a major component of additions to the MLGW OPEB Trust's net position. Although net appreciation in fair value of investments declined in 2024 compared to 2023, it remained positive due to the Trust's diverse portfolio. Strong performances within the equity and special strategies funds offset the declines within the fixed income and real estate funds. For the year ended December 31, 2024, the Division's actual annual contribution was \$40.8 million as recommended and determined by an independent actuarial valuation study.

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
VP, CFO & Secretary-Treasurer
P.O. Box 430
Memphis, TN 38101-0430

See next page

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST
STATEMENTS OF FIDUCIARY NET POSITION
December 31, 2024 and 2023



	December 31	
	2024	2023
Assets		
Cash and cash equivalents	\$ 26,966,568	\$ 17,238,388
Receivables:		
Employer contributions	-	954,210
Interest, dividends, and real estate receivable	460,396	1,048,903
Receivable for securities sold	1,683,761	372,080
Total receivables	2,144,157	2,375,193
Collateral held in trust for securities on loan	581,014	655,079
Investments, at Fair Value:		
Equity Funds:		
Common stock - domestic	150,707,257	132,706,716
Common stock & mutual funds - international	43,485,709	41,776,931
Common stock index mutual fund - domestic	117,902,881	94,341,288
Equity collective fund - domestic	54,278,931	47,642,311
Equity collective fund - international	29,186,404	28,936,338
Fixed Income Funds:		
Corporate bonds - domestic	1,789,240	1,471,768
Corporate bonds - international	-	278,303
Corporate bonds CIT - international	13,061,966	-
Corporate bond mutual funds - domestic	42,947,950	54,878,188
Convertible bond mutual funds - domestic	12,120,989	10,620,813
Government bonds - domestic	3,352,501	4,404,173
Government agencies - domestic	686,130	718,939
Global bond fund - international	21,524,403	23,705,538
Mortgage backed securities - domestic	3,437,700	2,832,604
Asset backed securities - domestic	1,026,657	454,352
Asset backed securities - international	100,790	100,952
Special Strategies Funds:		
Private equity funds - domestic	68,332,628	72,732,597
Private equity funds - international	10,053,991	10,334,238
Distressed debt funds - domestic	16,762,542	11,751,632
Distressed debt funds - international	9,755,939	15,217,234
Private debt funds - domestic	11,968,287	10,750,125
Multi-asset fund - domestic	7,271,344	-
Life settlement funds - domestic	14,213,307	16,058,569
Equity hedge fund - domestic	12,071,673	10,374,947
Real Estate Funds:		
Real estate funds - domestic	81,910,423	87,969,590
Real estate fund - international	673,978	-
Total investments	728,623,620	680,058,146
Total assets	758,315,359	700,326,806
Liabilities		
Benefits payable	-	954,210
Liability for securities purchased	82,938	65,317
Accrued liabilities	668,823	583,605
Collateral subject to return to borrowers	581,014	655,079
Total liabilities	1,332,775	2,258,211
Net position restricted for		
other post employment benefits	<u>\$ 756,982,584</u>	<u>\$ 698,068,595</u>

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

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
Years Ended December 31, 2024 and 2023



	Years Ended December 31	
	2024	2023
Additions		
Employer contributions	\$ 40,806,176	\$ 40,135,967
Investment income:		
Net appreciation in fair value of investments	47,797,597	52,364,066
Interest income	5,915,950	6,518,785
Dividend income	5,834,172	3,882,112
Real estate income	573,254	1,358,445
Other income	8,511	63,984
Less: investment expenses, other than from securities lending	(2,260,278)	(2,157,027)
Net investment income, other than from securities lending	57,869,206	62,030,365
Securities lending income	45,169	25,853
Securities lending expenses:		
Borrower rebates	(31,386)	(10,308)
Management fees	(2,749)	(3,101)
Total securities lending expenses	(34,135)	(13,409)
Net securities lending income	11,034	12,444
Net investment income	57,880,240	62,042,809
Total additions	98,686,416	102,178,776
Deductions		
Benefit payments	39,210,426	38,406,204
Administrative expenses	562,001	594,303
Total deductions	39,772,427	39,000,507
Increase in net position	58,913,989	63,178,269
Net position restricted for other post employment benefits		
Beginning of year	698,068,595	634,890,326
End of current period	\$ 756,982,584	\$ 698,068,595

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

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2024 and 2023



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 its retired employees.

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 eligible retired employees and their eligible dependents. The OPEB Trust is used 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 generally accepted accounting principles in the United States of America (“GAAP”) 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 (“OPEB Trust”), as applicable, and not collectively to MLGW. These statements are not intended to present the financial position of the City or represent the results of the City’s operations.

Reclassifications

Certain items in the 2023 Statement of Net Position have been reclassified for comparative purposes to conform with the 2024 presentation. The classification had no effect on previously reported net position restricted for OPEB Trust.

Basis of Accounting

The OPEB Trust’s financial statements are prepared using the accrual basis of accounting in accordance with the Governmental Accounting Standards Board (“GASB”) that are applicable to a fiduciary fund of a governmental trust unit. Investment income is recognized when earned. Gains and losses on sales and exchanges of investments are recognized on the transaction date. Benefit payments are recognized when the premium is paid.

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2024 and 2023



Recent Accounting Standards

In April of 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement supersedes Statements No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. The objective of this Statement is to improve key components of the financial reporting model. The purposes of the improvements are to (a) enhance the effectiveness of the financial reporting model in providing information that is essential for decision making and assessing a government’s accountability and (b) address certain application issues identified through pre-agenda research conducted by GASB. The requirements of this Statement apply to the financial statements of all state and local governments.

This Statement establishes new accounting and financial reporting requirements – or modifies existing requirements – related to the following:

- 1) Management’s discussion and analysis (MD&A)
- 2) Unusual or infrequent items
- 3) Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position
- 4) Information about major component units in basic financial statements
- 5) Budgetary comparison information
- 6) Financial trends information in the statistical section.

The requirement in this Statement mainly focuses on the government-wide, governmental fund, and proprietary fund statements.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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.

Investments

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 are reported on that date are valued at the average of the last reported bid and ask prices.

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2024 and 2023



The equity securities are comprised of both domestic and international securities for which fair value is based on quoted prices in active markets for identical assets.

Collective Investment Trusts (“CITs”) were incorporated into the Plan in 2015 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 the conditions as permitted under Revenue Rulings 81-100 and 2011-1, or subsequent guidance, and are operated or maintained exclusively for the commingling and collective investment of funds from other trusts.

The fixed income funds do not have quoted prices in active markets, MLGW’s Custodian determines the value using basic assumptive information received from an independent pricing evaluator such as 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 investments in limited partnerships and other funds in the following categories: private equity, distressed debt, private debt, multi-asset, life settlement, and equity hedge fund. The fair value of these funds is based on the Net Asset Value (“NAV”) per share, or its equivalent provided by the fund manager.

The real estate funds are measured at the NAV per share or its equivalent.

2. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Trust Agreement was made effective January 1, 2007 between Memphis Light, Gas and Water Division (“MLGW”) and the Board of Light, Gas, and Water Commissioners, City of Memphis, Tennessee (“Trustee”). MLGW 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 and OPEB Trust’s administration. The Trustee shall have overall control of the administration in respect to the Plan. The Trustee will act with all power and discretion necessary to properly oversee and execute the fiduciary principles of the plan to benefit the recipients.

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 (who serves as Vice-Chairman), The Vice President, CFO & Secretary-Treasurer of the Division, two employee Members, one retired Member, and one Citizen of Shelby County who is appointed by the Board of Commissioners of Division. The Investment Committee serves without compensation.

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2024 and 2023



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 spouses as a lifetime benefit. Qualified dependents will continue to receive benefits as long as they remain qualified under the Plan. The following benefits are available but are 100% paid by the retiree: dental insurance, dependent life insurance, cancer insurance, accident and long-term care insurance.

Employees retired under the MLGW Retirement and Pension System (“the MLGW Pension Plan”), who are disabled and have five years of service at any age or are 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, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Retirees and beneficiaries receiving benefits	3,731	3,718
Deferred disabled members entitled to but not yet receiving benefits	42	-
Active plan members	2,566	2,424
Total	<u>6,339</u>	<u>6,142</u>

The contribution requirements of plan members and MLGW are established and may be amended by the MLGW Board of Commissioners. Premium 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, 2024, plan members contributed \$5,977,226, or 13.1% 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, 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. 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 may, at its sole discretion and in conjunction with the approval of the Council of the City of Memphis (“Council”), may, at will, make deposits, contributions, and payments of cash or other property to the OPEB Trust. These assets are 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 \$40,806,176 and \$40,135,967 for the years ended December 31, 2024, and 2023, respectively.

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2024 and 2023



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 \$39,481,883 and \$38,705,279 for 2024 and 2023, respectively. On the Statements of Changes in Fiduciary Net Position, these premium expenses equal total deductions of \$39,772,427 and \$39,000,507 in 2024 and 2023, respectively, less professional services related administrative expenses (e.g., investment advisory fees, actuarial consulting fees, etc.) of \$286,917 and \$295,228 in 2024 and 2023, respectively.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts. As well as assumptions about the probability and risks of events in the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations. New estimates are made about the possibility and the probability of future events and outcomes.

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”). ADC is an amount that is actuarially determined in accordance with the parameters of GASB (Governmental Accounting Standards Board) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (such as OPEB)*. The ADC is determined in conformity with Actuarial Standards of Practice and is 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). It will 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. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility of actuarial accrued liabilities and the actuarial value of assets, which are consistent with the long-term perspective for the calculations.

Net OPEB Liability (“NOL”)

The components of the Net OPEB Liability of the OPEB Trust on December 31, 2024, and 2023 were as follows:

	2024	2023
Total OPEB Liability	\$ 877,778,005	\$ 827,119,558
Plan Fiduciary Net Position	756,982,584	698,068,595
Net OPEB Liability	<u>\$ 120,795,421</u>	<u>\$ 129,050,963</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	86.24%	84.40%

The Net OPEB Liability was measured as of December 31, 2024 and 2023. Plan Fiduciary Net Position (plan assets) was valued as of the measurement dates and the Total OPEB Liability was determined from actuarial valuations using data as of December 31, 2024 and 2023, respectively.

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2024 and 2023



The actuarial assumptions used in the December 31, 2024, valuation were based on the results of an actuarial experience study for the five-year period January 1, 2019 to December 31, 2023.

Significant assumptions were as follows at December 31, 2024:

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	10.00% grading to 4.50% over 11 years
Dental, Administrative costs	3.00%
Mortality rates	
Pre-retirement	PRI-2012 Blue Collar Employee Mortality Table, Headcount-Weighted, with sex-distinct rates, projected generationally with Scale MP-2021.
Healthy annuitants	PRI-2012 Blue Collar Healthy Annuitant Mortality Table, Headcount-Weighted, with sex-distinct rates, plus a 20% load for males and a 12% load for female projected generationally with Scale MP-2021.
Disabled annuitants	PRI-2012 Disabled Retiree Mortality Table, Headcount-Weighted, with sex-distinct rates, plus a 20% load, projected generationally with Scale MP-2021.
Beneficiaries	PRI-2012 Contingent Survivor Mortality Table, Headcount-Weighted, with sex-distinct rates, plus a 12% load, projected generationally with Scale MP-2021.

The actuarial assumptions used in the December 31, 2023, valuation were based on the results of an actuarial experience study for the five-year period December 31, 2014 to December 31, 2018.

Significant assumptions were as follows at December 31, 2023:

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.

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST**NOTES TO THE FINANCIAL STATEMENTS****Years Ended December 31, 2024 and 2023****Discount Rate and Investment Rates of Return**

The discount rate used to measure the total OPEB liability was 7.00% for December 31, 2024 and December 31, 2023. 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 related to current plan members hired on or before December 31, 2024.

The long-term expected rate of return on OPEB plan investments was determined by 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.

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35.00%	6.10%
International Equity	12.00%	6.20%
Fixed Income	21.50%	1.90%
Alternatives	15.50%	7.40%
Real Estate	15.00%	3.50%
Short Term Investments	1.00%	1.10%
Total	100.00%	

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

The following presents the Net OPEB Liability (NOL) of the Division as of December 31, 2024. It projects what the Division's NOL would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one 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 one percentage point lower or one percentage point higher than the current healthcare cost trend rates.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability	\$ 237,760,282	\$ 120,795,421	\$ 24,409,469

	1% Decrease in Health Care Cost Trend Rates	Current Health Care Cost Trend Rates	1% Increase in Health Care Cost Trend Rates
Net OPEB Liability	\$ 27,940,485	\$ 120,795,421	\$ 234,686,918

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2024 and 2023



3. DEPOSITS AND INVESTMENTS

Deposits

As of December 31, 2024 and 2023, MLGW OPEB Trust's deposits were fully insured or collateralized in accordance with state law.

Investments

The OPEB Trust adopted a new revision of Investment Policy Statement in September 2022. This adoption was meant to establish and set forth a clear understanding on the part of the OPEB Trust's Investment Committee in relationship to its responsibility for the assets of the OPEB Trust ("Fund") and to the investment policy and objectives of the Fund. The intent of this Investment Policy Statement is to design an investment environment with specific parameters. These parameters will reflect the philosophy of the Trustees and allow the investment managers to work toward achieving the desired performance goals for the Fund. The overall investment objective is to provide for the funding needs of the OPEB Trust.

The Trustees are charged with the responsibility of managing the assets of the Fund. The Trustees exercise authority and control over the OPEB Trust's portfolio by setting policies which MLGW's investment staff execute internally or externally through external prudent financial experts. The Trustees oversee and guide the Fund with the advice of the OPEB Investment Committee and are 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 prevailing circumstances as a prudent person would in like capacity. Exhibiting familiarity with such matters and using the conduct of a prudent person of like character and similar financial 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 the outlook for the capital markets change. Place certain maximum exposures on some of the assets being employed by the Fund to reduce risk. 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, and may adjust periodically, to give balance to the overall structure of the Fund's investment program over an extended time horizon.
- Engage the services of registered investment managers (co-fiduciaries of the Fund) who possess the necessary specialized research tools and skilled professional staff 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 as directed by the MLGW Board.

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2024 and 2023



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 funds, and short-term investments.

As of December 31, 2024, the OPEB Trust's cash and cash equivalents and investments consisted of the following:

Asset Allocation	Fair Value	Actual Exposure	Maximum Exposure	Minimum Exposure
Cash and Cash Equivalents	\$ 26,966,568	3.57%	40%	0%
Domestic Equity Funds:				
Common stock - domestic	150,707,257	19.95%		
Equity collective fund - domestic	54,278,931	7.18%		
Equity mutual index fund - domestic	117,902,881	15.60%		
Subtotal Domestic Equity Funds:	322,889,069	42.73%	65%	20%
International Equity Funds:				
Common stock & mutual funds- international	43,485,709	5.76%		
Equity collective fund - international	29,186,404	3.86%		
Subtotal International Equity Funds:	72,672,113	9.62%	25%	0%
Domestic Fixed Income Funds:				
Corporate bonds - domestic	1,789,240	0.24%		
Corporate bond mutual funds - domestic	42,947,950	5.69%		
Convertible bond mutual funds - domestic	12,120,989	1.60%		
Government bonds - domestic	3,352,501	0.44%		
Government agencies - domestic	686,130	0.09%		
Asset backed securities-domestic	1,026,657	0.14%		
Mortgage backed securities-domestic	3,437,700	0.45%		
Subtotal Domestic Fixed Income Funds:	65,361,167	8.65%	50%	5%
International Fixed Income Funds:				
Corporate bonds - international	21,524,403	2.85%		
Corporate bonds CIT - international	13,061,966	1.73%		
Asset backed securities-international	100,790	0.01%		
Subtotal International Fixed Income Funds:	34,687,159	4.59%	25%	0%
Special Strategies Funds:				
Private equity funds - domestic	68,332,628	9.05%		
Private equity funds - international	10,053,991	1.33%		
Distressed debt funds - domestic	16,762,542	2.22%		
Distressed debt funds - international	9,755,939	1.29%		
Private debt fund fund - domestic	11,968,287	1.58%		
Multi-asset fund fund - domestic	7,271,344	0.96%		
Life settlement funds - domestic	14,213,307	1.88%		
Equity hedge fund - domestic	12,071,673	1.60%		
Subtotal Special Strategies Funds:	150,429,711	19.91%	25%	0%
Real Estate Funds				
Real estate - domestic	81,910,423	10.84%		
Real estate - international	673,978	0.09%		
Subtotal Real Estate Funds:	82,584,401	10.93%	20%	0%
Total Deposits and Investments	\$ 755,590,188	100.00%		

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2024 and 2023



The OPEB Trust 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 of Investments	
	2024	2023
Investments, at Fair Value:		
Equity Funds:		
Common stock - domestic	\$ 16,964,481	\$ 22,525,788
Common stock & mutual funds - international	1,997,267	5,173,219
Equity collective fund - domestic	6,647,518	6,930,611
Equity collective fund - international	494,687	4,760,202
Equity mutual index fund - domestic	22,097,621	18,372,747
Subtotal Equity Funds:	48,201,574	57,762,567
Fixed Income Funds:		
Corp bonds; corp bond mutual funds; convertible bond; govt bonds; govt agencies; mortgage backed; asset backed securities - domestic	453,689	2,664,168
Corp bonds; corp bond CIT; mortgage backed; asset backed securities - international	(1,389,834)	8,195
Global bond fund - international	(2,077,428)	1,734,430
Subtotal Fixed Income Funds:	(3,013,573)	4,406,793
Special Strategies Funds:		
Private equity funds - domestic	1,565,144	1,381,503
Private equity funds - international	(850,247)	29,177
Distressed debt funds - domestic	2,587,402	(30,365)
Distressed debt funds - international	804,808	1,872,490
Private debt fund - domestic	(194,084)	18,556
Multi-asset fund - domestic	578,163	(600,830)
Life settlement funds - domestic	(511,216)	185,204
Equity hedge fund - domestic	1,696,726	995,072
Subtotal Special Strategies Funds:	5,676,696	3,850,807
Real Estate Funds		
Real estate funds - domestic	(2,870,724)	(13,382,628)
Real estate fund - international	(196,376)	(273,473)
Subtotal Real Estate Funds:	(3,067,100)	(13,656,101)
Total Net Appreciation in Fair Value of Investments	\$ 47,797,597	\$ 52,364,066

Rate of Return

For the years ended December 31, 2024, and 2023, the annual money-weighted rate of return on the OPEB Trust's investments, net of investment expenses, was 8.74% and 9.24 %, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2024 and 2023



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, 2024:

As of December 31, 2024, the Plan's investments were rated as follows by S&P (Standard & Poor's):

Investment Type	AAA	AA	A	BBB	Not Rated/ Categorized or Quality Rating not Available	US Government Guaranteed	Total
Asset Backed Securities	\$ 20,981	\$ 46,909	\$ 111,760	\$ 120,680	\$ 827,118	\$ -	\$ 1,127,448
Commercial Mortgage-Backed	74,812				32,974		107,786
Corporate Bonds			490,946	1,139,182	13,221,078		14,851,206
Funds - Corporate Bonds					55,068,939		55,068,939
Funds - Short Term Investment					26,965,131		26,965,131
Government Agencies		235,722				450,408	686,130
Government Bonds						3,294,790	3,294,790
Government Mortgage Backed Securities						2,003,357	2,003,357
Government Issued Commercial Mortgage-Backed	193,580					478,837	672,417
Life Settlement Funds					12,013,836		12,013,836
Hedge Market Independent					1,526,965		1,526,965
Municipal/Provincial Bonds		57,710					57,710
Non-Government Backed C.M.O.s					654,140		654,140
Unit Trust Bonds					21,524,403		21,524,403
Total Market Value by Rating	\$ 289,373	\$340,341	\$602,706	\$1,259,862	\$131,834,584	\$ 6,227,392	\$140,554,258

As of December 31, 2024, the Plan's investments were rated as follows by Market Val - Moody's:

Investment Type	Aaa	Aa	A	Baa	Not Rated/ Categorized or Quality Rating not Available	US Government Guaranteed	Total
Asset Backed Securities	\$ 443,313		\$ 96,473		\$ 587,662		\$ 1,127,448
Commercial Mortgage-Backed					107,786		107,786
Corporate Bonds	100,961		745,049	777,837	13,227,359		14,851,206
Funds - Corporate Bonds					55,068,939		55,068,939
Funds - Short Term Investment					26,965,131		26,965,131
Government Agencies	235,722					450,408	686,130
Government Bonds	3,294,790						3,294,790
Government Mortgage Backed Securities						2,003,357	2,003,357
Government Issued Commercial Mortgage-Backed						672,417	672,417
Life Settlement Funds					12,013,836		12,013,836
Hedge Market Independent					1,526,965		1,526,965
Municipal/Provincial Bonds		36,894			20,816		57,710
Non-Government Backed C.M.O.s	168,182				485,958		654,140
Unit Trust Bonds					21,524,403		21,524,403
Total Market Value by Rating	\$ 4,242,968	\$ 36,894	\$841,522	\$ 777,837	\$131,528,855	\$ 3,126,182	\$140,554,258

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2024 and 2023



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, are held by either the counterparty or the counterparty's trust department or agent and are 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, in the name of its nominee, 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 on December 31, 2024, 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 the total investment 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 on December 31, 2024.

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.

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST**NOTES TO THE FINANCIAL STATEMENTS****Years Ended December 31, 2024 and 2023**

On December 31, 2024, the OPEB Trust had the following investments exposed to interest rate risk:

Investment Type	Market Value	Effective Duration (in years)
Asset Backed Securities	\$ 1,127,447	3.9
Commercial Mortgage-Backed	107,786	0.9
Corporate Bonds	1,789,240	5.1
Government Agencies	686,130	7.1
Government Bonds	3,294,791	7.6
Government Mortgage Backed Securities	2,003,357	5.2
Gov't-issued Commercial Mortgage-Backed	672,417	8.2
Municipal/Provincial Bonds	57,710	8.9
Non-Government Backed C.M.O.s	554,285	4.4
Subtotal:	10,293,163	
Corporate Bonds	13,061,966	Unavailable
Funds - Corporate Bond	55,068,939	Unavailable
Funds - Short term Investments	26,965,131	Unavailable
Hedge Fund of Funds	12,013,836	Unavailable
Life Settlement Fund	1,526,965	Unavailable
Non-Government Backed C.M.O.s	99,855	Unavailable
Unit Trust Bonds	21,524,403	Unavailable
Subtotal:	130,261,095	
Total Investments with Effective Duration	\$ 140,554,258	

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NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2024 and 2023



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. Northern Trust engages in these loans of securities to broker-dealers and other entities in exchange for collateral with a simultaneous agreement to return the collateral for the same securities in the future. MLGW authorizes the Agent to accept in exchange for borrowed securities, cash collateral having an initial market value of at least 102% of the market value of borrowed securities, or 105% of the market value of borrowed securities and collateral if they 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 participating lenders loaned to the borrower will at least equal the market value of the securities loaned. OPEB Trust does not have the ability to pledge or sell collateral securities without a borrower default.

Collateral held in trust for securities on loan included in the 2024 and 2023 Statements of Fiduciary Net Position consisted of cash collateral. On December 31, 2024, and 2023, the OPEB Trust had no credit risk exposure to borrowers because the amounts the OPEB Trust owed to the borrowers exceeded the amounts the borrowers owed 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 to the 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 made by broker-dealers under securities loans consist of the following:

As of December 31, 2024

Securities 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	\$ -	\$ 1,113,644	\$ 1,113,644	\$ -	\$ 1,200,595	\$ 1,200,595
U.S. Corporate Fixed	67,223	308,425	375,648	68,695	316,053	384,748
U.S. Equities	299,464	4,140,588	4,440,052	313,201	4,255,263	4,568,464
U.S. Government Fixed	195,368	774,328	969,696	199,118	790,286	989,404
Total	\$ 562,055	\$ 6,336,985	\$ 6,899,040	\$ 581,014	\$ 6,562,197	\$ 7,143,211

As of December 31, 2023

Securities 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
U.S. Corporate Fixed	118,677	199,263	317,940	121,513	207,433	328,946
U.S. Equities	515,451	2,599,871	3,115,322	533,566	2,681,921	3,215,487
U.S. Government 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

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 these inputs are that make up the valuation. The most observable inputs are classified as Level 1, inputs other than quoted prices included with level 1 that are observable for an asset or liability, either directly or indirectly are classified as Level 2, and the unobservable inputs are classified as Level 3.

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

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

Level 3: Fair value is determined by using unobservable inputs for an asset or liability. Generally, Level 3 input valuations are difficult to obtain on a regular basis and require verification from an outside party to support the valuation.

Fair Value Hierarchy



OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2024 and 2023



The following table displays information regarding investments measured using the fair value hierarchy on December 31, 2024:

	December 31 2024	Fair Value Measurements Using		
		Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Fixed Income Funds				
Asset backed securities	\$ 1,127,448	\$ -	\$ 1,064,568	\$ 62,880
Corporate bonds	1,789,240	-	1,789,240	-
Debt other	89,655,308	68,130,905	21,524,403	-
Government mortgage-backed securities	2,675,774	-	2,675,774	-
Municipal bonds	57,710	-	57,710	-
Non-government mortgage-backed securities	761,926	-	629,097	132,829
U.S. government agencies	686,130	-	686,130	-
U.S. treasury securities	3,294,790	3,294,790	-	-
Total fixed income funds	100,048,326	71,425,695	28,426,922	195,709
Equity Securities				
Communication services	10,860,796	10,860,796	-	-
Consumer discretionary	23,042,818	23,042,818	-	-
Consumer staples	5,994,788	5,994,788	-	-
Energy	11,272,832	11,272,832	-	-
Equity other	244,499,510	244,499,510	-	-
Financials	29,966,296	29,966,296	-	-
Health care	16,001,017	16,001,017	-	-
Industrials	16,946,689	16,946,689	-	-
Information technology	25,806,080	25,806,080	-	-
Materials	8,869,403	8,869,403	-	-
Real estate	1,393,442	1,393,442	-	-
Utilities	907,511	907,511	-	-
Total equity securities	395,561,182	395,561,182	-	-
Total investments by fair value level	495,609,508	\$ 466,986,877	\$ 28,426,922	\$ 195,709
Investments measured at the net asset value (NAV) *				
Distressed debt funds	26,518,481			
Life settlement funds	14,213,307			
Equity hedge fund	12,071,673			
Multi-asset fund	7,271,344			
Private debt fund	11,968,287			
Private equity funds	78,386,619			
Real estate funds	82,584,401			
Total investments measured at NAV	233,014,112			
Total Investments	\$ 728,623,620			

* 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, 2024 and 2023



4. FAIR VALUE MEASUREMENTS (CONTINUED)

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

	Fair Value Measurements Using			
	December 31 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Debt Securities and Fixed Income Funds				
Asset backed securities	\$ 555,305	\$ -	\$ 529,223	\$ 26,082
Corporate bonds	1,750,071	-	1,750,071	-
Bond mutual fund	65,499,000	65,499,000	-	-
Gloabal bond	23,705,538	-	23,705,538	-
Government mortgage-backed securities	2,505,170	-	2,472,243	32,927
Municipal bonds	59,931	-	59,931	-
Non-government mortgage-backed securities	327,434	-	292,516	34,918
U.S. government agencies	718,939	-	565,566	153,373
U.S. treasury securities	4,344,242	4,344,242	-	-
Total debt securities and fixed income funds	99,465,630	69,843,242	29,375,088	247,300
Equity Securities				
Communication services	7,700,297	7,700,297	-	-
Consumer discretionary	18,143,739	18,143,739	-	-
Consumer staples	6,890,709	6,890,709	-	-
Energy	7,864,242	7,864,242	-	-
Equity other	212,106,182	212,106,182	-	-
Financials	19,344,778	19,344,778	-	-
Health care	17,297,557	17,297,557	-	-
Industrials	17,429,869	17,429,869	-	-
Information technology	28,392,520	28,392,520	-	-
Materials	8,603,756	8,603,756	-	-
Real estate	961,521	961,521	-	-
Utilities	668,414	668,414	-	-
Total equity securities	345,403,584	345,403,584	-	-
Total investments by fair value level	444,869,214	\$ 415,246,826	\$29,375,088	\$ 247,300
Investments measured at the net asset value (NAV) *				
Distressed debt funds	26,968,866			
Hedge funds - Life settlement contracts	16,058,569			
Private debt fund	10,750,125			
Private equity funds	83,066,835			
Equity hedge fund	10,374,947			
Real estate funds	87,969,590			
Total investments measured at NAV	235,188,932			
Total Investments	\$ 680,058,146			

* 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, 2024 and 2023



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 which are 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 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 on December 31, 2024, and 2023.

Investments Measured at the Net Asset Value (NAV)	December 31, 2024				
	Fair Value December 31, 2024	Fair Value December 31, 2023	Unfunded Commitments	Redemption Notice Period	Redemption Frequency (if Currently Eligible)
Distressed debt funds ⁽¹⁾	\$ 26,518,481	\$ 26,968,866	\$ 20,227,600	N/A	N/A
Equity hedge fund ⁽²⁾	12,071,673	10,374,947	-	March 15, September 15	Semi-annually
Life settlement funds ⁽³⁾	14,213,307	16,058,569	-	90-120 days	Quarterly
Multi-asset fund ⁽⁴⁾	7,271,344	-	-	N/A	N/A
Private debt fund ⁽⁵⁾	11,968,287	10,750,125	11,414,695	N/A	N/A
Private equity funds ⁽⁶⁾	78,386,619	83,066,835	12,851,349	60 days	Quarterly
Real estate funds ⁽⁷⁾	82,584,401	87,969,590	3,120,714	30 days	Quarterly
Total investments measured at NAV	\$ 233,014,112	\$ 235,188,932	\$ 47,614,358		

1. *Distressed Debt.* This category includes seven distressed debt which limit partnership funds that invest in senior secured debt. Also included are stressed assets which are either restructuring or believed to be misunderstood in the marketplace. The OPEB Trust investment in each fund is generally not subject to redemption. These investments are normally returned through distributions upon liquidation of holdings over the next 4 to 6 years.
2. *Equity hedge fund.* This category is composed of a firm that seeks to preserve capital in all markets and provide a 12-15% net return over rolling 5 year periods. Its portfolio is comprised of premier, fundamentally base long/short equity hedge funds. The fund invests in managers who employ a bottom-up, research intensive long/short equity style. The OPEB Trust investment in this fund can be redeemed on June 30 with March 15 notice and December 31 with September 15 notice.
3. *Life settlement funds.* This category includes four hedge funds. Life settlement contracts that invest in longevity contingent assets. These include life settlements and a portfolio of individual, non-variable, life insurance policies. The OPEB Trust investments in this category are generally subject to a 1-year lockup period before redemption is permissible. Investments in this category representing 12.8% of assets can be redeemed quarterly dependent upon 120-day notice, 41.0% can be redeemed quarterly with 90-day notice, and the remaining 46.2% are not subject to redemption and its expected that the underlying assets will be liquidated over the next 3 to 6 years.

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2024 and 2023



4. *Multi-asset fund.* This category is comprised of a fund that strives to maintain and grow capital with high investment income and capital appreciation by employing alternative strategies under a flexible mandate including both fund and direct investments. The OPEB Trust's investment in this category can be redeemed quarterly with 60 days' notice.
5. *Private debt.* This category includes two funds, one of which is focused on providing senior-secured, floating rate loans to middle market borrowers. Its strategy is not centered on any one industry, but it is focused on issuing USD-denominated loans to borrowers based in the United States. The other fund's goal is to return competitive yields and returns through selective loans in the underserved middle market (generally companies with less than \$25 million of EBITDA). The OPEB Trust investments in these funds are not subject to redemption and are normally returned through distributions. It is expected that the underlying assets of these funds will be liquidated over the next 2 to 6 years.
6. *Private equity.* This category includes thirteen private equity funds that invest in: health care, technology, utilities, transportation, energy assets, high quality cash flow companies, and secondary investments across various sectors. The OPEB Trust investments in this category representing 21.1% can be redeemed with 60-day notice. The remaining 77.9% is generally not subject to redemption and is normally returned through distributions after the liquidation. It is expected that the underlying assets of these funds will be liquidated over the next 5 to 10 years.
7. *Real estate.* This category includes seven real estate funds that invest in office, retail, industrial, and multi-family properties. The OPEB Trust investment in this category representing 16.1% can be redeemed quarterly with 30-day notice; 36.4% can be redeemed quarterly with 90-day notice, 15.9% can be redeemed quarterly with 45 days' notice. The remaining 31.6% are not subject to redemption. It is expected that the underlying assets of these funds will be liquidated over the next 2 to 6 years.

5. INCOME TAX STATUS

The OPEB Trust is a non-taxable post-employment benefit trust formed under Section 115 of the Internal Revenue Code as an essential government function trust. Management believes that the plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code.

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REQUIRED SUPPLEMENTARY INFORMATION

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST
REQUIRED SUPPLEMENTARY INFORMATION
Years Ended December 31, 2024 and 2023



Schedule of Changes in Net OPEB Liability
Dollars in thousands

	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability								
Service cost	\$ 17,631	\$ 18,547	\$ 18,094	\$ 16,093	\$ 15,400	\$ 15,804	\$ 15,381	\$ 19,520
Interest	57,764	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	137	8,924	(5,593)	12,400	(4,090)	15,351	(3,134)	3,674
Changes of assumptions	14,899	(83,192)	-	30,869	-	(46,583)	-	(200,370)
Benefit payments, including refunds of member contributions	(39,772)	(39,001)	(34,248)	(33,268)	(30,588)	(31,916)	(28,677)	(29,457)
Net change in Total OPEB Liability	50,658	(34,455)	36,123	80,113	32,434	5,686	34,130	(203,862)
Total OPEB Liability - beginning	827,120	861,575	825,452	745,339	712,905	707,219	673,089	876,951
Total OPEB Liability - ending	877,778	827,120	861,575	825,452	745,339	712,905	707,219	673,089
Plan Fiduciary Net Position								
Contributions - employer	40,806	40,136	38,381	37,561	34,895	33,949	48,972	45,184
Net investment income (loss)	57,880	62,043	(73,591)	106,511	84,891	76,566	(14,273)	57,671
Benefit payments, including refunds of member contributions	(39,772)	(39,001)	(34,248)	(33,268)	(30,589)	(31,916)	(28,677)	(29,457)
Net change in Plan Fiduciary Net Position	58,914	63,178	(69,458)	110,804	89,197	78,599	6,022	73,398
Plan Fiduciary Net Position - beginning	698,069	634,890	704,348	593,544	504,347	425,748	419,726	346,328
Plan Fiduciary Net Position - ending	756,983	698,068	634,890	704,348	593,544	504,347	425,748	419,726
Net OPEB Liability- ending	\$ 120,795	\$ 129,052	\$ 226,685	\$ 121,104	\$ 151,795	\$ 208,558	\$ 281,471	\$ 253,363
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	86.24%	84.40%	73.69%	85.33%	79.63%	70.75%	60.20%	62.36%
Covered - employee payroll ¹	\$ 207,483	\$ 191,237	\$ 184,710	\$ 175,790	\$ 173,425	\$ 170,946	\$ 169,605	\$ 167,221
Plan Net OPEB Liability as percentage of covered payroll	58.22%	67.48%	122.72%	68.89%	87.53%	122.00%	165.96%	151.51%

Notes to Schedule:

¹ Covered payroll represents earnable and pensionable compensation. Only 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, 2024, measurement, the following assumptions were changed:

* Healthcare claims cost, contributions, and trend rates were updated to reflect the most recent experience and future expectations.

* The demographic assumptions were updated for the December 31, 2024, OPEB liability based on the five-year experience study ending December 31, 2023.

Effective with the December 31, 2023, measurement, the following assumption were changed:

* Healthcare claims cost and trends rates were updated to reflect the most recent experience and future expectations.

* 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.

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST
REQUIRED SUPPLEMENTARY INFORMATION
Years Ended December 31, 2024 and 2023



Schedule of Employer Contributions
 Last 10 Fiscal Years

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
2024	\$ 33,933,050	\$ 40,806,176	\$ (6,873,126)	\$ 207,482,561	19.67%
2023	34,131,217	40,135,967	(6,004,750)	191,237,413	20.99%
2022	31,405,545	38,380,621	(6,975,076)	184,709,533	20.78%
2021	32,403,191	37,560,901	(5,157,710)	175,790,422	21.37%
2020	32,111,492	34,894,584	(2,783,092)	173,424,888	20.12%
2019	31,709,199	33,949,385	(2,240,186)	170,945,709	19.86%
2018	48,270,194	48,971,640	(701,446)	169,605,389	28.87%
2017	46,978,291	45,183,806	1,794,485	167,220,851	27.02%
2016	45,289,255	42,496,354	2,792,901	161,925,757	26.24%
2015	38,187,372	38,438,485	(251,113)	160,640,772	23.93%

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST
REQUIRED SUPPLEMENTARY INFORMATION
Years Ended December 31, 2024 and 2023



Notes to Schedule:

Methods and assumptions used to establish “Actuarially Determined Contribution” rates:

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Valuation Date	January 1, one year prior ¹ (for 2024-2017)									December 31, 2015
Measurement Date	December 31, 2024	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
Census data collected	December 31, 2024	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, 2015
Actuarial cost method	Entry Age Actuarial Cost Method (for all years presented)									
Amortization method	30-year closed, level salary (for all year presented)									
Amortization period of initial unfunded AAL	30 years	30 years	30 years	30 years	30 years	30 years	30 years	30 years	30 years	30 years
Remaining amortization period	20 years	21 years	22 years	23 years	25 years	26 years	27 years	28 years	29 years	21 years
Asset valuation method	Market value ² (for all years presented)									
Investment rate of return	7.00%	7.00%	7.00%	7.00%	7.25%	7.25%	7.50%	7.50%	7.50%	7.50%
Inflation rate	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.75%	2.75%	2.75%	2.75%
Salary increases	Inflation plus merit increases that vary by age and service (for all years presented)									
Health care cost trend rates:										
Medical	7.00% grading to 4.5% over 10 years	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 4.5% over 10 years for 2017 through 2023								
Prescription drug	10.00% grading to 4.5% over 11 years	6.5% 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 17 years for 2016 9.00% graded to 4.5% over the 10 years for 2017 through 2019 8.00% graded to 4.00% over 14 years for 2020 through 2023								
Dental, administrative costs	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
<i>(Dental included beginning year 2022)</i>										

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST
REQUIRED SUPPLEMENTARY INFORMATION
Years Ended December 31, 2024 and 2023



Notes to Schedule (continued):

Mortality Rates (2024)

<i>Pre-retirement</i>	PRI-2012 Blue Collar Employee Mortality Table.
<i>Healthy annuitants</i>	PRI-2012 Blue Collar Healthy Annuitant Mortality Table, plus a 20% load for males and a 12% load for females.
<i>Disabled annuitants</i>	PRI-2012 Disabled Retiree Mortality Table, plus a 20% load.
<i>Beneficiaries</i>	PRI-2012 Contingent Survivor Mortality Table, plus a 12% load.
	Mortality rates were based on the PRI-2012 Mortality Tables, Headcount-Weighted, with sex-distinct rate, projected generationally with Scale MP-2021.

Mortality Rates (2020-2023)

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

Mortality Rates (2015-2019)

<i>Pre-retirement</i>	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.
<i>Healthy annuitants</i>	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
<i>Disabled annuitants</i>	RP-2014 Disabled Retiree Mortality Table with sex-distinct rates, adjust 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.

Other Information

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.

Unrecognized return is equal to the difference between actual and expected returns on a market value basis and is recognized over a five-year period. The deferred return is further adjusted, if necessary, so that the actuarial value of assets will stay within 20% of the market value of assets.



Schedule of Investment Returns
Last 10 Fiscal Years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Annual money-weighted rate of return, net of investment expense *	8.74%	9.83%	-10.40%	17.75%	16.97%	17.84%	-3.45%	17.16%	9.26%	-2.36%

*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 and adjusted for the changing amounts invested. The OPEB Trust investment expense is measured on the accrual basis of accounting.

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, 2024, 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 May 29, 2025. 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, 2024, 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 or significant deficiencies 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
May 29, 2025**

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

Summary Schedule of Prior Year Findings
Year Ended December 31, 2024

There were no prior findings reported.