

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

Financial Statements
December 31, 2020 and 2019

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

Financial Statements

For the Years ended December 31, 2020 and 2019

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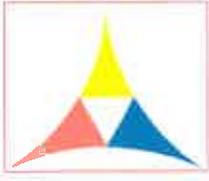
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MEMPHIS LIGHT, GAS AND WATER DIVISION

Letter of Transmittal

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

To the Board of Commissioners and OPEB Trust Investment Committee:

We are pleased to submit the Annual Report of Memphis Light, Gas and Water Division (“MLGW”) Other Post Employment Benefits Trust (the “OPEB Trust”) for the year ended December 31, 2020. This report has been prepared in conformity with generally accepted accounting principles in the United States of America (“GAAP”).

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

MLGW OPEB Trust’s 2020 financial statements have been audited by Dixon Hughes Goodman LLP. 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, 2020, are free from material misstatement. The independent audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements; evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditors issued an unmodified opinion on the MLGW OPEB Trust’s financial statements for the year ended December 31, 2020. The independent auditors’ report is presented as the first component of the financial section of the report.

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

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

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

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

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

Funded Status - As of December 31, 2020, the plan was 79.63% funded. The Total OPEB Liability for benefits was \$745,339,169 and the Plan Fiduciary Net Position was \$593,544,269, resulting in a Net OPEB Liability ("NOL") of \$151,794,900. The covered employee payroll was \$173,424,888 and the ratio of the NOL to the covered employee payroll was 87.53%.

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

Respectfully submitted,



Jarl "J.T." Young
President and CEO



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

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

OPEB Trust Investment Committee Members



Carlee McCullough
Chairwoman



J. T. Young
Vice Chairman



Dana Jeanes
Secretary-Treasurer



Nicholas Newman
Employee Member
Term Expires: 12/31/2021



Nedra Bailey
Employee Member
Term Expires: 12/31/2022



Patricia Howard
Retired Member
Term Expires: 12/31/2020



Pamela Z. Clary
Citizen Member
Term Expires: 6/30/2023

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

PROFESSIONAL CONSULTANTS

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

INVESTMENT CONSULTANT

CBIZ Investment Advisory Services, LLC

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

Curtis Williams
Senior Consultant

CUSTODIAN

Northern Trust Corporation

Anabel Arguello
Senior Vice President and Relationship Manager

Victor Paniagua
Account Manager-Trust

ACTUARY CONSULTANT

Segal Consulting

Leon F. (Rocky) Joyner, Jr., FCA, ASA, EA, MAAA
Senior Vice President and National Public Section
Retirement Practice Leader

Samuel Boustani, ASA, MAAA
Consulting Actuary

LEGAL CONSULTANT

Evans & Petree, PC

Frank N. Stockdale Carney
Shareholder

Elizabeth Friary
Associate



Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying 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, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the OPEB Trust's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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



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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the OPEB Trust as of December 31, 2020, and the changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Plan as of December 31, 2019, and for the year then ended were audited by other auditors whose report dated June 3, 2020, expressed an unmodified opinion on those statements.

Other Matters

As discussed in Note 1, the accompanying statements are those of Memphis Light, Gas and Water Division Other Post Employments Benefits Trust Fund. The 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, 2020, 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. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the Schedule of Changes in Net OPEB Liability, the Schedule of Employer Contributions, and the Schedule of Investment Returns on pages 4 through 11 and 33 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 2020 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2021, 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.

Dixon Hughes Goodman LLP

Memphis, Tennessee
June 2, 2021

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended December 31, 2020 and 2019



The following management discussion and analysis for the Memphis Light, Gas and Water Division (“MLGW”) Other Post Employment Benefits Trust (“OPEB Trust”), formerly Trust for Retiree Medical and Life Insurance Benefits (the “Trust”), provides a narrative overview and analysis of the OPEB Trust financial activities and funding conditions for the years ended December 31, 2020 and December 31, 2019. Please read it in conjunction with the OPEB Trust’s financial statements, notes, and required supplementary information, which follow this section.

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

FINANCIAL HIGHLIGHTS

- Total OPEB Trust fiduciary net position at December 31, 2020 was \$593.5 million, an increase of \$89.2 million, or 17.7%, over total fiduciary net position at December 31, 2019.
- Cash and cash equivalents decreased \$8.8 million from \$13.6 million at December 31, 2019 to \$4.8 million at December 31, 2020.
- Investments at fair value were \$594.5 million at December 31, 2020, an increase of \$103.4 million, or 21.0%, over investments of \$491.2 million at December 31, 2019.
- The OPEB Trust experienced gains of \$89.2 million and \$78.6 million in 2020 and 2019, respectively.
- Total additions to OPEB Trust fiduciary net position were \$119.8 million during 2020, an increase of \$9.3 million compared to 2019.
- Net investment activities income increased by \$8.3 million, or 10.9%, primarily as a result of a \$9.5 million increase in net appreciation in the fair value of investments, offset by a \$1.7 million decrease in dividend income. For 2020, net appreciation in fair value of investments totaled \$79.8 million compared with net appreciation in the fair value of investments of \$70.3 million for 2019.
- Total deductions from OPEB Trust fiduciary net position were \$30.6 million during 2020, a decrease of \$1.3 million compared to 2019.



OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

See next page

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended December 31, 2020 and 2019

**ANALYSIS OF OPEB TRUST FIDUCIARY NET POSITION**

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

Table 1 Condensed OPEB Trust Fiduciary Net Position December 31					
	<u>2020</u>	<u>2019</u>	<u>FY20 - FY19 Percentage Change</u>	<u>2018</u>	<u>FY19 - FY18 Percentage Change</u>
Assets					
Cash and cash equivalents	\$ 4,773,804	\$ 13,596,720	-64.9%	\$ 23,315,970	-41.7%
Investments, at fair value*	594,541,824	491,154,912	21.0%	405,680,559	21.1%
Receivables	1,477,800	948,765	55.8%	1,271,246	-25.4%
Collateral held for securities on loan	<u>214,904</u>	<u>11,448,942</u>	-98.1%	<u>667,853</u>	1614.3%
Total assets	<u>601,008,332</u>	517,149,339	16.2%	430,935,628	20.0%
Liabilities					
Employer	710,490	661,572	7.4%	597,649	10.7%
Liability for securities purchased and accrued expenses	6,538,668	692,207	844.6%	3,921,634	-82.3%
Collateral subject to return to borrowers	<u>214,904</u>	<u>11,448,942</u>	-98.1%	<u>667,853</u>	1614.3%
Total liabilities	<u>7,464,062</u>	12,802,721	-41.7%	5,187,136	146.8%
Net position restricted for OPEB	<u>\$ 593,544,270</u>	<u>\$ 504,346,618</u>	17.7%	<u>\$ 425,748,492</u>	18.5%

*Investments include a private equity investment, GPB Holdings II, LP, valued at \$8.0 million at December 31, 2020 and 2019. As of this report date, the fair market value (FMV) statements from the general partner have not been provided for the years ended December 31, 2020, 2019, and 2018. The 2020 and 2019 investment value is based on the June 30, 2019 statement, which represents the most recent FMV statement provided by the general partner. The 2018 investment value is based FMV on the initial capital contribution less capital distributions at year-end

Assets*2020 Compared to 2019*

At December 31, 2020, total assets were \$601.0 million, an increase of \$83.9 million, or 16.2%, over 2019. The increase in total assets is primarily due to investments earnings and funds from contributions.



ANALYSIS OF OPEB TRUST FIDUCIARY NET POSITION (Continued)

Assets (continued)

The OPEB Trust's assets consist primarily of investments in domestic and international equities, domestic and international fixed income, domestic and international special strategies, real estate, life settlement funds, hedge fund, and short-term investments. For 2020, investments at fair value totaled \$594.5 million, an increase of \$103.4 million, or 21.0% over 2019. The increase in total investments was offset by a decrease in collateral held for securities on loan under the OPEB Trust's securities lending program compared to 2019.

2019 Compared to 2018

At December 31, 2019, total assets were \$517.1 million, an increase of \$86.2 million, or 20.0%, over 2018. The increase in total assets is primarily due to investment earnings, collateral held for securities, and funds from contributions.

The OPEB Trust's assets consist primarily of investments in domestic and international equities, domestic and international fixed income, domestic and international special strategies, real estate, life settlement funds, and short-term investments. For 2019, investments at fair value totaled \$491.2 million, an increase of \$85.5 million, or 21.1% over 2018. The increase in total investments is complemented by a \$10.8 million increase in collateral held for securities on loan under the OPEB Trust's securities lending program compared to 2018.

Liabilities

2020 Compared to 2019

At December 31, 2020, total liabilities were \$7.5 million, a decrease of \$5.3 million, or 41.7% from \$12.8 million at 2019. The decrease is primarily derived from the decrease in collateral subject to return to borrowers under the OPEB Trust's securities lending program, offset by an increase in liabilities for securities purchased and accrued expenses.

2019 Compared to 2018

At December 31, 2019, total liabilities were \$12.8 million, an increase of \$7.6 million, or 146.8% from \$5.2 million at 2018. The increase is primarily derived from the liability for securities purchased and accrued expenses, offset by a decrease in collateral subject to return to borrowers under the OPEB Trust's securities lending program.



ANALYSIS OF OPEB TRUST FIDUCIARY NET POSITION (Continued)

Fiduciary Net Position

2020 Compared to 2019

At December 31, 2020, the OPEB Trust fiduciary net position was \$593.5 million, an increase of \$89.2 million, or 17.7%, over December 31, 2019 net position. The increase in net position is primarily due to contributions and investment earnings of \$119.8 million, offset in part by benefit payments of \$29.8 million. The growth in net position is principally related to the net appreciation in fair value of investments across the OPEB Trust's portfolio of asset classes, an increase in employer contributions, and a decrease in benefits paid.

2019 Compared to 2018

At December 31, 2019, the OPEB Trust fiduciary net position was \$504.3 million, an increase of \$78.6 million, or 18.5%, over December 31, 2018 net position. The increase in net position is primarily due to contributions and investment earnings of \$110.5 million, offset in part by benefits and administrative expenses of \$31.9 million. The growth in net position is principally related to the net appreciation in fair value of investments across the OPEB Trust's portfolio of asset classes, offset by a decrease of employer contributions and an increase in benefits paid.

See next page

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended December 31, 2020 and 2019



ANALYSIS OF CHANGES IN OPEB TRUST FIDUCIARY NET POSITION

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

Table 2 Condensed Changes in Fiduciary Net Position Years Ended December 31, 2020, 2019 and 2018					
	<u>2020</u>	<u>2019</u>	FY20 - FY19 Percentage Change	<u>2018</u>	FY19 - FY18 Percentage Change
Additions					
Contributions	\$ 34,894,584	\$ 33,949,385	2.8%	\$ 48,971,640	-30.7%
Net investment activities income (loss)	84,875,225	76,529,294	10.9%	(14,301,548)	-635.1%
Securities lending activities income	16,114	35,113	-54.1%	28,703	22.3%
Total additions	<u>119,785,923</u>	110,513,792	8.4%	34,698,795	218.5%
Deductions					
Benefit payments	29,775,881	31,145,977	-4.4%	27,876,371	11.7%
Administrative expense	812,390	769,689	5.5%	799,933	-3.8%
Total deductions	<u>30,588,271</u>	31,915,666	-4.2%	28,676,304	11.3%
Net increase	89,197,652	78,598,126	13.5%	6,022,491	1205.1%
Net position restricted for OPEB					
Beginning of year	<u>504,346,618</u>	425,748,492	18.5%	419,726,001	1.4%
End of year	<u>\$ 593,544,270</u>	<u>\$ 504,346,618</u>	17.7%	<u>\$ 425,748,492</u>	18.5%

Change in Net Position

2020 Compared to 2019

The change in net position in 2020 of \$89.2 million was 13.5% more than the prior year's increase of \$78.6 million as a result of an increase in net investment activities income, employer contributions, and a decrease in benefit payments. Net investment activities income increased by \$8.3 million, or 10.9%, 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, international equity mutual fund, domestic equity mutual index fund, domestic private equity funds, domestic convertible bond mutual fund and international global bond fund.



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

Change in Net Position (continued)

2019 Compared to 2018

The change in net position in 2019 of \$78.6 million was 1205.1% more than the prior year's increase of \$6.0 million as a result of an increase in net investment activities income, offset by a decrease in employer contributions. Net investment activities income increased by \$90.8 million, or 635.1%, due to net appreciation in the fair value of investments across the OPEB Trust's portfolio of asset classes. The investment appreciation was primarily affiliated with domestic common stock funds, international equity mutual fund and domestic equity mutual index fund.

Additions

2020 Compared to 2019

Total additions to fiduciary net position increased by \$9.3 million, or 8.4%, compared to 2019, primarily as a result of an increase in net investment activities income of \$8.3 million and employer contributions of \$0.9 million.

2019 Compared to 2018

Total additions to fiduciary net position increased by \$75.8 million, or 218.5%, compared to 2018, primarily as a result of an increase in net investment activities income of \$90.8 million offset by a decrease in total contributions of \$15.0 million. The decrease in total contributions was primarily due to MLGW's contributions in relation to the actuarially determined contributions ("ADC") which totaled \$31.7 million, a decrease of 34.3%, versus 2018.

Deductions

2020 Compared to 2019

Total deductions from fiduciary net position amounted to \$30.6 million for 2020, down from \$31.9 million for 2019. The decrease is primarily due to a \$1.4 million decrease in benefit payments. Amounts recognized in relation to OPEB related expenses totaled \$36.4 million and \$37.9 million for 2020 and 2019, respectively.



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

Deductions (continued)

2019 Compared to 2018

Total deductions from fiduciary net position amounted to \$31.9 million for 2019, up from \$28.7 million for 2018. The increase is primarily due to a \$3.2 million increase in prescription drug claims paid. Amounts recognized in relation to OPEB related expenses totaled \$37.9 million and \$34.9 million for 2019 and 2018, respectively.

ECONOMIC FACTORS

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

REQUESTS FOR INFORMATION

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

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

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

STATEMENTS OF FIDUCIARY NET POSITION

December 31, 2020 and 2019



	December 31	
	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 4,773,804	\$ 13,596,720
Investments, at Fair Value:		
Equity Funds:		
Common stock - domestic	120,368,482	105,545,114
Common stock - international	538,871	816,656
Equity mutual fund - international	32,145,671	34,112,334
Equity collective fund - domestic	41,340,909	-
Equity collective fund - international	43,880,745	34,000,000
Equity commingled fund - international	17,260,269	-
Equity mutual index fund - domestic	72,137,442	72,101,578
Equity hedge fund - domestic	10,553,825	-
Equity ETF	-	32,599,100
Fixed Income Funds:		
Corporate bond mutual funds - domestic	34,977,257	30,022,422
Convertible bond mutual fund - domestic	16,047,166	10,782,042
Global bond fund - international	28,234,357	25,283,829
Special Strategies Funds:		
Private equity funds - domestic*	53,009,830	51,656,236
Private equity funds - international	6,459,434	5,113,821
Private debt fund - domestic	2,057,751	1,828,269
Distressed debt funds - domestic	20,415,384	7,874,757
Distressed debt funds - international	27,335,504	20,157,665
Life settlement funds	15,028,808	12,366,640
Real Estate Funds	52,750,119	46,894,449
Total investments	<u>594,541,824</u>	<u>491,154,912</u>
Receivables:		
Employer	710,490	661,572
Interest and dividends	603,071	180,590
Securities sold and accrued income	164,239	106,603
Total receivables	<u>1,477,800</u>	<u>948,765</u>
Collateral held in trust for securities on loan	<u>214,904</u>	<u>11,448,942</u>
Total assets	<u>601,008,332</u>	<u>517,149,339</u>
Liabilities		
Employer	710,490	661,572
Securities purchased and accrued expenses	6,538,668	692,207
Collateral subject to return to borrowers	214,904	11,448,942
Total liabilities	<u>7,464,062</u>	<u>12,802,721</u>
Net position restricted for other post employment benefits	<u>\$ 593,544,270</u>	<u>\$ 504,346,618</u>

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

*Private equity funds - domestic include a private equity investment, GPB Holdings II, LP, valued at \$8.0 million at December 31, 2020 and 2019. As of this report date, the fair market value (FMV) statements from the general partner have not been provided for the years ended December 31, 2020 and 2019. The 2020 and 2019 investment value is based on the June 30, 2019 FMV statement, which represents the most recent FMV statement provided by the general partner.

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
Years Ended December 31, 2020 and 2019



	Years Ended December 31	
	<u>2020</u>	<u>2019</u>
Additions		
Contributions:		
Employer	<u>\$ 34,894,584</u>	<u>\$ 33,949,385</u>
Total contributions	<u>34,894,584</u>	<u>33,949,385</u>
Investment Activities Income:		
Net appreciation in fair value of investments	79,813,915	70,270,208
Interest income	3,183,377	2,663,456
Real estate income	1,006,802	530,002
Dividend income	2,645,627	4,388,508
Other income	<u>2,858</u>	<u>34,981</u>
Investment activities income	<u>86,652,579</u>	<u>77,887,155</u>
Less investment activities expense	<u>1,777,354</u>	<u>1,357,861</u>
Net investment activities income	<u>84,875,225</u>	<u>76,529,294</u>
Securities Lending Activities:		
Securities lending income	25,118	51,664
Securities Lending Expenses:		
Borrower rebates	(4,981)	(7,784)
Management fees	<u>(4,023)</u>	<u>(8,767)</u>
Total securities lending expenses	<u>(9,004)</u>	<u>(16,551)</u>
Net securities lending activities income	<u>16,114</u>	<u>35,113</u>
Total investment activities income	<u>84,891,339</u>	<u>76,564,407</u>
Total additions	<u>119,785,923</u>	<u>110,513,792</u>
Deductions		
Benefit payments	29,775,881	31,145,977
Administrative expense	<u>812,390</u>	<u>769,689</u>
Total deductions	<u>30,588,271</u>	<u>31,915,666</u>
Change in net position	<u>89,197,652</u>	<u>78,598,126</u>
Net position restricted for other post employment benefits		
Beginning of year	<u>504,346,618</u>	<u>425,748,492</u>
End of year	<u>\$ 593,544,270</u>	<u>\$ 504,346,618</u>

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



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

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

Basis of Presentation

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

Basis of Accounting

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Standards

Effective for fiscal year 2020, the OPEB Trust adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, originally effective for reporting periods beginning after December 15, 2018. GASB 95 postponed the effective date to reporting periods beginning after December 15, 2019. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. The criteria for identifying fiduciary activities are established and the focus for the criteria is on (1) whether a government is controlling the assets of the activity and (2) the beneficiaries with whom a fiduciary relationship exists. The adoption of Statement No. 84 had no effect on the OPEB Trust's financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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

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

Equity securities are comprised of both domestic and international securities.

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



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

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

The private equity domestic funds include GPB Holdings II, LP, valued at \$8.0 million as of December 31, 2020 and 2019. It represents the fair market value as of June 30, 2019, the most recent available. As of the date of this report, the OPEB Trust has not received the fair value statements from GPB Holdings II, LP for the years ended December 31, 2020 and 2019.

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

2. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

The Board of Commissioners of Memphis Light, Gas and Water Division serves as the "Trustee" and establishes the policies of the MLGW Plan. The Trustee shall fulfill the duties of the fiduciary responsible for MLGW OPEB Trust's administration and shall have overall control of the

2. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Plan Description (continued)

administration of the Plan with all powers and discretion necessary to enable it to properly carry out its duties. The Trustee delegated the responsibility and authority to administer the assets of the OPEB Trust to the OPEB Trust Investment Committee.

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

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

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

Members of the Plan consisted of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Retirees and beneficiaries receiving benefits	3,797	3,732
Active plan members	2,480	2,543
Total	<u>6,277</u>	<u>6,275</u>

Contributions

The contribution requirements of plan members and MLGW are established and may be amended by the MLGW Board of Commissioners. Contribution rates for retired plan members and beneficiaries currently receiving benefits are periodically reset and are currently at 25.0% of costs for medical and drug benefits. For life insurance and AD&D, retirees contribute 40.0% of the cost. For the year ended December 31, 2020, plan members contributed \$6,091,713, or 16.7% of total premiums and expenses, through their required contributions of \$54.30 to \$531.92 (dollars) per month

2. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Contributions (continued)

depending on the coverage (retiree only, retiree and spouse, or family) and health plan selected. For 2019, plan members contributed \$6,185,582, or 16.3% of total premiums and expenses. On the Statement of Changes in Fiduciary Net Position, plan member contributions are netted against benefit payments.

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

Approximately \$36,704,711 previously held by MLGW for retiree health care benefits was transferred to the former Trust upon its establishment in 1995. In addition, MLGW made contributions to the former Trust during 1995 through 1997. Subsequent to the establishment of the OPEB Trust in 2007, MLGW has made annual contributions. MLGW contributed \$34,894,584 and \$33,949,385 for the years ended December 31, 2020 and 2019, respectively.

In accordance with the OPEB Trust agreement, the OPEB Trust is permitted to pay or reimburse MLGW for benefits paid under the Plan. The OPEB Trust premium expenses totaled \$30,323,580 and \$31,669,385 for 2020 and 2019, respectively. On the Statement of Changes in Fiduciary Net Position, these premium expenses equal total deductions of \$30,588,271 and \$31,915,666 in 2020 and 2019, respectively, less professional services related administrative expenses (e.g., investment advisory fees, actuarial consulting fees, etc.) of \$264,691 and \$246,282 in 2020 and 2019, respectively.

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

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

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019



2. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Contributions (continued)

the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of calculations.

Net OPEB Liability ("NOL")

The components of the Net OPEB Liability of the OPEB Trust at December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Total OPEB Liability	<u>\$ 745,339,169</u>	\$ 712,904,713
Plan Fiduciary Net Position	<u>593,544,270</u>	504,346,618
Net OPEB Liability	<u>\$ 151,794,899</u>	<u>\$ 208,558,095</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	79.63%	70.75%

Significant assumptions were as follows:

Actuarial Assumptions:

Inflation Rate	2.50%
Salary Increases	Inflation plus merit increases based on age and service
Discount Rate	7.25%

Healthcare cost trend rates

Medical	7.00% grading to 4.50% over 10 years
Prescription drug	8.00% grading to 4.50% over 14 years
Administrative costs	3.00%
Mortality rates	PRI-2012 Heathy Annuitant Mortality Table, Headcount-Weighted, for males and females, as appropriate, with adjustments for mortality improvement using Scale SSA-2019

Discount Rate and Investment Rates of Return

The discount rate used to measure the total OPEB liability was 7.25% for both December 31, 2020 and 2019. The projection of cash flows used to determine the discount rate assumed that MLGW contributions would be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members as of December 31, 2020.

2. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Discount Rate and Investment Rates of Return (Continued)

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

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 below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35.00%	6.65%
International Equity	9.00%	7.82%
Fixed Income	24.00%	1.43%
Alternatives	15.00%	2.55%
Real Estate	15.00%	3.75%
Short Term Investments	2.00%	-0.10%
Total	100.00%	

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

The following presents the NOL of the Division as of December 31, 2020 as well as what the Division's NOL would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate. Also, shown is the NOL as if it were calculated using healthcare cost trend rates that were 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rate.

	1% Decrease in Discount Rate (6.25%)	Current Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
Net OPEB Liability as of December 31, 2020 (\$ in thousands)	\$ 251,676	\$ 151,795	\$ 69,646

	1% Decrease in Health Care Cost Trend Rate	Current Health Care Cost Trend Rate	1% Increase in Health Care Cost Trend Rate
Net OPEB Liability as of December 31, 2020 (\$ in thousands)	\$ 66,179	\$ 151,795	\$ 257,291

3. DEPOSITS AND INVESTMENTS

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

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

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

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

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019



3. DEPOSIT AND INVESTMENTS (CONTINUED)

As of December 31, 2020, the OPEB Trust's cash and cash equivalents and investments consisted of the following:

Investment Type	Fair Value	Actual Exposure	Maximum Exposure	Minimum Exposure
Domestic Equity Funds:				
Common stock - domestic	\$ 115,869,527	19.33%		
Equity collective fund - domestic	41,340,909	6.90%		
Equity mutual index fund - domestic	72,137,442	12.04%		
Equity hedge fund - domestic	10,553,825	1.76%		
Securities on Loan:				
Common stock - domestic	4,498,955	0.75%		
Subtotal Domestic Equity Funds:	244,400,658	40.78%	65%	20%
International Equity Funds:				
Common stock - international	406,439	0.07%		
Equity collective funds - international	43,880,745	7.32%		
Equity commingled fund - international	17,260,269	2.88%		
Equity mutual fund - international	32,145,671	5.36%		
Securities on Loan:				
Common stock - international	132,432	0.02%		
Subtotal International Equity Funds:	93,825,556	15.66%	25%	0%
Domestic Fixed Income Funds:				
Corporate bond mutual funds - domestic	34,977,257	5.84%		
Convertible bond mutual fund - domestic	16,047,166	2.68%		
Subtotal Domestic Fixed Income Funds:	51,024,423	8.51%	50%	5%
International Fixed Income Funds:				
Global bond fund - international	28,234,357	4.71%		
Subtotal International Fixed Income Funds:	28,234,357	4.71%	25%	0%
Special Strategies Funds:				
Domestic:				
Private equity funds - domestic*	53,009,830	8.85%		
Private debt fund - domestic	2,057,751	0.34%		
Distressed debt funds - domestic	20,415,384	3.41%		
Life settlement funds	15,028,808	2.51%		
Subtotal Domestic Special Strategies Funds:	90,511,773	15.10%		
International:				
Private equity funds - international	6,459,434	1.08%		
Distressed debt funds - international	27,335,504	4.56%		
Subtotal International Special Strategies Funds:	33,794,938	5.64%		
Subtotal Special Strategies Funds:	124,306,711	20.74%	25%	0%
Real Estate Funds	52,750,119	8.80%	20%	0%
Cash and Cash Equivalents	4,773,804	0.80%	40%	0%
Total Cash and Cash Equivalents and Investments	\$ 599,315,628	100.00%		

*Private equity funds - domestic include a private equity investment, GPB Holdings II, LP, valued at \$8.0 million at December 31, 2020 and 2019. As of this report date, the fair market value (FMV) statements from the general partner have not been provided for the years ended December 31, 2020 and 2019. The 2020 and 2019 investment value is based on the June 30, 2019 FMV statement, which represents the most recent FMV statement provided by the general partner.



3. DEPOSIT AND INVESTMENTS (CONTINUED)

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

	Net Appreciation (Depreciation) in Fair Value	
	2020	2019
Investments, at Fair Value:		
Equity Funds:		
Common stock - domestic	\$ 19,953,689	\$ 27,742,138
Common stock - international	204,354	246,410
Equity collective fund - domestic	11,340,909	-
Equity collective funds - international	10,174,724	-
Equity commingled fund - international	2,260,269	-
Equities ETF	(2,443,019)	7,227,764
Equity mutual fund - international	8,520,470	12,230,174
Equity mutual index fund - domestic	9,410,612	12,194,845
Equity hedge fund - domestic	2,553,825	-
Subtotal Equity Funds:	<u>61,975,832</u>	<u>59,641,331</u>
Fixed Income Funds:		
Corporate bond mutual funds - domestic	774,857	2,057,031
Other fixed income fund - domestic	13,702	(23,115)
Convertible bond mutual fund - domestic	5,785,988	2,006,028
Global bond fund - international	3,060,733	2,245,879
Subtotal Fixed Income Funds:	<u>9,635,281</u>	<u>6,285,823</u>
Special Strategies Funds:		
Private equity funds - domestic	4,041,965	3,237,037
Private equity funds - international	1,087,405	154,528
Private debt fund - domestic	229,482	(36,535)
Distressed debt funds - domestic	1,779,217	(1,456,676)
Distressed debt fund - international	1,156,839	955,163
Life settlement funds	(214,011)	724,662
Subtotal Special Strategies Funds:	<u>8,080,896</u>	<u>3,578,179</u>
Real Estate Funds	121,905	764,875
Total Net Appreciation in fair value	<u><u>\$ 79,813,915</u></u>	<u><u>\$ 70,270,208</u></u>



3. DEPOSITS AND INVESTMENTS (CONTINUED)

Rate of Return

For the years ended December 31, 2020 and 2019, the annual money-weighted rate of return on the OPEB Trust's investments, net of investment expenses, was 16.97% and 17.84 %, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Credit Risk

Credit risk is the risk that an issuer of a debt security will not fulfill its obligation. This credit risk is measured by the credit quality of investments in debt securities as described by nationally recognized statistical rating organizations. Investments in obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk. The following table presents the OPEB Trust's investment exposure to credit risk as of December 31, 2020:

<u>Investment Type</u>	<u>Fair Value</u>	<u>S&P Rating</u>	<u>Moody's Rating</u>
Corporate bond mutual funds - domestic	\$ 34,977,257	Not Rated	Not Rated
Convertible bond mutual fund - domestic	16,047,166	Not Rated	Not Rated
Global bond fund - international	<u>28,234,357</u>	Unavailable	Unavailable
Total credit risk debt securities	<u>79,258,780</u>		
Money market mutual funds and short term securities	<u>4,773,804</u> ¹	AAAm	Aaa-mf
Total Fixed Income Securities	<u>\$ 84,032,584</u>		

¹ Government/Agency Money Market Fund primarily consists of securities issued or guaranteed as to principal and interest by the U.S. Government or by its agencies, instrumentalities or sponsored enterprises. These securities are not subject to credit risk.



3. DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

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

By an agreement dated December 20, 2007, between the Board and The Northern Trust Company ("Northern"), the MLGW OPEB Trust Master Custody Agreement ("Agreement") was established. The Agreement requires Northern to hold securities or other property for the OPEB Trust through an agent or in the name of its nominee or in a corporate depository of federal book entry account system or other form as it deems best. The OPEB Trust does not have a formal policy for custodial credit risk. None of the Fund's investments at December 31, 2020 were exposed to custodial credit risk.

Concentration of Credit Risk

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

In accordance with the investment policy, no more than 5% of the OPEB Trust's portfolio will be invested in the securities of any single issuer with the following exceptions: short-term investments will not exceed 10%. Of the investments subject to concentration of credit risk, there were no investments in any one issuer that represented 5% or more of the Fund's investments at December 31, 2020.



3. DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk

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

At December 31, 2020, the OPEB Trust had the following investments exposed to interest rate risk:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (in years)</u>
Corporate bond mutual funds - domestic	\$ 34,977,257	7.52
Convertible bond mutual fund - domestic	16,047,166	Not available
Global bond fund - international	28,234,357	11.23
Total:	<u>\$ 79,258,780</u>	

Securities Lending Transactions

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

Collateral held in trust for securities on loan included in the 2020 and 2019 Statements of Fiduciary Net Position consists of cash collateral. At December 31, 2020 and 2019, the OPEB Trust has no credit risk exposure to borrowers because the amounts the OPEB Trust owes to the borrowers exceed the amounts the borrowers owe the OPEB Trust. Under the terms of the lending agreement, the OPEB Trust is indemnified against any losses, damages, costs and expenses should the Agent be unable to recover borrowed securities and distributions due borrower filing for bankruptcy or



3. DEPOSITS AND INVESTMENTS (CONTINUED)

Securities Lending Transactions (Continued)

similar relief or failure of the Agent to properly evaluate the creditworthiness of the borrower. In addition, the OPEB Trust is indemnified against loss should the Agent fail to demand adequate and appropriate collateral on a timely basis. Investments held by broker-dealers under securities loans consist of the following:

As of December 31, 2020						
Security Type	Market Value of Loaned Securities Collateralized			Collateral Received from Borrowers		
	Cash Collateral	Non-Cash Collateral	Total	Cash Collateral	Non-Cash Collateral ¹	Total
US Equities	\$ 209,549	\$ 4,442,669	\$ 4,652,218	\$ 214,904	\$ 4,572,781	\$ 4,787,685
Total	\$ 209,549	\$ 4,442,669	\$ 4,652,218	\$ 214,904	\$ 4,572,781	\$ 4,787,685

As of December 31, 2019						
Security Type	Market Value of Loaned Securities Collateralized			Collateral Received from Borrowers		
	Cash Collateral	Non-Cash Collateral	Total	Cash Collateral	Non-Cash Collateral ¹	Total
US Equities	\$ 11,217,013	\$ 6,287,544	\$ 17,504,557	\$ 11,448,942	\$ 6,419,197	\$ 17,868,139
Total	\$ 11,217,013	\$ 6,287,544	\$ 17,504,557	\$ 11,448,942	\$ 6,419,197	\$ 17,868,139

¹Collateral values are estimates based on program wide collateralization levels

See next page

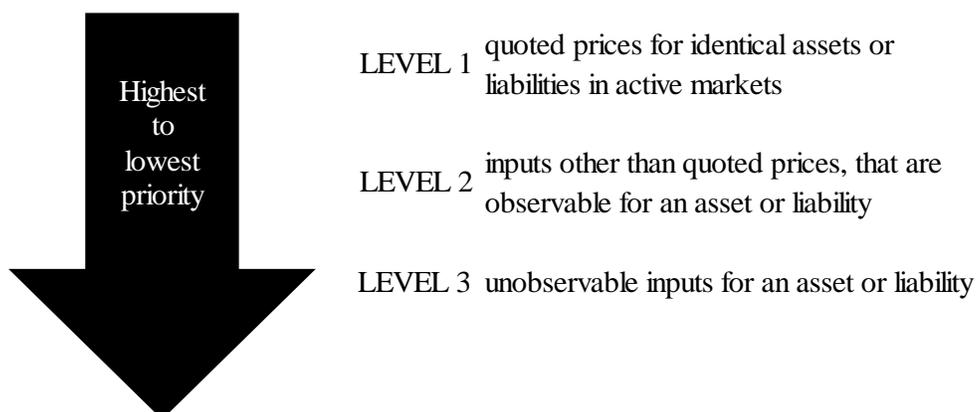
4. FAIR VALUE MEASUREMENTS

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 72 requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. This Statement establishes a hierarchy that prioritizes and ranks the inputs to valuation techniques used to measure fair value based on observability. The accounting standards break down the fair value hierarchy into three levels, based on how observable the inputs are that make up the valuation.

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

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

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



OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019



4. FAIR VALUE MEASUREMENTS (CONTINUED)

The following table displays information regarding investments measured using the fair value hierarchy at December 31, 2020:

Investments Measured at Fair Value (Dollars in Thousands)				
	December 31	Fair Value Measurements		
	2020	Level 1	Level 2	Level 3
Assets:				
Investments by fair value level				
Bond mutual funds and other	\$ 79,258	\$ 51,024	\$ 28,234	\$ -
Total Debt Securities	79,258	51,024	28,234	-
Equity Securities				
Communication Services	5,890	5,890	-	-
Consumer Discretionary	16,061	16,061	-	-
Consumer Staples	6,726	6,726	-	-
Energy	3,511	3,511	-	-
Equity Other	217,319	217,319	-	-
Financials	18,862	18,862	-	-
Health Care	19,854	19,854	-	-
Industrials	15,932	15,932	-	-
Information Technology	23,392	23,392	-	-
Materials	9,312	9,312	-	-
Real Estate	1,368	1,368	-	-
Utilities	-	-	-	-
Total Equity Securities	338,227	338,227	-	-
Total investments by fair value level	417,485	\$ 389,251	\$ 28,234	\$ -
Investments measured at the net asset value (NAV) *□				
Distressed Debt	47,751			
Hedge Fund - Life Settlement Contracts	15,029			
Private Equity**	59,469			
Private Debt	2,058			
Real Estate	52,750			
Total investments Measured at Net Asset Value	177,057			
Total Investments Measured at Fair Value	\$ 594,542			

*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 statement of net position.

**Investments include a private equity firm, GPB Holdings II, LP, valued at \$8.0 million and \$8.0 million at 2020 and 2019, respectively. As of this report date, the fair market value (FMV) statements from the general partner have not been provided for the years ended December 31, 2020 and 2019. The 2020 and 2019 investment value is based on the June 30, 2019 FMV statement, which represents the most recent FMV statement provided by the general partner.

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019



4. FAIR VALUE MEASUREMENTS (CONTINUED)

The following table displays information regarding investments measured using the fair value hierarchy at December 31, 2019:

Investments Measured at Fair Value (Dollars in Thousands)				
	December 31 2019	Fair Value Measurements		
		Level 1	Level 2	Level 3
Assets:				
Investments by fair value level				
Bond mutual funds and other	\$ 66,088	\$ 40,804	\$ 25,284	\$ -
Total Debt Securities	66,088	40,804	25,284	-
Equity Securities				
Consumer Discretionary	13,737	13,737	-	-
Consumer Staples	5,739	5,739	-	-
Energy	4,792	4,792	-	-
Equity Other	172,813	172,813	-	-
Financials	18,471	18,471	-	-
Health Care	18,881	18,881	-	-
Industrials	13,193	13,193	-	-
Information Technology	17,626	17,626	-	-
Materials	8,424	8,424	-	-
Real Estate	822	822	-	-
Telecommunication Services	4,548	4,548	-	-
Utilities	130	130	-	-
Total Equity Securities	279,176	279,176	-	-
Total investments by fair value level	345,264	\$ 319,980	\$ 25,284	\$ -
Investments measured at the net asset value (NAV) * □				
Distressed Debt	28,032			
Hedge Fund - Life Settlement Contracts	12,367			
Private Debt	1,828			
Private Equity**	56,770			
Real Estate	46,894			
Total investments Measured at Net Asset Value	145,891			
Total Investments Measured at Fair Value	\$ 491,155			

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019



4. FAIR VALUE MEASUREMENTS (CONTINUED)

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

The following table displays information regarding investments that use NAV per share (or equivalent) as their fair value measurement at December 31, 2020 and 2019:

Investments Measured at Net Asset Value (NAV)						
(Dollars in Thousands)						
	Fair Value		Unfunded Commitments	Redemption Notice Period	Redemption Frequency (If Currently Eligible)	
	2020	2019				
Distressed Debt ¹ □	\$ 47,751	\$ 28,032	\$ 6,165	NA	NA	
Hedge Fund - life settlement contracts ²	15,029	12,367	2,400	90-120 days	Quarterly	
Private Debt ³	2,058	1,828	-	NA	NA	
Private Equity ⁴	59,469	56,770	13,313	NA	NA	
Real Estate ⁵	52,750	46,894	11,882	30-120 days	Quarterly/Annually	
Total investments measured at NAV	\$ 177,057	\$ 145,891	\$ 33,760			

1. *Distressed Debt.* This category includes six distressed debt limited partnership funds that invest in senior secured debt and stressed assets that are restructuring or believed to be misunderstood in the market place. OPEB Trust investment in each fund is generally not subject to redemption and is normally returned through distributions as a result of the liquidation of holdings.
2. *Hedge fund – life settlement contracts.* This category includes four hedge funds - life settlement contracts that invest in longevity contingent assets, including life settlements and a portfolio of individual, non-variable, life insurance policies. OPEB Trust investments in this category are generally subject to a 1-year lockup period before redemption is permissible. The investments in this category representing 18.1% can be redeemed quarterly with 120 days notice; 34.3% can be redeemed quarterly with 90 days notice. The remaining 47.6% are not subject to redemption.
3. *Private debt.* This category includes one private debt fund that invests in miscellaneous investments. OPEB Trust investment in each fund is generally not subject to redemption and is normally returned through distributions as a result of the liquidation of holdings.
4. *Private Equity.* This category includes ten private equity funds that invest in health care and technology, utilities, transportation, and energy assets, high quality cash flowing companies and secondary investments across various sectors. OPEB Trust investment in this category representing 13.4% can be redeemed monthly after the third month; 20.3% can be redeemed with 60-day notice. The remaining 65.1% is generally not subject to

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019



4. FAIR VALUE MEASUREMENTS (CONTINUED)

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

5. *Real Estate.* This category includes six real estate funds that invest in office, retail, industrial, and multi-family properties. OPEB Trust investment in this category representing 14.8% with no redemption queue; 28.0% can be redeemed quarterly with 45 days notice; 32.8% can be redeemed quarterly with 90 days notice. The remaining 14.7% are not subject to redemption.

5. INCOME TAX STATUS

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

6. IMPACT OF THE CORONAVIRUS (COVID-19)

The World Health Organization declared the Coronavirus (COVID-19) a pandemic in March 2020. As the world struggled to understand the nature of the disease, its impact was felt across various sectors of the economy, resulting in significant volatility in the financial markets. The downward turn in the market towards the end of March 2020 negatively impacted the OPEB Trust's investments, resulting in a decline in investments as of the end of the first quarter. Because the OPEB Trust remained fully invested, it benefited from the gradual recovery experienced during the remainder of 2020. While uncertainty persisted as the virus surged in the third and fourth quarters of 2020, the OPEB Trust's investments weathered the economic conditions, and the OPEB Trust's net position restricted for other post employment benefits as of December 31, 2020, saw an increase of 17.7% over December 31, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

REQUIRED SUPPLEMENTARY INFORMATION

Years Ended December 31, 2020 and 2019



Schedule of Changes in Net OPEB Liability (in thousands)

	2020	2019	2018	2017
Total OPEB Liability				
Service cost	\$ 15,400	\$ 15,804	\$ 15,381	\$ 19,520
Interest	51,712	53,030	50,560	64,667
Change of benefit terms	-	-	-	(61,896)
Differences between expected and actual experience	(4,090)	15,351	(3,134)	3,674
Changes in assumptions	-	(46,583)	-	(200,370)
Benefit payments, including refunds of employee contributions	(30,588)	(31,916)	(28,677)	(29,457)
Net change in Total OPEB Liability	32,434	5,686	34,130	(203,862)
Total OPEB Liability – beginning	712,905	707,219	673,089	876,951
Total OPEB Liability – ending (a)	\$ 745,339	\$ 712,905	\$ 707,219	\$ 673,089
Plan Fiduciary Net Position				
Contributions – employer	\$ 34,895	\$ 33,949	\$ 48,972	\$ 45,184
Contributions – employee	-	-	-	-
Net investment income	84,891	76,566	(14,273)	57,671
Benefit payments including refunds of employee contributions	(30,589)	(31,916)	(28,677)	(29,457)
Administrative expense	-	-	-	-
Other	-	-	-	-
Net change in Plan Fiduciary Net Position	89,197	78,599	6,022	73,398
Other Adjustments	-	-	-	-
Plan Fiduciary Net Position – beginning	504,347	425,748	419,726	346,328
Plan Fiduciary Net Position – ending (b)	\$ 593,544	\$ 504,347	\$ 425,748	\$ 419,726
Net OPEB Liability – ending (a) – (b)	\$ 151,795	\$ 208,558	\$ 281,471	\$ 253,363
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	79.63%	70.75%	60.20%	62.36%
Covered employee payroll¹	\$ 173,425	\$ 170,946	\$ 169,605	\$ 167,221
Plan Net OPEB Liability as a percentage of covered employee payroll	87.53%	122.00%	165.96%	151.51%

Notes to Schedule:

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

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

Change of assumptions:

- Medical and Prescription Drug trends were updated.
- Expected claims were also updated.
- The excise tax was removed.
- The discount rate was lowered from 7.50% to 7.25% in 2019.
- The demographic assumptions were updated for the December 31, 2019 OPEB liability based on the five year experience study ending December 31, 2018.

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

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REQUIRED SUPPLEMENTARY INFORMATION

Years Ended December 31, 2020 and 2019

**Schedule of Employer Contributions**

Fiscal Year Ended December 31	Actuarially Determined Contribution (ADC)	Actual Contribution in Relation to ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Covered Payroll
2020	\$ 32,111	\$ 34,895	\$ (2,784)	\$ 173,425	20.12%
2019	31,701	33,949	(2,248)	170,946	19.86%
2018	48,270	48,972	(702)	169,605	28.87%
2017	46,978	45,184	1,794	167,221	27.02%
2016	45,289	42,496	2,793	161,926	26.24%
2015	38,187	38,438	(251)	160,641	23.93%
2014	38,386	42,100	(3,714)	152,368	27.63%
2013	42,854	43,043	(189)	154,759	27.81%
2012	42,427	39,747	2,680	154,347	25.75%
2011	44,666	43,554	1,112	154,036	28.28%

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

REQUIRED SUPPLEMENTARY INFORMATION

Years Ended December 31, 2020 and 2019



Schedule of Investment Returns
Last 10 Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Annual money-weighted rate of return, net of investment expense *	16.97%	17.84%	-3.45%	17.16%	9.26%	-2.36%	4.42%	15.49%	12.18%	1.63%

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

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REQUIRED SUPPLEMENTARY INFORMATION

Years Ended December 31, 2020 and 2019



	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Valuation Date	January 1, one year prior ¹ (for 2020 - 2017)									
Measurement Date	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2017	December 31, 2015	December 31, 2015	December 31, 2013	December 31, 2013	December 31, 2011	December 31, 2011
Census data collected	December 31, 2019	December 31, 2017	December 31, 2017	December 31, 2017	December 31, 2015	December 31, 2013	December 31, 2011	December 31, 2011	December 31, 2009	December 31, 2009
Actuarial cost method	Entry Age Actuarial Cost Method (for all years presented)									
Amortization method	Level percent of pay, 30-year closed amortization (for all years presented)									
Amortization period of initial unfunded AAL	25 years	26 years	27 years	28 years	29 years	21 years	22 years	23 years	24 years	25 years
Remaining amortization period	25 years	26 years	27 years	28 years	29 years	21 years	22 years	23 years	24 years	25 years
Asset valuation method	Market value ² (for all years presented)									
Investment rate of return	7.25%	7.25%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Inflation rate	2.50%	2.50%	2.75%	2.75%	2.75%	2.75%	3.25%	3.25%	3.25%	3.25%
Salary increases	Inflation plus merit increases that vary by age and service (for all years presented)									
Administrative costs	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Medical cost trend:	<p>7.75% graded to 5.00% over 6 years for 2011 and 2012</p> <p>7.75% graded to 5.00% over 11 years for 2013 and 2014</p> <p>7.25% graded to 5.00% over 9 years for 2015 and 2016</p> <p>7.00% graded to 4.50% over 10 years for 2017 through 2020</p>									
Prescription cost trend:	<p>6.50% graded to 5.00% over 3 years for 2011 and 2012</p> <p>6.00% graded to 5.00% over 5 years for 2013 and 2014</p> <p>11.50% graded to 5.00% over 11 years for 2015</p> <p>9.50% graded to 5.00% over the 7 years for 2016</p> <p>9.00% graded to 4.50% over the 10 years for 2017 and 2019</p> <p>8.00% graded to 4.50% over 14 years for 2020</p>									

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REQUIRED SUPPLEMENTARY INFORMATION

Years Ended December 31, 2020 and 2019



Mortality Rates (2011 - 2014):

Healthy

Males: RP-2000 Combined Healthy Blue Collar Mortality Table

Females: RP-2000 Combined Healthy White Collar Mortality Table

Disabled

RP-2000 Disabled Retiree Mortality Table

The above mortality tables were determined to contain provision appropriate to reasonable reflect future mortality improvement, based on a five-year review of mortality experience ended December 31, 2008.

Mortality Rates (2015 - 2019):

Pre-retirement:

RP-2014 Employee Mortality Table with sex-distinct rates, projected generationally with a modified RPEC2014 projection table using a 15-year convergence period for cohort effects and a 10-year convergence for age/period effects.

Healthy annuitants:

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

Disabled annuitants:

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

Mortality Rates (2020):

Pre-retirement:

PRI-2012 Employee Mortality Table, Headcount-Weighted, with sex-distinct rates, projected generationally with Scale SSA-2019.

Healthy annuitants:

PRI-2012 Healthy Annuitant Mortality Table, Headcount-Weighted, with sex-distinct rates, plus a 20% load, projected generationally with SSA-2019.

Disabled annuitants:

PRI-2012 Disabled Retiree Mortality Table, Headcount-Weighted, with sex-distinct rates, plus a 20% load, projected generationally with SSA-2019.

Beneficiaries:

PRI-2012 Contingent Survivor Mortality Table, Headcount-Weighted, with sex-distinct rates, plus a 20% load, projected generationally with SSA-2019.

Notes:

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

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



Independent Auditors' 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*

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, 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, 2020, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 2, 2021. 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, 2020, 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.

Internal Control over Financial Reporting

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

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



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

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.

Dixon Hughes Goodman LLP

Memphis, Tennessee
June 2, 2021

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

For the Year Ended December 31, 2020



There were no prior findings reported.