

**MEMPHIS LIGHT, GAS AND WATER DIVISION  
RETIREMENT AND PENSION SYSTEM**

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**Financial Statements**

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For the Years Ended December 31, 2020 and 2019

**Prepared by:** MLGW Retirement and Pension System Staff  
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**MEMPHIS LIGHT, GAS AND WATER DIVISION  
RETIREMENT AND PENSION SYSTEM**

Memphis, Tennessee

For the Years Ended December 31, 2020 and 2019

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# Letter of Transmittal

## MEMPHIS LIGHT, GAS AND WATER DIVISION RETIREMENT AND PENSION SYSTEM

### To the MLGW Pension Board and Board of Commissioners:

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

Management is responsible for the preparation and fair presentation of the information. Notes have been included to assist the reader in understanding the financial statements.

The MLGW Plan’s 2020 financial statements have been audited by Dixon Hughes Goodman LLP, certified public accountants. The goal of the independent audit was to obtain reasonable assurance that the financial statements of the Plan for fiscal year December 31, 2020, were free from material misstatements. The independent audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements as well as evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management.

The independent auditors issued an unmodified opinion on the Plan’s financial statements for the fiscal year ended December 31, 2020. The independent auditors’ 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 Plan’s MD&A can be found immediately following the report of the independent auditors.

**Profile of the Plan** – The Memphis Light, Gas and Water Division (the “Division”), a division of the City of Memphis, under a resolution by the Board of Commissioners, established the Memphis Light, Gas and Water Division Retirement and Pension System (the “Plan”) to recognize and reward employee contributions to the operations of the Division. The MLGW Pension Plan, which was amended and restated effective January 1, 2015, is part of the Division’s overall plan to provide for the future security of its employees and their family members. The MLGW Pension Plan is a single employer defined benefit plan.

The MLGW Pension Plan is funded by contributions made by the employees and by the Division. Benefits under the MLGW Pension Plan normally are paid upon retirement (service, disability, or deferred), death (to survivors), or separation of service (to those who leave the Division prior to retirement). The MLGW Pension Plan is administered by the MLGW Pension Board under the direction of the Board of Commissioners.

The MLGW Pension Board establishes the policies of the MLGW Pension Plan. The Board is comprised of one member of the Board of Commissioners of the Division (who serves as Chairman of the Pension Board), the President of the Division (who serves as Vice-Chairman), the Sr. Vice President, CFO, CAO, 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 Pension Board serve without compensation.

The MLGW Pension Board shall fulfill the duties of the fiduciary responsible for MLGW Pension Plan 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; provided the responsibility and authority to administer to the Plan on a day-to-day basis shall be delegated to the Pension Department.

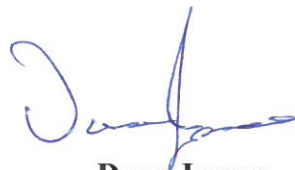
**Funded Status** – As of January 1, 2021, the actuarial accrued liability was \$1,609.2 million, and the actuarial value of assets was \$1,565.3 million; resulting in an unfunded actuarial accrued liability of \$43.9 million which is a funded ratio of 97.3%. The covered payroll was \$175.2 million.

**Acknowledgements** – The annual report of the Memphis Light, Gas and Water Division Retirement and Pension System was assembled through the combined efforts of the MLGW Pension Department, various finance professionals within the Division, the Plan’s actuary, and its custodian. 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 Dixon Hughes Goodman LLP for their efficient and timely completion of this year’s audit.

Respectfully submitted,



**Jarl “J.T.” Young**  
President & CEO



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

**MEMPHIS LIGHT, GAS AND WATER DIVISION  
RETIREMENT AND PENSION SYSTEM**  
Memphis, Tennessee

***Pension Board Members***



***Carlee McCullough  
Chairwoman***



***Jarl "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 Expired: 12/31/2020***



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

*The Memphis Light, Gas and Water Pension Plan provides that the Pension Board shall fulfill duties of the fiduciary responsible for Plan 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 set forth in the Plan. The responsibility and authority to administer the Plan on a day-to-day basis is delegated to the Pension Department.*

## ***PROFESSIONAL CONSULTANTS***

The MLGW Pension Plan 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 & Senior Consultant

Curtis Williams  
Senior Investment Consultant

### ***CUSTODIAN***

**Northern Trust Corporation**

Anabel Argüello  
2<sup>nd</sup> Vice President | Relationship Manager

Kristi Kamykowski  
Vice President | Specialist  
Client Business Solutions Consulting

### ***DEATH AUDIT CONSULTANT***

**The Berwyn Group**

Jane Potts  
Sales Representative

### ***CONSULTING ACTUARY***

**Segal Consulting**

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

Deborah K. Brigham, FCA, ASA, EA, MAAA  
Senior Vice President and Consulting Actuary

### ***LEGAL CONSULTANT***

**Evans & Petree, PC**

Frank N. Stockdale Carney  
Shareholder

Elizabeth Friary  
Associate

## FISCAL YEAR UPDATES

During the Pension Board meeting on March 18, 2020, Mr. Frank Carney, one of the MLGW Plan's legal consultants from Evans & Petree, PC, explained the impact of the SECURE Act (Setting Every Community Up for Retirement Enhancement Act). Mr. Carney noted the age for retirement plan participants to take required minimum distributions (RMDs) had increased from 70 ½ to 72 but stated the MLGW Plan would not be impacted by this law until 2022.

On June 17, 2020, the Pension Board approved the issuance of a new contract for Custody Services to the current provider, Northern Trust Corporation. The Board of Commissioners subsequently approved the contract, Retirement & Pension Fund Master Custody Agreement, on June 30, 2020.

During the Board of Commissioners meeting on June 17, 2020, Ms. Pamela Z. Clary, Citizen Member, was reappointed to serve another three-year term beginning July 1, 2020, and ending on June 30, 2023. Her reappointment was announced and approved during Same Day minutes by the Pension Board.

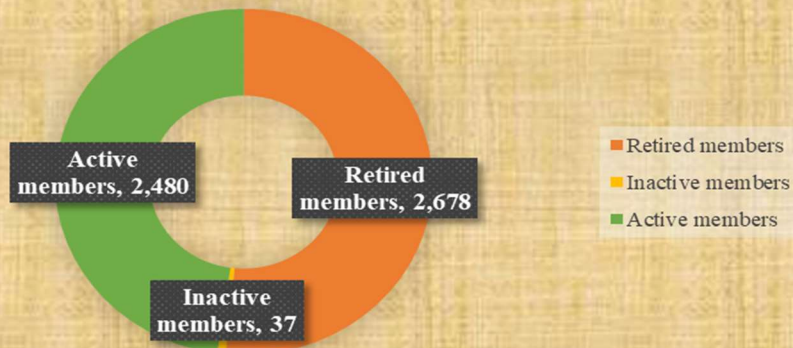
Prior to the completion of Ms. Patricia Howard's second three-year term as the Retiree Member on December 31, 2020, an election was held for her replacement in November of 2020. Former President of MLGW, Mr. Jerry R. Collins, Jr., was elected as the new Retiree Member and his three-year term began January 1, 2021.

### 2020 OVERVIEW

Total Pension Fund

\$1.7 Billion

### Membership



# FINANCIAL SECTION

Independent Auditors' Report

Dixon Hughes Goodman LLP





## Independent Auditors' Report

Board of Commissioners and Management  
Memphis Light, Gas and Water Division  
Retirement and Pension System  
Memphis, Tennessee

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Memphis Light, Gas and Water Division Retirement and Pension System (the "Plan"), 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 Plan'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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan 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 Retirement and Pension System. 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 2019, and the respective changes in their financial position or, where applicable, its 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.

***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 Retirement and Pension System's Net Pension Liability, the Schedule of Division's Contributions to the Retirement and Pension System, and Schedule of Investment Returns on pages 4 through 13 and 39 through 41 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 Plan'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 the effectiveness of the Plan'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 Memphis Light, Gas and Water Division Retirement and Pension System's internal control over financial reporting and compliance.

*Dixon Hughes Goodman LLP*

Memphis, Tennessee  
June 2, 2021



## RETIREMENT AND PENSION SYSTEM MANAGEMENT'S DISCUSSION AND ANALYSIS Years Ended December 31, 2020 and 2019

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This discussion and analysis of the Memphis Light, Gas and Water Division (“MLGW”) Retirement and Pension System (the “Pension Plan”) financial performance provides a narrative overview and analysis of the MLGW Pension Plan’s financial activities and funding conditions for the fiscal years ended December 31, 2020, and December 31, 2019. Please read it in conjunction with the MLGW Pension Plan’s financial statements, notes, and required supplementary information, which follow this section. Information for fiscal years 2019 and 2018 is presented for comparative purposes.

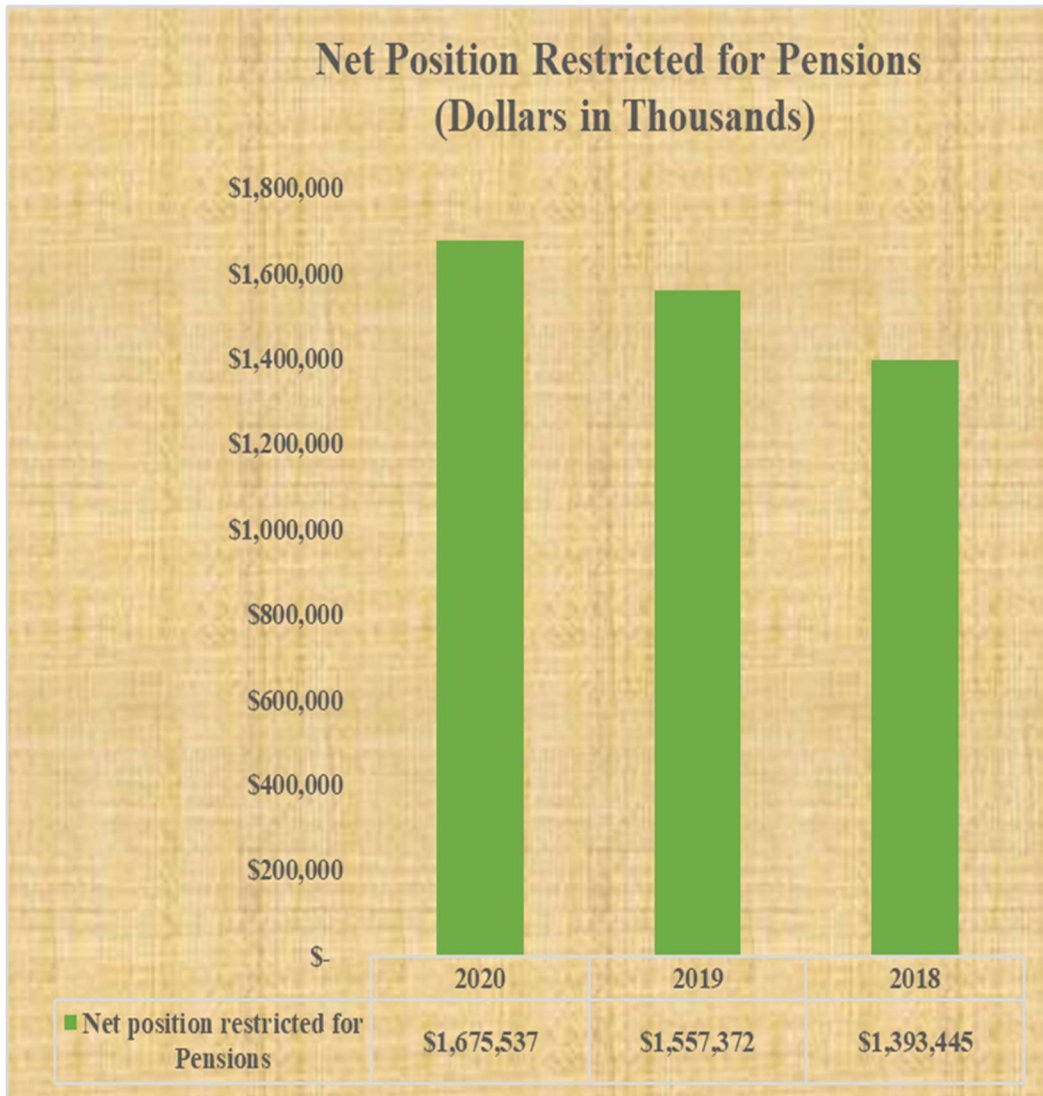
### FINANCIAL HIGHLIGHTS

- Total fiduciary net position restricted for pension (total assets and deferred outflows of resources less total liabilities and deferred inflows of resources) at December 31, 2020, was \$1,675.5 million, an increase of \$118.2 million, or 7.6% compared to the total net position at December 31, 2019, of \$1,557.4 million. 2019 reflected an increase of \$163.9 million, or 11.8% from \$1,393.4 million total net position at December 31, 2018. *See Graph 1 on next page.*
- Cash and cash equivalents decreased \$49.8 million, or 63.4% to \$28.7 million at December 31, 2020, from \$78.5 million at December 31, 2019. 2019 reflected an increase of \$59.0 million or 301.9% from \$19.5 million reported in 2018.
- Investments were \$1,654.8 million at December 31, 2020, an increase of \$178.5 million, or 12.1% from \$1,476.3 million at December 31, 2019. 2019 reflected an increase of \$102.5 million, or 7.5% from \$1,373.8 million at December 31, 2018.
- Net investment activities income decreased by \$44.6 million, or 18.8% to \$192.2 million at December 31, 2020. This was primarily due to a \$33.0 million decrease in net appreciation of investments. For 2020, net appreciation of investments totaled \$174.5 million compared with net appreciation of investments of \$207.5 million for 2019.
- Total pension benefit payments increased by \$4.5 million, or 4.3% at December 31, 2020, to \$108.8 million from \$104.3 million at December 31, 2019. 2019 reflected a decrease of \$3.7 million, or 3.4% from \$108.0 million reported in 2018.

*See next page*

**Financial Highlights**

**Graph 1:**



*See next page*



## **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 Retirement and Pension System's Net Pension Liability
  - b. Schedule of Division's Contributions to the Retirement and Pension System
  - c. Schedule of Investment Returns

The basic financial statements are described as follows:

- The Statements of Fiduciary Net Position show the account balances at year-end and include the net position available for future benefit payments. The liabilities for future benefit payments are not included in the Statements; however, they are shown in the Schedule of Changes in Retirement and Pension System's Net Pension Liability that is included in the Required Supplementary Information.
- The Statements of Changes in Fiduciary Net Position show the sources and use of funds during the year and illustrates the change in net position from the previous year.
- 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 Pension Plan's adoption of GASB Statement 67 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 Pension Liability contains actuarial information about the status of the plan.
- The Schedule of Division's 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 Pension Plan investments for the last ten years.



**RETIREMENT AND PENSION SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended December 31, 2020 and 2019**

**ANALYSIS OF FIDUCIARY NET POSITION**

Condensed financial information comparing the Fiduciary Net Position for the past three fiscal years is presented below:

Table 1 Condensed Statements of Fiduciary Net Position December 31, 2020, 2019, and 2018 (Dollars in Thousands)					
			FY20 - FY19 Percentage Change		FY19 - FY18 Percentage Change
	<u>2020</u>	<u>2019</u>		<u>2018</u>	
<b>Assets</b>					
Cash and cash equivalents	\$ 28,735	\$ 78,498	-63.4%	\$ 19,532	301.9%
Receivables	26,709	24,810	7.7%	13,178	88.3%
Investments *	1,654,767	1,476,269	12.1%	1,373,793	7.5%
Collateral held for securities on loan	48,872	82,967	-41.1%	64,052	29.5%
Total assets	<b>1,759,083</b>	1,662,544	5.8%	1,470,555	13.1%
<b>Liabilities</b>					
Liability for securities purchased and accrued liabilities	34,674	22,205	56.2%	13,058	70.0%
Collateral subject to return to borrowers	48,872	82,967	-41.1%	64,052	29.5%
Total liabilities	<b>83,546</b>	105,172	-20.6%	77,110	36.4%
<b>Net position restricted for Pensions</b>	<b>\$ 1,675,537</b>	\$ 1,557,372	7.6%	\$ 1,393,445	11.8%

\* Investments includes a private equity investment, GPB Holdings II, LP, valued at \$20.0 million as of December 31, 2020 and 2019. It represents the fair market value as of June 30, 2019, the most recent available. At December 31, 2018, the investment was valued at \$25.0 million, the initial capital contribution invested in 2017. As of the date of this report, the Pension Plan has not received the fair market value statements from GPB Holdings II, LP for the years ended December 31, 2020, 2019, or 2018. In March 2020, GPB Holdings II, LP issued a distribution of \$1.3 million which did not impact its market value.

***Assets***

*2020 Compared to 2019:*

At December 31, 2020, total assets were \$1,759.1 million, representing an addition of \$96.5 million, or 5.8%, from 2019. The increase in total assets was primarily due to the appreciation in the market value of the Plan's total investments, offset in part by decreases in cash and cash equivalents and collateral held for securities on loan.





**RETIREMENT AND PENSION SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended December 31, 2020 and 2019**

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The MLGW Pension Plan's investments are comprised of domestic and international equities, domestic and international fixed income, domestic and international special strategies, real estate and short-term investments. For 2020, investments were \$1,654.8 million, which reflected an increase of \$178.5 million, or 12.1% from 2019. The increase in total investments can be attributed to strong performances in the Plan's equity funds, specifically common stock international and common stock index domestic as well as the special strategies funds. Domestic and international distressed debt funds as well as the Plan's multi-asset fund experienced significant increases in market value over 2019. Within the Plan's fixed income funds, new investments were funded within the securitized asset fund which called the final \$34.0 million in capital this year.

The MLGW Pension Plan's balance in cash and cash equivalents declined in 2020 due to the Plan's investment in a new private equity fund, SSM Partners Growth Equity III Co-Invest, L.P., life settlement fund, CCA Longevity Fund III (US), LLC, and real estate fund, TerraCap V LP, in 2020. Additionally, the 2019 balance in cash and cash equivalents reflected the \$40.5 million in funds from the liquidation of the J.O. Hambro International Select Fund which were not transferred out to fund the December 31, 2019 investment in Ryder Court International Select Fund until January of 2020.

*2019 Compared to 2018:*

At December 31, 2019, total assets were \$1,662.5 million, which represented an addition of \$192.0 million, or 13.1%, from 2018. The increase in total assets was primarily due to an increase in cash and cash equivalents, and the appreciation in the market value of the Plan's domestic equity and fixed income investments.

The MLGW Pension Plan's significantly higher balance in cash and cash equivalents can mainly be attributed to the liquidation of two equity funds, J.O. Hambro International Select Fund and LMCG Emerging Markets Collective Fund.

The MLGW Pension Plan's investments are comprised of domestic and international equities, domestic and international fixed income, domestic and international special strategies, real estate, and short-term investments. For 2019, investments were \$1,476.3 million, which reflected an increase of \$102.5 million, or 7.5% from 2018. The increase in total investments was chiefly due to the improved market value of investments in domestic equity funds as well as domestic and international corporate and government bonds.

*See next page*





## ***Liabilities***

### *2020 Compared to 2019:*

At December 31, 2020, total liabilities were \$83.5 million, a decrease of \$21.6 million, or 20.6% from \$105.2 million at 2019. This decrease was primarily due to the reduction in collateral subject to return to borrowers. As of December 31, 2019, collateral subject to return to borrowers was comprised of \$39.9 million from three money manager funds which were closed in 2020: iShares Russell Mid Cap Value, iShares Russell Midcap Growth EFT, and Vanguard Small Cap Growth EFT.

### *2019 Compared to 2018:*

At December 31, 2019, total liabilities were \$105.2 million, an increase of \$28.1 million, or 36.4% from \$77.1 million at 2018. The increase was primarily due to the rise in collateral subject to return to borrowers. Both cash and non-cash collateral increased which resulted in a significant increase in lendable securities over last year. The increase was partially offset by a decrease in accrued liabilities.

## ***Net position***

### *2020 Compared to 2019:*

At December 31, 2020, the MLGW Pension Plan's fiduciary net position (total assets and deferred outflows of resources, less total liabilities and deferred inflows of resources) was \$1,675.5 million, an increase of \$118.2 million, or 7.6% from the net position at December 31, 2019. The increase in the MLGW Pension Plan fiduciary net position is primarily due to the improved market value of investments in the common stock index domestic funds, the securitized asset fund, and the domestic and international special strategies funds.

### *2019 Compared to 2018:*

At December 31, 2019, the MLGW Pension Plan's fiduciary net position (total assets and deferred outflows of resources less total liabilities and deferred inflows of resources) was \$1,557.4 million, an increase of \$163.9 million, or 11.8% from the net position at December 31, 2018. The increase in the MLGW Pension Plan fiduciary net position was largely due to the appreciation in market value of certain investments held during 2019 as well as the increase in cash and cash equivalents.

*See next page*



**RETIREMENT AND PENSION SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended December 31, 2020 and 2019**

**ANALYSIS OF CHANGES IN FIDUCIARY NET POSITION**

Condensed financial information comparing the Changes in Fiduciary Net Position for the past three fiscal years is presented below:

Table 2 Condensed Statements of Changes in Fiduciary Net Position Years Ended December 31, 2020, 2019, and 2018 (Dollars in Thousands)					
	<u>2020</u>	<u>2019</u>	<u>FY20 - FY19 Percentage Change</u>	<u>2018</u>	<u>FY19 - FY18 Percentage Change</u>
<b>Additions</b>					
Contributions	\$ 38,332	\$ 35,276	8.7%	\$ 35,391	-0.3%
Net investment activities income (loss)	192,184	236,798	18.8%	(40,722)	681.5%
Securities lending activities income	254	515	-50.7%	727	-29.2%
Total additions (loss)	<u>230,770</u>	<u>272,589</u>	15.3%	<u>(4,604)</u>	<u>6021.0%</u>
<b>Deductions</b>					
Benefits payments	108,822	104,291	4.3%	107,965	-3.4%
Refunds	3,004	3,440	-12.7%	5,351	-35.7%
Administrative expense	779	931	-16.3%	872	6.8%
Total deductions	<u>112,605</u>	<u>108,662</u>	3.6%	<u>114,188</u>	<u>-4.8%</u>
<b>Net increase (decrease)</b>	<b>118,165</b>	<b>163,927</b>	<b>27.9%</b>	<b>(118,792)</b>	<b>238.0%</b>
<b>Net position restricted for Pensions</b>					
Beginning of year	<u>1,557,372</u>	<u>1,393,445</u>	11.8%	<u>1,512,237</u>	-7.9%
End of year	<u>\$ 1,675,537</u>	<u>\$ 1,557,372</u>	7.6%	<u>\$ 1,393,445</u>	11.8%

***Change in Net Position***

*2020 Compared to 2019:*

The change in net position at December 31, 2020, was \$118.2 million, down \$45.8 million, or 27.9% from \$163.9 million at December 31, 2019. Total investment activities income declined by \$44.9 million, or 18.9% due to the decrease in net appreciation within total equity, fixed income, and real estate funds.



*2019 Compared to 2018:*

The change in net position at December 31, 2019, was \$163.9 million, up \$282.7 million, or 238.0% from a loss of \$118.8 million at December 31, 2018, due to the improvement in total investment activities income. Total investment activities rose by \$277.3 million, or 693.4% due to the net appreciation in the fair value of investments. The appreciation was largely due to the results from investments in equity funds as well as fixed income funds.

***Additions***

*2020 Compared to 2019:*

Total additions to net position decreased by \$41.8 million, or 15.3% to \$230.8 million at December 31, 2020, compared to \$272.6 million at December 31, 2019, primarily due to the decrease in net investment activities income.

Net investment activities income was \$192.2 million, a decrease of \$44.6 million, or 18.8% from \$236.8 million in 2019. The component of net investment activities income that had the greatest impact was the \$33.0 million decline in net appreciation of investments. Another contributing factor was the \$11.7 million reduction in interest, dividend, and real estate income.

*2019 Compared to 2018:*

Total additions to net position increased by \$277.2 million, or 6,021.0% to \$272.6 million at December 31, 2019, compared to the total loss of \$4.6 million at December 31, 2018, primarily as a result of the increase in net investment activities.

Net investment activities income was \$236.8 million, an increase of \$277.5 million, or 681.5% from a loss of \$40.7 million in 2018. The component of net investment activities income that had the greatest impact was net appreciation of investments.

***Deductions***

*2020 Compared to 2019:*

Total deductions from net position in 2020 amounted to \$112.6 million, an increase of \$3.9 million or 3.6%, up from \$108.7 million in 2019. The increase was primarily derived from the benefit payments to retired participants for 2020 which totaled \$91.1 million, up \$4.2 million, or 4.9% compared to 2019. Benefit payments to retired participants in 2020 increased due, in part, to a 9.1% increase in the number of new retirees added to the MLGW Pension Plan. Additionally, the lump sum factor increased in 2020, resulting in \$2.3 million more in lump sum payments issued at the time of retirement, despite the average retirement age and average lump sum percentage election remaining the same as 2019.



**RETIREMENT AND PENSION SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended December 31, 2020 and 2019**

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*2019 Compared to 2018:*

Total deductions from net position in 2019 amounted to \$108.7 million, a decrease of \$5.5 million or 4.8%, down from \$114.2 million in 2018. The decrease was primarily derived from the benefit payments to retired participants for 2019 which totaled \$86.9 million, down \$4.2 million, or 4.7% compared to 2018. Additionally, refunds to terminated members were \$3.4 million, down \$1.9 million, or 35.7% compared to 2018. Benefit payments to retired participants in 2019 declined due, in part, to a 23% reduction in the number of new retirees added to the MLGW Pension Plan. Furthermore, in 2019 the refund recipients served fewer years with MLGW Division, resulting in a lower multiple of accumulated participant contributions. Only 12% of the refunds issued in 2019 were at least \$100,000 compared to 27% in 2018.

**FUNDING STATUS**

Retirement benefits are financed by employer and participant contributions and income earned on the MLGW Pension Plan's investments. Over the long term, the investment portfolio returns have been a major component of additions to the MLGW Pension Plan's net position. Despite the economic impact of the pandemic in 2020, the MLGW Pension Plan's investments appreciated in value after rebounding strongly from a challenging first quarter of 2020. *See graphs 2 (a) and (b) on next page.*

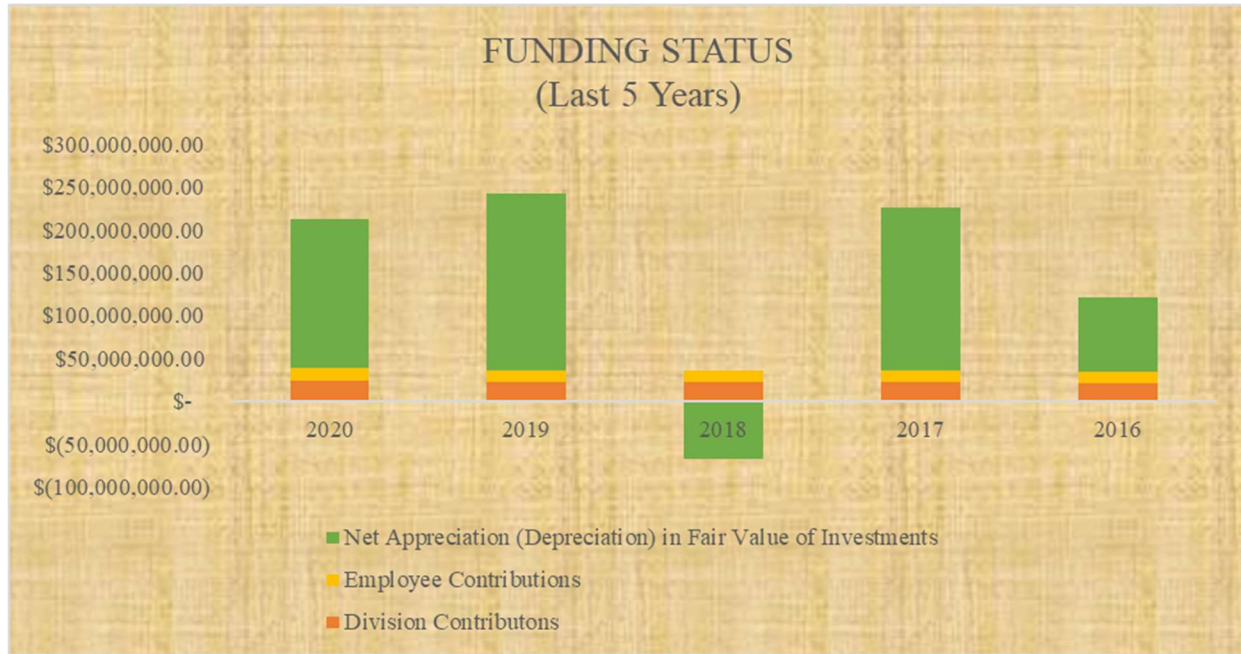
The funding policy adopted in 2015 and made effective on January 1, 2016, requires the Division to contribute 100% of the actuarially determined contribution. Employees are still required to contribute 8.0% of pensionable earnings to the MLGW Pension Plan. The Division's contribution is determined by an actuarial valuation study but shall be no less than 8.0% of pensionable earnings for all active participants. This, in addition to the contributions from plan participants, reinforces its current and continued financial stability. For the year ended December 31, 2020, the Division's actual annual contribution was \$24.5 million as recommended and determined by an independent actuarial valuation study.

**REQUESTS FOR INFORMATION**

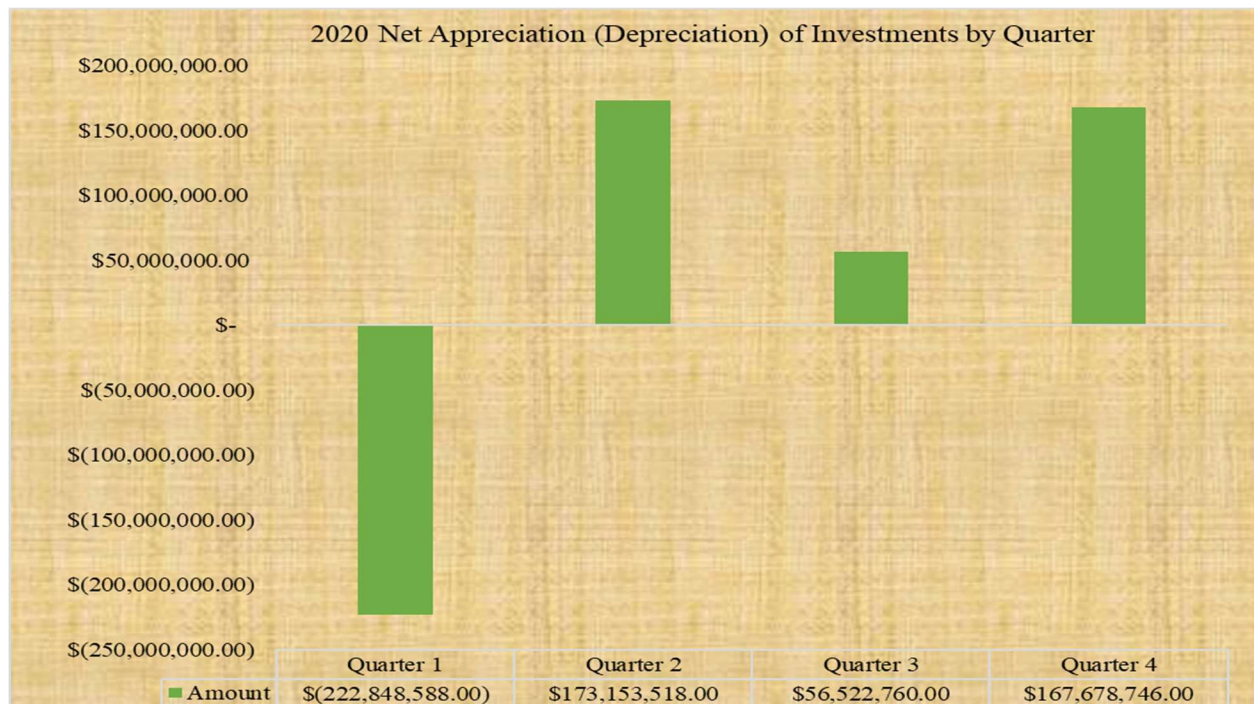
Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Memphis Light, Gas and Water Division  
Manager of Insurance & Pension  
P.O. Box 430  
Memphis, TN 38101

**Graph 2 (a)**



**Graph 2 (b)**







SERVING YOU IS  
WHAT WE DO

**RETIREMENT AND PENSION SYSTEM**  
**STATEMENTS OF FIDUCIARY NET POSITION**  
**Years Ended December 31, 2020 and 2019**

	December 31	
	2020	2019
<b>Assets</b>		
Cash and cash equivalents	\$ 28,734,681	\$ 78,497,776
Receivables:		
Interest, dividends and real estate receivable	3,306,455	4,013,056
Receivable for securities sold	22,882,947	20,283,615
Miscellaneous receivable	771	1,030
Employer and employee contributions receivable	519,105	512,568
Collateral held in trust for securities on loan	48,871,811	82,967,023
Total receivables	75,581,089	107,777,292
Investments:		
Equity Funds:		
Common stock - domestic	291,200,571	321,328,015
Common stock - international	100,221,864	48,477,728
Common stock index - domestic	456,291,942	238,564,465
Rights/warrants	5,811	-
Preferred stock - international	1,943,635	2,032,763
Equity ETF - domestic	-	142,021,236
Fixed Income Funds:		
Corporate bonds - domestic	46,374,642	48,991,344
Corporate bonds - international	40,633,682	46,898,145
Corporate convertible bond - international	313,500	392,625
Government bonds - domestic	4,483,322	4,212,676
Government bonds - international	50,864,117	49,020,929
Global bond - international	62,346,700	76,030,455
U.S. government agencies	10,828,948	8,600,159
Global government agencies	6,696,052	7,602,903
Asset backed securities - domestic	10,037,854	11,158,583
Asset backed securities - international	3,922,413	4,018,354
Mortgage-backed securities - domestic	20,603,158	19,245,046
Securitized asset fund	57,574,269	16,723,441
Special Strategies Funds:		
Private equity - domestic *	65,508,371	61,485,277
Private equity - international	5,155,710	3,028,365
Distressed debt - domestic	59,177,470	35,762,134
Distressed debt - international	67,150,996	40,504,773
Multi-asset - domestic	14,373,273	13,860,156
Life settlement funds - domestic	73,202,864	67,512,713
Real Estate Funds:		
Real estate	200,776,004	206,164,385
Short-Term Investment	5,079,855	2,632,518
Total investments	1,654,767,023	1,476,269,188
Total assets	1,759,082,793	1,662,544,256
<b>Liabilities</b>		
Collateral subject to return to borrowers	48,871,811	82,967,023
Liability for securities purchased	32,964,344	20,512,230
Accrued liabilities	1,709,880	1,692,909
Total liabilities	83,546,035	105,172,162
<b>Net position restricted for Pensions</b>	<b>\$ 1,675,536,758</b>	<b>\$ 1,557,372,094</b>

\* Private equity - domestic includes a private equity firm, GPB Holdings II, LP, valued at \$20.0 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 Pension Plan has not received the fair market value statements from GPB Holdings II, LP for the years ended December 31, 2020 and 2019. In March 2020, GPB Holdings II, LP issued a distribution of \$1.3 million which did not impact its market value.

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



**RETIREMENT AND PENSION SYSTEM**  
**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION**  
**Years Ended December 31, 2020 and 2019**

	Years Ended December 31	
	2020	2019
<b>Additions</b>		
Contributions		
Employer	\$ 24,504,032	\$ 21,813,428
Member	13,827,902	13,462,380
Total contributions	38,331,934	35,275,808
Investment Activities Income		
Net appreciation of investments	174,506,436	207,511,518
Interest income	11,562,172	18,490,441
Dividend income	6,462,417	9,703,644
Real estate income	4,076,051	5,651,845
Other income	9,859	10,102
Recovery of losses - class action suit	-	4,108
Total investment activities income	196,616,935	241,371,658
Less investment activities expenses	4,432,781	4,573,254
Net investment activities income	192,184,154	236,798,404
Securities Lending Activities:		
Securities lending income	532,778	2,549,979
Securities lending expenses:		
Borrower rebates	(215,749)	(1,906,104)
Management fees	(63,353)	(128,701)
Total securities lending expenses	(279,102)	(2,034,805)
Net securities lending activities income	253,676	515,174
Total investment activities income	192,437,830	237,313,578
Total additions	230,769,764	272,589,386
<b>Deductions</b>		
Benefit payments:		
Retired members	91,118,410	86,872,323
Survivors (spouse, minors, and dependents)	16,856,884	16,535,038
Disabled members	429,792	450,321
Deferred vested members	301,605	250,386
Alternate payees	115,602	182,994
Total benefit payments	108,822,293	104,291,062
Contributions refund	3,004,301	3,439,540
Administrative expenses	778,506	931,403
Total deductions	112,605,100	108,662,005
Change in net position	118,164,664	163,927,381
<b>Net position restricted for Pensions</b>		
Beginning of year	1,557,372,094	1,393,444,713
End of year	\$ 1,675,536,758	\$ 1,557,372,094

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



## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Organization**

The Memphis Light, Gas and Water Division (the “Division”), a division of the City of Memphis, under a resolution by the Board of Commissioners, established the Memphis Light, Gas and Water Division Retirement and Pension System (the “MLGW Pension Plan”) to recognize and reward employee contributions to the operations of the Division. The MLGW Pension Plan, which was amended and restated effective January 1, 2015, is part of the Division’s overall plan to provide for the future security of its employees and their family members. The MLGW Pension Plan is a single employer defined benefit plan.

The MLGW Pension Plan is funded by contributions made by the employees and by the Division. Benefits under the MLGW Pension Plan normally are paid upon retirement, death, disability, or separation of service. The MLGW Pension Plan is administered by the MLGW Pension Board under the direction of the Board of Commissioners.

The MLGW Pension Board establishes the policies of the MLGW Pension Plan. The Board is comprised of one member of the Board of Commissioners of the Division (who serves as Chairman of the Pension Board), the President of the Division (who serves as Vice-Chairman), the SVP, CFO & CAO (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 Pension Board serve without compensation.

The MLGW Pension Board shall fulfill the duties of the fiduciary responsible for the MLGW Pension Plan 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; provided the responsibility and authority to administer the Plan on a day-to-day basis shall be delegated to the Pension Department.

### **Basis of Presentation**

The financial statements present only the Memphis Light, Gas and Water Division Retirement and Pension System (the “MLGW Pension Plan”) 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, results of operation, and cash flows for the MLGW Pension Plan, but do not present the financial position, results of operation, or cash flows of MLGW, a division of the City of Memphis (the “City”). Accordingly, the accompanying disclosure relate separately to the MLGW Pension Plan, as applicable, and not collectively to MLGW. These statements are not intended to present the financial position of the City, the results of the City’s operation, or the cash flows of the City’s funds.





## **Basis of Accounting**

The MLGW Pension Plan's financial statements are prepared using the accrual basis of accounting in accordance with the Governmental Accounting Standards Board ("GASB"). MLGW and member contributions are recognized in the period in which member services are performed. Investment income is recognized when earned. Gains and losses on sales and exchanges of investments are recognized on the transaction date. Benefits and refunds are recognized when paid in accordance with the MLGW Pension Plan's provisions.

## **Recent Accounting Standards**

GASB Statement No. 84, *Fiduciary Activities*, was issued in January of 2017. The Statement establishes criteria for identifying fiduciary activities of all state and local governments. The basis of the criteria centers on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The 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 requirements of this Statement were effective for reporting periods beginning after December 15, 2018. Due to the COVID-19 pandemic, GASB Statement No.95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which includes GASB Statement No. 84, was issued in May of 2020. With GASB Statement No. 95, GASB Statement No. 84 was made effective for reporting periods beginning after December 15, 2019. The adoption of this Statement did not affect the MLGW Pension Plan's financial statements.

## **Administrative Expenses**

Expenses for the administration of the MLGW Pension Plan are paid from net investment earnings.

## **Use of Estimates**

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

## **Cash and Cash Equivalents**

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



**RETIREMENT AND PENSION SYSTEM**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Years Ended December 31, 2020 and 2019**

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## **Investments**

The MLGW Pension Plan's investments are stated 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.

The equity securities are comprised of both domestic and international securities.

For debt securities that do not have an established fair value, 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 fair value of the fixed income fund's holdings is determined by the investment manager who uses independent pricing providers, if available. As an alternative, the investment manager may utilize independent pricing sources such as broker quotes and apply a price in line with the market or use valuation models to determine an appropriate price. The fair value of this fund is measured at the Net Asset Value (NAV) provided by the investment manager.

The special strategies funds are comprised of domestic and international investments in limited partnerships and other entities in the following categories: private equity, distressed debt, multi-asset, and life settlement. The fair value of these funds is based on information obtained from the partnerships' Monthly and Quarterly Statements. They are measured at NAV per share or its equivalent.

The private equity domestic funds include GPB Holdings II, LP, valued at \$20.0 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 Pension Plan has not received the fair market value statements from GPB Holdings II, LP for the years ended December 31, 2020 and 2019. In March 2020, GPB Holdings II, LP issued a distribution of \$1.3 million which did not impact its market value.

The real estate funds are measured at the NAV based on information obtained from the Investor Shareholder Quarterly Statements.

Short term investments in the MLGW Plan are comprised of short-term U.S. treasury bills and notes and cash collateral.

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 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.



**RETIREMENT AND PENSION SYSTEM**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Years Ended December 31, 2020 and 2019**

**2. RETIREMENT AND PENSION SYSTEM**

**Plan Description**

The Memphis Light, Gas and Water Division Pension Board is the administrator of a single-employer retirement system established by the Division to provide retirement benefits for its employees. Prior to 1988, the retirement system included two contributory defined benefit plans (the “1948 Plan” and the “1978 Plan”). The 1948 Plan and the 1978 Plan were amended and superseded as of July 1, 1988. All employees who were members of the 1948 Plan and the 1978 Plan automatically became members of the amended, restated, and consolidated Memphis Light, Gas and Water Division Retirement and Pension System (the MLGW Pension Plan), a division of the City of Memphis, Tennessee. The MLGW Pension Plan was amended and restated effective January 1, 2015. Participants in the 1948 Plan (which includes those employees hired before July 1, 1978) are entitled to the greater of their retirement benefit determined under the 1948 Plan or their retirement benefit under the MLGW Pension Plan.

The MLGW Pension Plan covers permanent full-time employees and appointed commissioners who opt to participate.

Membership at December 31, 2020 and 2019 consisted of:

	<b>2020</b>	<b>2019</b>
Retired members or beneficiaries currently receiving benefits	<b>2,678</b>	2,680
Vested terminated members entitled to but not yet receiving benefits *	<b>37</b>	37
Active members	<b>2,480</b>	2,543
Total	<b>5,195</b>	5,260

\* *Includes participants on long-term disability*

The MLGW Pension Plan provides death and disability benefits as well as retirement benefits. MLGW Pension Plan members hired prior to January 1, 2014 who attain the age of fifty-five (55) and retire on or after ten (10) years of creditable service, or attain the age of seventy (70) and retire on or after five (5) years of creditable service, or attain twenty-five (25) years of creditable service regardless of age are entitled to an annual retirement allowance. The allowance is computed by multiplying the applicable percentage for the age of retirement times the number of years of creditable service, which equals the benefit percentage. The benefit percentage is then multiplied by the final average compensation to obtain the monthly retirement allowance.



**RETIREMENT AND PENSION SYSTEM**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Years Ended December 31, 2020 and 2019**

MLGW Pension Plan members hired on or after January 1, 2014 who attain the age of sixty (60) and retire on or after ten (10) years of creditable service, or attain the age of seventy (70) and retire on or after five (5) years of creditable service, or attain the age of fifty-five (55) with twenty-five (25) years of creditable service are entitled to an annual retirement allowance. The allowance is computed by multiplying the applicable percentage for the age of retirement times the number of years of creditable service, which equals the benefit percentage. The benefit percentage is then multiplied by the final average compensation to obtain the monthly retirement allowance.

Members hired on or after January 1, 2014 can elect a single annuity or joint and survivor annuity. For members who elect the single annuity, spousal consent is required. The single annuity is automatically applied for members hired prior to January 1, 2014. If the joint and survivor annuity is elected, actuarial factors will be applied against the member’s monthly retirement allowance to cover the cost of a pension paid to a qualifying surviving spouse.

Effective January 1, 2001, the following table reflects the benefit percentage for each year of creditable service at the applicable retirement age under the MLGW Pension Plan:

Retirement Age	Benefit Percentage for Each Year of Creditable Service
59 1/2 and less	2.25%
60	2.30%
61	2.40%
62 and above	2.50%

The annual retirement allowance of a 1948 Plan or the 1978 Plan member who was a member at the time of the adoption of the MLGW Pension Plan shall not be less than the annual retirement allowance the member would have had under the 1948 Plan or the 1978 Plan in effect on June 30, 1988. A member of the 1948 Plan at the time of adoption of the MLGW Pension Plan may retire at less than age fifty-five with twenty-five or more years of creditable service with benefits computed only under the 1948 Plan. For the purpose of determining whether the benefit under the 1948 Plan or the 1978 Plan is more or less than the benefit under the MLGW Pension Plan, the benefit shall be measured by the retirement allowance for the retiring member.

Final average compensation is the member’s basic earnings (which includes member contributions pursuant to Section 414(h) and Section 457 of the Internal Revenue Code (the “Code”) for the three (3) consecutive years of creditable service if less than thirty (30) years, two (2) consecutive years if more than thirty (30) years and one (1) year if 35 or more years of creditable service during which the compensation was the highest) plus work out of classification pay, shift differential pay, and automobile allowance for such employees designated by Resolution of the Board of Commissioners.



**RETIREMENT AND PENSION SYSTEM**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Years Ended December 31, 2020 and 2019**

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The annual retirement allowance shall not exceed 85.0% of the member’s final average compensation. The 2020 minimum monthly retirement benefit for all members is the greater of \$50 per year of service or \$500 per month.

Additionally, as of July 1 of each plan year, each retired participant who (1) has attained age fifty-six (56) on such date and (2) has been terminated from the employment of the Division for at least twelve (12) months, shall be entitled to an increase in the amount of his/her monthly benefit under The MLGW Pension Plan equal to the cost of living adjustment.

A surviving spouse or a handicapped child receiving death benefits shall be entitled to a cost of living adjustment if the surviving spouse or handicapped child has attained age fifty-six (56) and the deceased participant has separated from service at least twelve (12) months prior to the beginning of the plan year.

The cost of living adjustment shall be equal to the monthly benefit payable to the participant, surviving spouse, or handicapped child under the MLGW Pension Plan multiplied by the product of the (i) percent change in the Consumer Price Index for the immediately preceding calendar year and (ii) the applicable percentage of CPI increase. The applicable percentage of CPI increase shall be determined based on the age of the participant, surviving spouse, or handicapped child as of the first day of July of the plan year.

The cost of living adjustment is made as follows:

Age	Percentage of CPI Increase
56-58	30%
59-61	60%
62 and older	75%

The cost of living adjustment for any retired participant, surviving spouse, or handicapped child in any plan year shall not exceed five percent (5%) of the retired participant’s, surviving spouse’s, or handicapped child’s benefit under the MLGW Pension Plan for the immediately preceding plan year. Under no circumstances shall the cost of living adjustment result in a decrease in the benefit of a retired participant, surviving spouse, or handicapped child.

**Contributions**

Members covered under the MLGW Pension Plan are required to contribute eight percent (8.0%) of pensionable earnings each payroll period to the MLGW Pension Plan. Members with thirty-five (35) or more years of creditable service or an annual retirement allowance of 85.0% shall contribute the applicable percentage only on that portion of their compensation which is in excess of their annual compensation at the time they attained their thirty-five (35) years of creditable service or an annual



**RETIREMENT AND PENSION SYSTEM**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Years Ended December 31, 2020 and 2019**

retirement allowance of 85.0%. Benefit and contribution provisions may be amended only by the Pension Board, MLGW Board of Commissioners, and the Memphis City Council.

The Actuarially Determined Contribution (ADC) for the current year was determined based on the actuarial valuation using the entry age normal cost method. The 2020 contribution represented 100% of the ADC. An explanation of the contributions can be found on the footnote of the Schedule of Division's Contributions to the Retirement and Pension System.

As of January 1, 2021, the actuarial accrued liability was \$1,609.2 million, and the actuarial value of assets was \$1,565.3 million; resulting in an unfunded actuarial accrued liability of \$43.9 million which is a funded ratio of 97.3%. The covered payroll projected was \$175.2 million.

**3. NET PENSION LIABILITY**

The components of the net pension liability (asset) of the Pension System at December 31, 2020 and 2019 were as follows:

	2020	2019
Total pension liability	\$ 1,569,558,041	\$ 1,530,874,929
Plan fiduciary net position	1,675,536,758	1,557,372,094
Net pension liability (asset)	\$ (105,978,717)	\$ (26,497,165)
Plan fiduciary net position as a percentage of the total pension liability	106.75%	101.73%

**Actuarial Assumptions:**

The total pension liability was determined by an actuarial valuation as of December 31, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Inflation plus merit increases that vary by age and service, ranging from 0.00% to 8.50%
Investment rate of return	7.25%, including inflation, net of pension plan investment expense
Cost-of-living adjustments	0.750% for ages 56-58 1.500% for ages 59-61 1.875% for ages 62 and above, and all disabled participants



**RETIREMENT AND PENSION SYSTEM**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Years Ended December 31, 2020 and 2019**

Pre-retirement mortality rates are based on the PRI-2012 Employee Mortality Table with sex-distinct rates. Healthy annuitant mortality rates are based on the PRI-2012 Healthy Annuitant Mortality Table with sex-distinct rates, plus a 20% load. Disabled annuitant mortality rates are based on the PRI-2012 Disabled Retiree Mortality Table with sex-distinct rates, plus a 20% load. Beneficiary mortality rates are based on the PRI-2012 Contingent Survivor Mortality Table with sex-distinct rates, plus a 20% load. All the aforementioned mortality tables above are projected generationally with Scale SSA-2019.

The actuarial assumptions used in the valuation as of December 31, 2020 are based on the results of an experience study for the period January 1, 2014 to December 31, 2018.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2020 and 2019, are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return <sup>1</sup></b>
Domestic Equity	35%	6.65%
International Equity	9%	7.82%
Fixed Income	24%	1.43%
Alternatives	15%	2.55%
Real Estate	15%	3.75%
Short Term Investments	2%	-0.10%
<b>Total</b>	100%	

<sup>1</sup> The expected real rate of return is net of inflation.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.





**RETIREMENT AND PENSION SYSTEM**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Years Ended December 31, 2020 and 2019**

**Sensitivity of the net pension liability (asset) to changes in the discount rate**

The following presents the net pension liability (asset), calculated using the discount rate of 7.25%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage-point lower (6.25%) or one percentage-point higher (8.25%) than the current rate:

	<b>2020</b>		
	<b>1% Decrease</b>	<b>Current Discount</b>	<b>1% Increase</b>
	<b>(6.25%)</b>	<b>Rate</b>	<b>(8.25%)</b>
		<b>(7.25%)</b>	<b>(8.25%)</b>
Net Pension Liability (Asset)	\$ 64,010,041	\$ (105,978,717)	\$ (248,686,997)
	<b>2019</b>		
	<b>1% Decrease</b>	<b>Current Discount</b>	<b>1% Increase</b>
	<b>(6.25%)</b>	<b>Rate</b>	<b>(8.25%)</b>
		<b>(7.25%)</b>	<b>(8.25%)</b>
Net Pension Liability (Asset)	\$ 140,145,846	\$ (26,497,165)	\$ (166,270,197)

**4. DEPOSITS AND INVESTMENTS**

**Deposits**

As of December 31, 2020 and 2019, MLGW Pension Plan’s deposits were fully insured or collateralized in accordance with state law.

**Investments**

The overall investment objective is to provide for the funding needs of the MLGW Pension Plan. The Pension Board (“Investment Committee”) has formulated specific performance standards for the overall fund as well as its components. Underlying these standards is the belief that management of the fund should be directed toward achieving long-term growth of the assets by focusing on achieving an above average rate of return without the assumption of undue risk. In addition, the fund must keep pace with inflation and meet actuarial assumptions. The Investment Committee is charged with the responsibility to manage the assets of the MLGW Pension Plan.

The Investment Committee is authorized and permitted to engage the services of registered investment managers who possess the necessary specialized research facilities and skilled professionals to meet the investment objectives and guidelines of The MLGW Pension Plan. The Investment Committee requires the investment managers to adhere to the “prudent person rule” under such federal and state laws that now apply, or that may in the future apply in regard to the investing of MLGW Pension Plan’s assets. The Investment Committee is responsible for selecting investment managers and reviewing and evaluating investment results in the context of predetermined performance standards.





**RETIREMENT AND PENSION SYSTEM**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Years Ended December 31, 2020 and 2019**

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The Investment Committee engages with an Investment Consultant, an independent investment consulting firm. The Investment consultant is charged with keeping the Investment Committee, SVP, CFO & CAO (Secretary-Treasurer), and Manager of Treasury Management and/or their respective designees, informed of the investment results being achieved by the Fund. The consultant will also provide data pertaining to the MLGW Pension Plan's asset allocation structure and the risk (volatility) associated with the Plan's investment allocation.

The Investment Committee has the responsibility of determining the asset allocation that offers the highest probability of achieving the investment goals and objectives. The target asset allocation of the MLGW Pension Plan is designed to give balance to the overall structure of the plan's investment program over a long period of time. Therefore, the Investment Committee must update and revise the asset mix as the financial needs of the MLGW Pension Plan are analyzed and reviewed, as capital markets change, and as they receive the advice and guidance of the Investment Consultant regarding both the financial needs of the Plan and the changes in the capital markets. The Investment Committee establishes the maximum exposures on some of the asset classes being employed by the Plan.

In compliance with the MLGW Retirement and Pension Fund investment policy, the MLGW Pension Plan may invest in the following major asset classes: domestic and international equities, global fixed income, special strategies, real estate, and short-term investments.

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**RETIREMENT AND PENSION SYSTEM**  
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As of December 31, 2020, the MLGW Pension Plan's investments consisted of the following:

Investment Type	Investments	Actual Exposure	Maximum Exposure	Minimum Exposure
<b>Domestic Equity Funds:</b>				
Common stock - domestic	\$ 291,200,571	17.60%		
Common stock index - domestic	456,291,942	27.57%		
Subtotal Domestic Equity Funds:	747,492,513	45.17%	65%	20%
<b>International Equity Funds:</b>				
Common stock - international	100,221,864	6.05%		
Rights/warrants - international	5,811	0.00%		
Preferred stock - international	1,943,635	0.12%		
Subtotal international Equity Funds:	102,171,310	6.17%	25%	0%
<b>Global Fixed Income Funds:</b>				
Corporate bond - domestic	46,374,642	2.80%		
Corporate bond - international	40,633,682	2.46%		
Convertible corporate bond - international	313,500	0.02%		
Government bonds - domestic	4,483,322	0.27%		
Government bonds - international	50,864,117	3.07%		
Global bond - international	62,346,700	3.77%		
U.S. government agencies - domestic	10,828,948	0.65%		
Global government agencies	6,696,052	0.40%		
Asset backed securities-domestic	10,037,854	0.61%		
Asset backed securities-international	3,922,413	0.24%		
Mortgage backed securities	20,603,158	1.25%		
Securitized asset fund	57,574,269	3.48%		
Subtotal Global Fixed Income Funds:	314,678,657	19.02%	65%	15%
<b>Special Strategies Funds:</b>				
Private equity - domestic*	65,508,371	3.96%		
Private equity - international	5,155,710	0.31%		
Distressed debt - domestic	59,177,470	3.58%		
Distressed debt - international	67,150,996	4.06%		
Multi-asset - domestic	14,373,273	0.87%		
Life settlement funds - domestic	73,202,864	4.42%		
Subtotal Special Strategies Funds:	284,568,684	17.20%	25%	0%
<b>Real Estate Funds</b>				
Real estate	200,776,004	12.13%		
Subtotal Real Estate Funds:	200,776,004	12.13%	20%	0%
<b>Short-Term Investments</b>				
	5,079,855	0.31%	40%	0%
<b>Total Investments</b>	<b>\$ 1,654,767,023</b>	<b>100.00%</b>		

\* Private equity - domestic includes a private equity firm, GPB Holdings II, LP, valued at \$20.0 million as of December 31, 2020. It represents the fair market value as of June 30, 2019, the most recent available. As of the date of this report, the Pension Plan has not received the fair market value statements from GPB Holdings II, LP for the year ended December 31, 2020. In March 2020, GPB Holdings II, LP issued a distribution of \$1.3 million which did not impact its market value.



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The MLGW Pension Plan's investments (including items bought, sold, as well as, held during the year) appreciated and depreciated in value, as follows during the years ended December 31:

	<b>Net Appreciation (Depreciation) of Investments</b>	
	<b>2020</b>	<b>2019</b>
Investments:		
<b>Equity Funds:</b>		
Common and preferred stock - domestic	\$ 37,357,109	\$ 63,861,929
Common and preferred stock - international	9,678,993	11,624,448
Common stock index - domestic	106,149,451	63,470,222
Equity ETF - domestic	(8,822,732)	36,886,946
Subtotal Equity Funds:	144,362,821	175,843,545
<b>Fixed Income Funds:</b>		
Corp. Bonds; Gov't Bonds; Global Bond; Gov't Agencies; Asset backed Securities; Mortgage-Backed Securities; Short-Term Investments - domestic	4,718,196	6,737,003
Corp. Bonds; Convertible Corp. Bond; Gov't Bonds; Global Bond; Gov't Agencies; Asset backed Securities; Mortgage-Backed Securities; Short-Term Investments - international	4,785,440	14,834,079
Securitized asset fund - domestic	6,806,523	744,374
Subtotal Fixed Income Funds:	16,310,159	22,315,456
<b>Special Strategies Funds:</b>		
Private equity funds - domestic	2,080,521	(4,039,320)
Private equity fund - international	1,034,915	(76,509)
Distressed debt funds - domestic	3,400,246	(6,617,578)
Distressed debt fund - international	7,596,781	2,169,657
Multi-asset fund - domestic	513,117	1,272,315
Life settlement funds - domestic	(1,939,541)	3,936,141
Subtotal Special Strategies Funds:	12,686,039	(3,355,294)
<b>Real Estate Funds</b>	1,147,417	12,707,811
<b>Total Net Appreciation of Investments</b>	<b>\$ 174,506,436</b>	<b>\$ 207,511,518</b>



## **Rate of Return**

For the years ended December 31, 2020 and 2019, the annual money-weighted rate of return on the Plan's investments, net of investment expenses, was 12.75% and 17.7%, 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* for investments is the risk that an issuer or other counterparty to an investment will default and not meet its obligations. This risk is measured by the credit quality ratings issued by nationally recognized statistical rating organizations. Investments in obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk.

The MLGW Pension Plan's investment managers are co-fiduciaries of the fund. All Investment Managers 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 Investment Committee. While each manager will have his/her own individual set of guidelines, there are certain responsibilities specific to all managers.

The global fixed income manager's goal is to exceed the return (net of fees) above appropriate bond indices, have a minimum quality rating of investment grade "BBB-, Baa3, etc." for all fixed income and have no holdings of any one security of more than five (5.0%) in the Investment Manager's portfolio. The average duration of the portfolio should not exceed the appropriate index by more than twenty percent (20%). No more than ten percent (10%) of an Investment Manager portfolio may be invested with a single corporate issuer (excluding commingled investments).

An Investment Manager may invest no more than twenty-five percent (25%) of the portfolio in the securities of a single non-US government guaranteed agency or supranational authority (excluding commingled investments or those with written approval of the Investment Committee). Additionally, an Investment Manager may invest no more than twenty-five percent (25%) of the portfolio in emerging markets debt securities (excluding commingled investments or those approved by the Investment Committee).

Approximately 29.3% of the MLGW Pension Plan's investment portfolio is held in partnerships. Partnerships establish their own market value and set their own pricing. Partnerships include special strategies and real estate funds.

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The following tables represent the MLGW Pension Plan's investment exposure to credit risk based on Standard & Poor's and Moody's Investor Service ratings:

As of December 31, 2020 the Plan's investments were rated as follows by Standard & Poor's:

Investment Type	AAA	AA	A	BBB	BB	B	CCC	D	Not Rated/ Categorized or Quality Rating not Available	US		Total
										Government Guaranteed	Government Guaranteed	
Asset Backed Securities			\$ 248,038	\$ 2,541,628	\$ 1,138,584	\$ 493,051			\$ 9,048,304	\$ 146,151	\$ 13,615,756	
Collateralized Bonds				344,511					344,511		344,511	
Commercial Mortgage-Backed				460,757		137,817			10,300,259		10,898,833	
Corporate Bonds	589,917	5,328,420	17,350,420	30,563,752	4,978,459	4,468,160	2,409,983		21,100,704	218,508	87,008,323	
Corporate Convertible Bonds									313,500		313,500	
Funds - Government Agencies										62,346,700	62,346,700	
Funds - Short Term Investment									21,142,442		21,142,442	
Government Agencies		4,428,653	291,850	1,813,441				41,650	4,549,111	6,400,295	17,525,000	
Government Bonds		2,079,105	871,814	11,214,432	3,291,085	4,980,016	3,283,801	191,535	24,459,449	3,314,824	53,686,061	
Government Mortgage Backed Securities										2,013,806	2,013,806	
Government Issued Commercial Mortgage-Backed										5,271,161	5,271,161	
Life Settlement Funds									15,971,780		15,971,780	
Index Linked Government Bonds				474,801							474,801	
Municipal/Provincial Bonds									766,697		766,697	
Non-Government Backed CMOs									2,419,359		2,419,359	
Short Term Bills and Notes										4,999,855	4,999,855	
Sukuk				419,880							419,880	
Total Market Value by Rating	\$ 589,917	\$ 11,836,178	\$ 18,762,122	\$ 47,488,691	\$ 9,408,128	\$ 10,079,044	\$ 5,693,784	\$ 233,185	\$ 110,416,116	\$ 84,711,300	\$ 299,218,465	

As of December 31, 2020 the Plan's investments were rated as follows by Moody's Investor Services:

Investment Type	Aaa	Aa	A	Baa	Ba	B	Caa	C	Not Rated/ Categorized or Quality Rating not Available	US		Total
										Government Guaranteed	Government Guaranteed	
Asset Backed Securities				\$ 3,848,638	\$ 2,601,136				\$ 7,019,831	\$ 146,151	\$ 13,615,756	
Collateralized Bonds				344,511							344,511	
Commercial Mortgage-Backed			195,595	299,797					10,403,441		10,898,833	
Corporate Bonds	2,299,971	6,600,459	15,329,473	31,076,047	7,013,322	5,094,256	2,152,218		17,442,577		87,008,323	
Corporate Convertible Bonds				313,500							313,500	
Funds - Government Agencies										62,346,700	62,346,700	
Funds - Short Term Investment	21,142,442										21,142,442	
Government Agencies	8,366,833	824,531	913,619	1,392,479	1,610,841	458,933			1,457,782	2,499,982	17,525,000	
Government Bonds	2,966,189	1,649,820	2,939,167	11,308,970	3,863,257	5,703,338	2,150,031	191,535	18,963,117	3,950,637	53,686,061	
Government Mortgage Backed Securities										2,013,806	2,013,806	
Government Issued Commercial Mortgage-Backed										5,271,161	5,271,161	
Life Settlement Funds									15,971,780		15,971,780	
Index Linked Government Bonds				474,801							474,801	
Municipal/Provincial Bonds									766,697		766,697	
Non-Government Backed CMOs									2,419,359		2,419,359	
Short Term Bills and Notes										4,999,855	4,999,855	
Sukuk				419,880							419,880	
Total Market Value by Rating	\$ 34,775,435	\$ 9,074,810	\$ 19,377,854	\$ 49,478,623	\$ 15,088,556	\$ 11,256,527	\$ 4,302,249	\$ 191,535	\$ 74,444,584	\$ 81,228,292	\$ 299,218,465	



### **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 its investment or collateral securities that are in the possession of another 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 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. To further limit Custodial Credit Risk exposure all cash and securities in physical or book entry form shall be held in safekeeping by a designated third-party custodian, its sub-custodians or depositories in the name of the designated fund. As part of its function under the Investment Policy Statement, the Investment Committee, or its designee, receives and periodically reviews lists identifying assets held in designated custodial name or depositories. As of December 31, 2020, the MLGW Plan investments were not exposed to custodial risk, were not subject to exposure, or the exposure could not be determined.

### **Concentration of Credit Risk**

*Concentration of credit risk* is the risk of loss in relation to the amount of an investment in a single issuer. Governments should provide information about the concentration of risk associated with their investments by disclosing any one issuer that represents 5.0% or more of the total investments.

The MLGW Pension Plan's charter states that the Pension Board shall be able to make such investments as authorized by state law and as it deems proper. No Investment Manager should have more than 15% of the total portfolio of the Fund, excluding passively managed strategies such as index mutual funds, indexed ETFs, and other indexed commingled funds. The MLGW Pension Plan's fund will not have holdings in any one issuer of more than 5.0 to 10.0%, excluding US government and agency issues, investments in mutual funds and investments diversified to limit the exposure to any one issuer.

Of the investments subject to concentration of credit risk, there were no investments in any one issuer that represented 5.0% or more of the fund.

### **Interest Rate Risk**

*Interest rate risk* is borne by changes in interest rates that unfavorably affect the fair value of an investment in debt securities. The MLGW Pension Plan's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.



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At December 31, 2020, the MLGW Pension Plan had the following investments with effective duration:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Effective Duration (in years)</u>
Asset Backed Securities	\$ 13,615,756	3.0
Collateralized Bonds	344,511	4.4
Commercial Mortgage-Backed	10,898,833	6.0
Corporate Bonds	85,456,933	7.7
Corporate Convertible Bonds	313,500	6.9
Government Agencies	17,525,000	7.2
Government Bonds	53,686,061	7.8
Government Mortgage Backed Securities	2,013,806	7.8
Gov't-issued Commercial Mortgage-Backed	5,271,161	10.4
Index Linked Government Bonds	474,801	0.4
Municipal/Provincial Bonds	766,697	11.0
Non-Government Backed C.M.O.s	1,760,723	19.0
Short Term Bills and Notes	4,999,855	0.1
Sukuk	419,880	7.7
Subtotal:	197,547,517	
Corporate Bonds	1,551,390	Unavailable
Funds-Government Agencies	62,346,700	Unavailable
Funds- Short term Investments	21,142,442	Unavailable
Life Settlement Fund-Corry Capital	15,971,780	Unavailable
Non-Government Backed C.M.O.s	658,636	Unavailable
Subtotal:	101,670,948	
Total Investments with Effective Duration	\$ 299,218,465	



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### Foreign Currency Risk

*Foreign currency risk* is the risk that an investor will have to close out a position in a foreign currency at a loss due to an adverse movement in exchange rates.

The MLGW Pension Plan's exposure to foreign currency risk at December 31, 2020, is as follows:

<u>Investments</u>	<u>Currency</u>	<u>Fair Value</u>
Common stock	British pound sterling- United Kingdom	\$ 10,724,944
Common stock	British pound sterling-Spain	317,931
Common stock	Canadian dollar	797,129
Common stock	Euro - France	8,042,358
Common stock	Euro - Germany	5,957,236
Common stock	Euro - Italy	2,262,248
Common stock	Euro - Netherlands	2,345,137
Common stock	Euro - Spain	3,512,624
Common stock	Euro-Finland	59,582
Common stock	Hong Kong dollar	749,978
Common stock	Japanese yen	4,495,266
Common stock	South Korean won	2,767,553
Common stock	Mexican peso	297,623
Common stock	Swedish krona	536,336
Common stock	Swiss franc	5,544,767
Preferred stock	Euro - Germany	1,943,635
Corporate Bonds	Mexican peso	480,805
Government Agencies	Indonesia rupiah	361,240
Government Agencies	Indian rupee	463,292
Government Agencies	Indonesia rupiah	260,058
Government Agencies	South African rand	699,491
Government Bonds	Euro - Cote d'Ivoire	572,172
Government Bonds	Euro-Montenegro	553,619
Government Bonds	Brazilian real	2,816,077
Government Bonds	Chilean peso	1,031,045
Government Bonds	Columbian peso	2,378,553
Government Bonds	Indonesian rupiah	2,540,930
Government Bonds	Mexican peso	3,216,088
Government Bonds	Malaysian ringgit	2,409,256
Government Bonds	Polish zloty	434,376
Government Bonds	New Romanian leu	796,917
Government Bonds	Euro-Romania	1,418,899
Government Bonds	Russian ruble	3,806,181
Government Bonds	South African rand	1,963,839
Government Bonds	Turkish lira	1,235,058
Rights/Warrants	Swiss franc	5,811
<b>Total foreign currency exposure</b>		<b>\$ 77,798,052</b>





**RETIREMENT AND PENSION SYSTEM**  
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**Securities Lending Transactions**

The MLGW Pension Plan has authorized The Northern Trust Company (“Agent”) to enter into, on behalf of the plan, securities lending transactions – 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 borrower is required to deliver additional collateral when necessary so that the total collateral held by the Agent for all loans to the borrower of all participating lenders will at least equal the market value of all the borrowed securities of all participating lenders loaned to the borrower. The MLGW Pension Plan does not have the ability to pledge or sell collateral securities without a borrower default. The maturities of the investments made with cash collateral do not necessarily match the maturities of securities on loan.

The Agent may terminate a loan at any time and the borrower must deliver equivalent securities to the Agent. The Agent is required to indemnify the plan if the Agent is unable to recover borrowed securities and distributions made due to the Agent’s: 1) failure to make a reasonable determination of the borrower’s creditworthiness, 2) failure to demand adequate collateral on a timely basis or 3) failure to perform its duties in accordance with the lending agreement held with the MLGW Pension Plan.

Collateral held in trust for securities on loan included in the 2020 and 2019 statements of plan net position consisted of cash and noncash collateral. At December 31, 2020 and 2019, the MLGW Pension Plan had no credit risk exposure to borrowers because the amounts the MLGW Pension Plan owed to the borrowers exceeded the amounts the borrowers owed the MLGW Pension Plan. Investments held by broker-dealers under securities loans consist of the following:

Securities Type	As of December 31, 2020					
	Market Value of Securities on Loan			Collateral Received from Borrowers		
	Cash Collateral	Non-Cash Collateral	Total	Cash Collateral	Non-Cash Collateral <sup>1</sup>	Total
Global Equities	\$ -	\$ 835,536	\$ 835,536	\$ -	\$ 897,906	\$ 897,906
Global Corporate Fixed	525,981	-	525,981	542,110	-	542,110
Global Government Fixed	1,232,611	-	1,232,611	1,230,550	-	1,230,550
U.S. Agencies	1,932,131	-	1,932,131	1,979,400	-	1,979,400
U.S. Corporate Fixed	8,807,464	612,662	9,420,126	8,984,121	634,005	9,618,126
U.S. Equities	30,817,174	12,275,685	43,092,859	31,693,957	12,681,253	44,375,210
U.S. Government Fixed	4,360,244	1,184,468	5,544,712	4,441,673	1,211,710	5,653,383
<b>Total</b>	<b>\$ 47,675,605</b>	<b>\$ 14,908,351</b>	<b>\$ 62,583,956</b>	<b>\$ 48,871,811</b>	<b>\$ 15,424,874</b>	<b>\$ 64,296,685</b>

Securities Type	As of December 31, 2019					
	Market Value of Securities on Loan			Collateral Received from Borrowers		
	Cash Collateral	Non-Cash Collateral	Total	Cash Collateral	Non-Cash Collateral <sup>1</sup>	Total
Global Equities	\$ 20,349	\$ -	\$ 20,349	\$ 21,854	\$ -	\$ 21,854
Global Government Fixed	585,439	-	585,439	604,225	-	604,225
U.S. Agencies	1,388,855	-	1,388,855	1,422,450	-	1,422,450
U.S. Corporate Fixed	9,222,031	5,747,625	14,969,656	9,435,544	5,869,352	15,304,896
U.S. Equities	67,225,018	55,161,910	122,386,928	68,659,819	56,326,889	124,986,708
U.S. Government Fixed	2,757,612	1,679,067	4,436,679	2,823,131	1,715,383	4,538,514
<b>Total</b>	<b>\$ 81,199,304</b>	<b>\$ 62,588,602</b>	<b>\$ 143,787,906</b>	<b>\$ 82,967,023</b>	<b>\$ 63,911,624</b>	<b>\$ 146,878,647</b>

<sup>1</sup> Collateral values are estimates based on program wide collateralization levels.

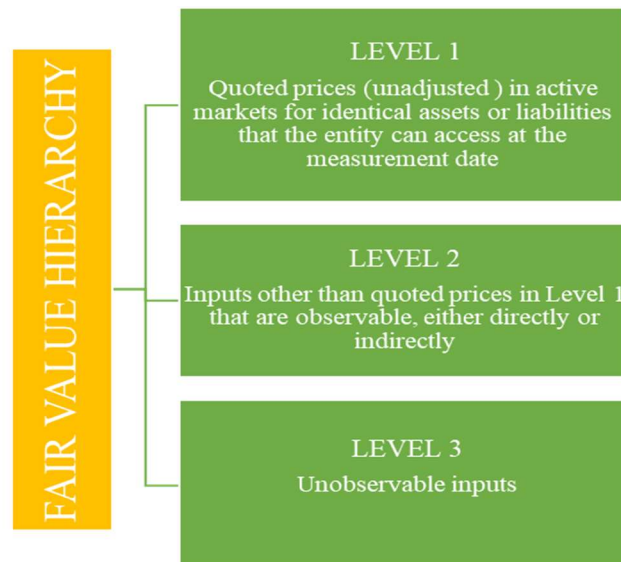
## 5. FAIR VALUE MEASUREMENTS

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. The most observable inputs are classified as Level 1, inputs other than quoted prices included within 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 in active markets that are accessible on the measurement date. The MLGW Pension Plan includes short-term securities, debt securities, and equity securities in this level.

**Level 2:** Fair value is determined using quoted market prices for similar asset 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. The MLGW Pension Plan includes Sukuk, debt and short-term securities in this level.

**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. Certain MLGW Pension Plan's debt securities are in this level.





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The following tables display information regarding investments measured using the fair value hierarchy at December 31, 2020 and 2019, respectively:

	December 31 2020	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level</b>				
Short-term securities	\$ 5,079,855	\$ 4,999,855	\$ 80,000	\$ -
Debt Securities				
Asset backed securities	13,469,605	-	1,998,135	11,471,470
Corporate bonds	87,321,824	-	75,313,508	12,008,316
Debt other	62,691,210	-	62,346,700	344,510
Government mortgage-backed securities	7,284,967	-	7,273,736	11,231
Municipal bonds	766,697	-	766,697	-
Non U.S. government agencies	6,696,052	-	6,654,402	41,650
Non-government bonds	50,846,037	-	50,771,977	74,060
Non-government mortgage-backed securities	13,318,192	-	4,208,781	9,109,411
U.S. government agencies	10,975,099	-	10,975,099	-
U.S. treasury securities	3,314,825	3,314,825	-	-
Total debt securities	256,684,508	3,314,825	220,309,035	33,060,648
Equity Securities				
Communication services	10,596,638	10,596,638	-	-
Consumer discretionary	34,337,291	34,337,291	-	-
Consumer staples	7,813,512	7,813,512	-	-
Energy	12,229,261	12,229,261	-	-
Equity other	580,232,660	580,232,660	-	-
Financials	34,597,578	34,597,578	-	-
Health care	37,609,021	37,609,021	-	-
Industrials	53,156,933	53,156,933	-	-
Information technologies	60,444,250	60,444,250	-	-
Materials	7,888,955	7,888,955	-	-
Utilities	1,532,585	1,532,585	-	-
Real estate	9,225,139	9,225,139	-	-
Total equity securities	849,663,823	849,663,823	-	-
Sukuk	419,880	-	419,880	-
<b>Total investments by fair value level</b>	<b>1,111,848,066</b>	<b>\$ 857,978,503</b>	<b>\$ 220,808,915</b>	<b>\$ 33,060,648</b>
<b>Investments measured at the net asset value (NAV) *</b>				
Distressed debt funds	126,328,466			
Life settlement funds	73,202,864			
Fixed income	57,574,269			
Multi-asset fund	14,373,273			
Private equity funds **	70,664,081			
Real estate funds	200,776,004			
<b>Total investments measured at NAV</b>	<b>542,918,957</b>			
<b>Total Investments</b>	<b>\$ 1,654,767,023</b>			

\* 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.

\* \* Private equity - domestic includes a private equity firm, GPB Holdings II, LP, valued at \$20.0 million as of December 31, 2020. It represents the fair market value as of June 30, 2019, the most recent available. As of the date of this report, the Pension Plan has not received the fair market value statements from GPB Holdings II, LP for the year ended December 31, 2020. In March 2020, GPB Holdings II, LP issued a distribution of \$1.3 million which did not impact its market value.



**RETIREMENT AND PENSION SYSTEM**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Years Ended December 31, 2020 and 2019**

	December 31 2019	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level</b>				
Short-Term securities	\$ 2,632,518	\$ 2,402,518	\$ 230,000	\$ -
Debt Securities				
Asset backed securities	14,664,908	-	10,428,533	4,236,375
Corporate bonds	95,966,057	-	93,827,857	2,138,200
Debt other	76,373,972	-	76,030,455	343,517
Government bonds	5,886,293	-	5,533,924	352,369
Government mortgage-backed securities	10,438,968	-	10,438,968	-
Municipal bonds	981,794	-	981,794	-
Non U.S. government agencies	7,602,903	-	7,602,903	-
Non-government bonds	43,244,843	-	43,006,595	238,248
Non-government mortgage-backed securities	9,122,135	-	2,907,770	6,214,365
U.S. government agencies	8,768,671	-	8,768,671	-
U.S. treasury securities	2,421,770	2,421,770	-	-
Total debt securities	275,472,314	2,421,770	259,527,470	13,523,074
Equity Securities				
Communication services	16,738,420	16,738,420	-	-
Consumer discretionary	24,016,141	24,016,141	-	-
Consumer staples	10,598,677	10,598,677	-	-
Energy	26,820,350	26,820,350	-	-
Equity other	486,052,781	486,052,781	-	-
Financials	51,522,366	51,522,366	-	-
Health care	33,002,709	33,002,709	-	-
Industrials	41,359,971	41,353,377	-	6,594
Information technologies	44,259,194	44,259,194	-	-
Materials	10,240,943	10,240,943	-	-
Utilities	2,137,226	2,137,226	-	-
Real estate	5,675,428	5,675,428	-	-
Total equity securities	752,424,206	752,417,612	-	6,594
Sukuk	698,906	-	698,906	-
<b>Total investments by fair value level</b>	<b>1,031,227,944</b>	<b>\$ 757,241,900</b>	<b>\$ 260,456,376</b>	<b>\$ 13,529,668</b>
<b>Investments measured at the net asset value (NAV) *</b>				
Distressed debt funds	76,266,907			
Life settlement funds	67,512,713			
Fixed income	16,723,441			
Multi-asset fund	13,860,156			
Private equity funds **	64,513,642			
Real estate funds	206,164,385			
<b>Total investments measured at NAV</b>	<b>445,041,244</b>			
<b>Total Investments</b>	<b>\$ 1,476,269,188</b>			



**RETIREMENT AND PENSION SYSTEM**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Years Ended December 31, 2020 and 2019**

**Investments in Certain Entities that Calculate Net Asset Value (NAV) Per Share**

MLGW Pension Plan measures certain investments that do not have a readily determinable fair value using NAV as a practical expedient. 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:

	Investments Measured at the Net Asset Value (NAV)		December 31, 2020			
	Fair Value	Fair Value	Unfunded Commitments	Redemption Notice Period	Redemption Frequency (if Currently Eligible)	
	December 31, 2020	December 31, 2019				
Distressed debt funds <sup>(1)</sup>	\$ 126,328,466	\$ 76,266,907	\$ 18,335,000			
Life settlement funds <sup>(2)</sup>	73,202,864	67,512,713	7,600,000	90-120 days	Quarterly	
Fixed income fund <sup>(3)</sup>	57,574,269	16,723,441	-			
Multi-asset fund <sup>(4)</sup>	14,373,273	13,860,156	-		Quarterly with no gate	
Private equity funds <sup>(5)</sup>	70,664,081	64,513,642	35,552,795			
Real estate funds <sup>(6)</sup>	200,776,004	206,164,385	17,123,527	30 - 91 days	Quarterly or 2 years	
<b>Total investments measured at NAV</b>	<b>\$ 542,918,957</b>	<b>\$ 445,041,244</b>	<b>\$ 78,611,322</b>			

1. *Distressed debt funds.* This category includes five distressed debt funds that invest in senior secured debt as well as distressed and stressed assets that are restructuring or believed to be misunderstood in the marketplace. The MLGW Pension Plan investment in each fund is generally not subject to redemption and is normally returned through distributions as a result of the liquidation. It is expected that the underlying assets of the funds will be liquidated over the next 2 to 7 years.
2. *Life settlement funds.* This category includes four life settlement funds that invest in longevity contingent assets, including life settlements and a portfolio of individual, non-variable, life insurance policies. The MLGW Pension Plan investments in this category representing 39.0% can be redeemed quarterly with 90 days' notice; 21.8% can be redeemed quarterly with 120 days' notice. The remaining 39.2% are not subject to redemption and it is expected that the underlying assets of these funds will be liquidated over the next 7-10 years.
3. *Fixed income fund.* This category is comprised of a fixed income fund that is managed by the securitized product specialists. The fund is an opportunistic, enhanced total return fixed income strategy that seeks to take advantage of the investment opportunity created by dislocated and mispriced assets in the residential mortgage backed sector. The MLGW Pension Plan investment in this category is generally not subject to redemption and it is expected that the underlying assets of this fund will be liquidated over the next 4 years.



**RETIREMENT AND PENSION SYSTEM**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Years Ended December 31, 2020 and 2019**

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4. *Multi-asset fund.* This category is composed of a multi-asset fund that employs alternative strategies under a flexible investment mandate including both fund and direct investments. The MLGW Pension Plan investment in this category can be redeemed quarterly.
5. *Private equity funds.* This category includes nine 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. 71.6% of MLGW Pension Plan investments in this category are not subject to redemption and are normally returned through distributions as a result of the liquidation. It is expected that the underlying assets of these funds will be liquidated over the next 3 to 14 years. The remaining 28.4% can be redeemed monthly on the 15th after the 3rd month.
6. *Real estate funds.* This category includes six real estate funds that invest in office, retail, industrial, and multi-family properties. The MLGW Pension Plan investments in this category representing 18.7% can be redeemed quarterly with 30 days' notice; 21.2% can be redeemed 2 years after notice; 37.2% can be redeemed quarterly with 91 days' notice. The remaining 22.9% are not subject to redemption and it is expected that the underlying assets of these funds will be liquidated over the next 5 to 10 years.

## 6. INCOME TAX STATUS

The MLGW Pension Plan is qualified under Section 401(a) of the Internal Revenue Code (the "Code"); therefore, the related trust is exempt from taxation.

## 7. 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 MLGW Plan investments, resulting in a decline in investments as of the end of the first quarter. Because the Plan 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 Plan weathered the economic conditions, and net position restricted for pensions as of December 31, 2020, increased 7.6% over net position restricted for pensions at December 31, 2019.

**REQUIRED SUPPLEMENTARY INFORMATION**



**RETIREMENT AND PENSION SYSTEM  
REQUIRED SUPPLEMENTARY INFORMATION  
Years Ended December 31, 2020 and 2019**

**Schedule of Changes in Retirement and Pension System's Net Pension Liability**

	2020	2019	2018	2017	2016	2015	2014	2013
<b>Total Pension Liability</b>								
Service cost	\$ 32,142,431	\$ 31,635,554	\$ 31,185,071	\$ 31,977,390	\$ 32,590,805	\$ 30,139,353	\$ 31,786,185	\$ 33,122,294
Interest	109,265,045	110,927,046	108,431,791	103,730,509	102,247,950	99,939,763	100,436,012	98,818,230
Change in benefit terms	-	-	-	-	-	-	-	-
Differences between expected and actual experience	9,102,230	(5,039,880)	3,725,938	4,908,452	(11,297,656)	2,274,807	(16,338,083)	(14,280,030)
Changes of assumptions	-	(174,213)	-	-	-	-	(22,111,951)	-
Benefit payments, including refunds of employee contributions	(111,826,594)	(107,730,602)	(113,315,849)	(104,919,467)	(102,627,833)	(100,528,352)	(100,249,274)	(91,930,874)
<b>Net change in total pension liability</b>	<b>38,683,112</b>	<b>29,617,905</b>	<b>30,026,951</b>	<b>35,696,884</b>	<b>20,913,266</b>	<b>31,825,571</b>	<b>(6,477,111)</b>	<b>25,729,620</b>
Total pension liability - beginning	<u>1,530,874,929</u>	<u>1,501,257,024</u>	<u>1,471,230,073</u>	<u>1,435,533,189</u>	<u>1,414,619,923</u>	<u>1,382,794,352</u>	<u>1,389,271,463</u>	<u>1,363,541,843</u>
Total pension liability - ending (a)	<u>\$ 1,569,558,041</u>	<u>\$ 1,530,874,929</u>	<u>\$ 1,501,257,024</u>	<u>\$ 1,471,230,073</u>	<u>\$ 1,435,533,189</u>	<u>\$ 1,414,619,923</u>	<u>\$ 1,382,794,352</u>	<u>\$ 1,389,271,463</u>
<b>Plan fiduciary net position</b>								
Contributions - employer	24,504,032	21,813,428	22,174,419	22,389,805	21,390,060	21,390,060	26,804,170	30,706,286
Contributions - employee	13,827,902	13,462,380	13,216,689	12,958,804	12,513,273	12,309,664	11,729,085	12,000,254
Net investment income	192,437,830	237,313,578	(39,995,874)	216,498,126	108,008,264	15,231,323	98,931,237	185,706,622
Benefit payments, including refunds of employee contributions	(111,826,594)	(107,730,602)	(113,315,849)	(104,919,467)	(102,627,833)	(100,528,352)	(100,249,274)	(91,930,874)
Administrative expense	(778,506)	(931,403)	(871,948)	(859,736)	(729,599)	(758,946)	(714,266)	(657,209)
Other	-	-	-	-	-	-	-	-
<b>Net change in plan fiduciary net position</b>	<b>118,164,664</b>	<b>163,927,381</b>	<b>(118,792,563)</b>	<b>146,067,532</b>	<b>38,554,165</b>	<b>(52,356,251)</b>	<b>36,500,952</b>	<b>135,825,079</b>
Other adjustments	-	-	-	-	-	787,877 *	-	-
<b>Plan fiduciary net position - beginning</b>	<b>1,557,372,094</b>	<b>1,393,444,713</b>	<b>1,512,237,276</b>	<b>1,366,169,744</b>	<b>1,327,615,579</b>	<b>1,379,183,953</b>	<b>1,342,683,001</b>	<b>1,206,857,922</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 1,675,536,758</b>	<b>\$ 1,557,372,094</b>	<b>\$ 1,393,444,713</b>	<b>\$ 1,512,237,276</b>	<b>\$ 1,366,169,744</b>	<b>\$ 1,327,615,579</b>	<b>\$ 1,379,183,953</b>	<b>\$ 1,342,683,001</b>
<b>Net pension liability - ending (a) - (b)</b>	<b>\$ (105,978,717)</b>	<b>\$ (26,497,165)</b>	<b>\$ 107,812,311</b>	<b>\$ (41,007,203)</b>	<b>\$ 69,363,445</b>	<b>\$ 87,004,344</b>	<b>\$ 3,610,399</b>	<b>\$ 46,588,462</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>106.75%</b>	<b>101.73%</b>	<b>92.82%</b>	<b>102.79%</b>	<b>95.17%</b>	<b>93.85%</b>	<b>99.74%</b>	<b>96.65%</b>
<b>Covered - employee payroll</b>	<b>\$ 173,424,888</b>	<b>\$ 170,945,709</b>	<b>\$ 169,605,389</b>	<b>\$ 167,220,851</b>	<b>\$ 161,925,757</b>	<b>\$ 160,640,772</b>	<b>\$ 152,367,924</b>	<b>\$ 154,759,208</b>
<b>Net pension liability as percentage of covered employee payroll</b>	<b>-61.11%</b>	<b>-15.50%</b>	<b>63.57%</b>	<b>-24.52%</b>	<b>42.84%</b>	<b>54.16%</b>	<b>2.37%</b>	<b>30.10%</b>

**Notes to Schedule:**

*Benefit changes* : There have been no changes in benefit provisions since GASB 67 implementation.

*Changes of assumptions* : The assumptions were updated for the December 31, 2019 pension liability based on the five-year experience study for the period ending December 31, 2018.

\* The Actuary used preliminary data on net investment income (in 2014) and administrative expense (in 2013); however, the Pension Plan's annual report reflected late-reporting received from money managers. Therefore, the ending balance as of December 31, 2014 was understated by \$787,877. "Other Adjustments" represents the correction of the beginning balance at December 31, 2015.





**RETIREMENT AND PENSION SYSTEM  
REQUIRED SUPPLEMENTARY INFORMATION  
Years Ended December 31, 2020 and 2019**

**Schedule of Division's Contributions to the Retirement and Pension System  
Last 10 Fiscal Years**

<b>Year Ended December 31</b>	<b>Actuarially Determined Contributions</b>	<b>Contributions in Relation to the Actuarially Determined Contributions</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered- Employee Payroll</b>	<b>Contributions as a Percentage of Covered Employee Payroll</b>
2020	\$ 24,504,032	\$ 24,504,032	\$ -	\$ 173,424,888	14.13%
2019	21,813,428	21,813,428	-	170,945,709	12.76%
2018	22,174,419	22,174,419	-	169,605,389	13.07%
2017	22,389,805	22,389,805	-	167,220,851	13.39%
2016	21,390,060	21,390,060	-	161,925,757	13.21%
2015	21,390,060	21,258,344	131,716 *	160,640,772	13.32%
2014	26,812,140	26,804,170	7,970	152,367,924	17.59%
2013	30,705,469	30,706,286	(817)	154,759,208	19.84%
2012	30,067,184	30,062,947	4,237	154,346,706	19.48%
2011	26,208,301	26,212,629	(4,328)	154,036,290	17.02%

**Notes to the Required Schedules**

*Methods and Assumptions used to Determine Contribution Rates*

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Valuation Date	January 1, 2019	January 1, 2018	January 1, 2017	January 1, 2016	January 1, 2015	January 1, 2016	January 1, 2015	January 1, 2014	January 1, 2013	January 1, 2012
Measurement Date	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012	December 31, 2011
Census data collected	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012	December 31, 2011
Actuarial cost method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age Normal	Entry Age Normal	Cost Method (2011-2015 presented)			
Amortization method	0.50%	1.00%	1.50%	2.50%	2.50%	2.00%	2.50%	Level percent of payroll (2011-2013 presented)		
	Level percent of payroll, using annual increases (2017-2020) with amortization at pay (2014-2016)									
Amortization period of initial unfunded AAL	20-year closed	21-year closed	22-year closed	23-year closed	24-year closed	25-year closed	30-year closed, level percent-of-payroll (years 2011-2014 presented)			
Remaining amortization period	22 years	23 years	24 years	25 years	26 years	25 years	26 years	27 years	28 years	29 years
Asset valuation method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five-year period, further adjusted, if necessary, to be within 30% of the market value.									
Investment rate of return	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Inflation rate	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	3.25%	3.25%	3.25%
Cost of living adjustments	for years 2014-2020 presented below: 0.83% for ages 56-58 1.65% for ages 59-61 2.06% for ages 62 and above, and all disabled participants							for years 2011-2013 presented below: 0.98% for ages 56-58 1.95% for ages 59-61 2.44% for ages 62 and above, and all disabled participants		
Projected salary increases	0.00% to 8.50%	0.00% to 8.50%	0.00% to 6.75%	0.00% to 6.75%	0.00% to 6.75%	0.00% to 6.75%	0.00% to 6.75%	Inflation plus merit increases that vary by age and service		
	Inflation plus merit increases that vary by age and service (for all years presented)									
Mortality rates:	(years 2019-2020 presented below):							(years 2011-2013 presented below):		
<i>Pre-retirement</i>	PRI-2012 Employee Mortality Table		RP-2014 Employee Mortality Table				RP-2000 Combined Health Mortality Table with Blue Collar Adjustment for males and White Collar Adjustment for females			
<i>Healthy annuitants</i>	120% of PRI-2012 Healthy Annuitant Mortality Table		138% of RP-2014 Healthy Annuitant Mortality Table				RP-2000 Disabled Retiree Mortality Table			
<i>Disabled annuitants</i>	120% of PRI-2012 Disabled Retiree Mortality Table		138% of RP-2014 Disabled Retiree Mortality Table							
<i>Beneficiaries</i>	120% of PRI-2012 Contingent Survivor Mortality Table									
	All mortality tables above projected generationally with Scale SSA-2019.		All mortality tables above are 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.				All above mortality tables were determined to contain a margin of 9% or provision appropriate to reasonably reflect future mortality improvement, based on a five-year review of mortality experience ended December 31, 2008. The reasonableness of the tables will again be reviewed with the next study, to be completed in 2014.			

Other information

\* The MLGW Pension Plan adopted GASB Statement No. 82 in 2016. To present the comparative statements for 2016 and 2015, the Division contributions for 2015 were restated to reflect the Executive contributions as a part of Member contributions.



**RETIREMENT AND PENSION SYSTEM**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**Years Ended December 31, 2020 and 2019**

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**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 *	12.75%	17.70%	(2.61%)	16.51%	8.66%	1.34%	7.77%	16.00%	4.84%	4.38%

\* The annual money-weighted rate of return on the Pension plan 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 Pension plan investment expense should be measured on the accrual basis of accounting.



## **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  
Retirement and Pension System  
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 Retirement and Pension System (the "Plan"), 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 Plan 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 respective changes in their financial position or, where applicable, its cash flows for the years 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 Plan's internal control over financial reporting ("internal control") as a basis for determining 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 Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan'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 Plan'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 Plan'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 Plan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Dixon Hughes Goodman LLP*

Memphis, Tennessee  
June 2, 2021

**MEMPHIS LIGHT, GAS AND WATER DIVISION  
RETIREMENT AND PENSION SYSTEM**

Schedule of Prior Year Findings and Responses  
For the Year Ended December 31, 2020

There were no prior findings reported.