

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

Financial Statements

For the Years Ended December 31, 2021 and 2020

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

For the Years Ended December 31, 2021 and 2020

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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, 2021. 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 2021 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, 2021, 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, 2021. 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.

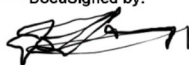
The MLGW Pension Board establishes the policies of the MLGW Pension Plan. The Board is comprised of one member of the Board of Commissioners of the Division (who serves as Chairman of the Pension Board), the President of the Division (who serves as Vice-Chairman), the Sr. Vice President, CFO, CAO, and 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, 2022, the actuarial accrued liability was \$1,682.7 million, and the actuarial value of assets was \$1,663.1 million; resulting in an unfunded actuarial accrued liability of \$19.6 million which is a funded ratio of 98.8%. The covered payroll was \$177.8 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,

DocuSigned by:

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Jarl "J.T." Young
President & CEO

DocuSigned by:

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

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

Pension Board Members



Steven Wishnia
Chairman



Jarl "J.T." Young
Vice Chairman



Dana Jeanes
Secretary-Treasurer



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



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



Jerry R. Collins, Jr.
Retired Member
Term Expires: 12/31/2023



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 Longfield, CFA
Executive Vice President, Senior Consultant

Brian Jones
Senior Vice President, Senior Consultant

CUSTODIAN

Northern Trust Corporation

Anabel Argüello
2nd 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

Jeffrey S. Williams, FCA, ASA, EA, MAAA
Vice President and Consulting Actuary

Bryan Clubb, ASA, MAAA, EA
Consulting Actuary

LEGAL CONSULTANT

Evans & Petree, PC

Frank N. Stockdale Carney
Shareholder

Elizabeth Friary
Associate

FISCAL YEAR UPDATES

During the December 16, 2020, Board of Light, Gas and Water Commissioners meeting, Commissioner Steve Wishnia was appointed Pension Board and OPEB Committee Chair. This appointment was effective January 1, 2021.

Brian Jones, long-time Senior Consultant and Senior Vice president at CBIZ Investment Advisory Services, LLC, the Pension and OPEB Board's investment consulting firm, was introduced to the Board as the replacement for Curtis Williams during the April 21, 2021, Pension Board meeting. Brian has been with CBIZ for over 30 years and is also a member of the Research and Advisory Board.

Mr. Leon (Rocky) Joyner, actuary for Segal Consulting, announced his retirement effective June 1, 2021. He introduced Mr. Jeffrey Williams, another experienced consultant for Segal, as his replacement during the May 19, 2021, Pension Board meeting.

Dixon Hughes Goodman LLP was introduced as the new audit firm for the Pension and OPEB plans when they presented their findings from the 2020 annual audit of financial statements at the June 16, 2021, Pension Board meeting.

During the September 15, 2021, Pension Board meeting, the Board approved an increase to the minimum monthly normal retirement benefit paid to retirees and survivors from \$500.00 to \$600.00. Since this approval required an amendment to the Plan document, the Board subsequently approved the amendment to the Plan at the November 17, 2021, meeting. Final approval was provided by the Board of Commissioners and Council of the City of Memphis on December 1, 2021, and December 21, 2021, respectively, and is effective January 1, 2022.

Since the current term of Nicholas Newman, the Employee Member on the Board, was set to expire on December 31, 2021, an election was held during the week of October 18, 2021, through October 22, 2021. With three candidates vying for the position, Nicholas Newman was re-elected Employee Member with 55.31% of the vote. The results were presented during the December 15, 2021, Board meeting.



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 Audit of the Financial Statements

Opinion

We have audited the 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, which comprise the statements of fiduciary net position as of December 31, 2021 and 2020, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the fiduciary net position of the Plan as of December 31, 2021 and 2020, and the changes in its fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Other Matter

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, 2021 and 2020, and the respective changes in their financial position or, where applicable, their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the Schedule of Changes in 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 15 and 41 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2022, 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
May 27, 2022



RETIREMENT AND PENSION SYSTEM MANAGEMENT'S DISCUSSION AND ANALYSIS Years Ended December 31, 2021 and 2020

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, 2021, and December 31, 2020. 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 2020 and 2019 is presented for comparative purposes.

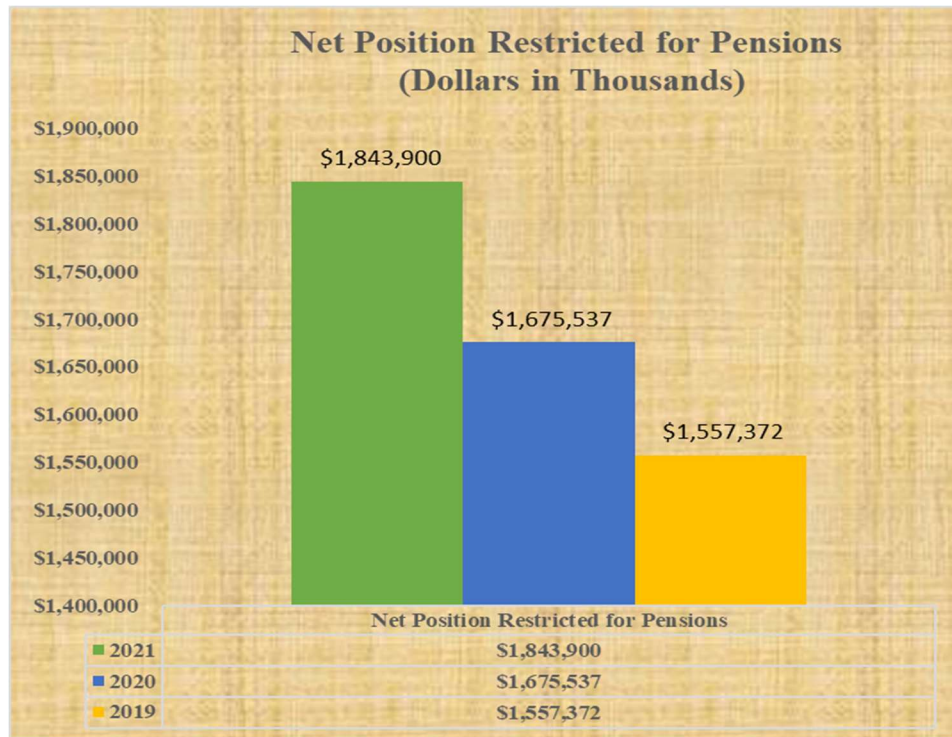
FINANCIAL HIGHLIGHTS

- 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, 2021, was \$1,843.9 million, an increase of \$168.4 million, or 10.1% compared to the total net position at December 31, 2020, of \$1,675.5 million. 2020 reflected an increase of \$118.2 million, or 7.6% from \$1,557.4 million total net position at December 31, 2019. *See Graph 1.*
- Cash and cash equivalents increased \$7.6 million, or 26.3% to \$36.3 million at December 31, 2021, from \$28.7 million at December 31, 2020. 2020 reflected a decrease of \$49.8 million or 63.4% from \$78.5 million reported in 2019.
- Investments were \$1,806.2 million at December 31, 2021, an increase of \$151.4 million, or 9.2% from \$1,654.8 million at December 31, 2020. 2020 reflected an increase of \$178.5 million, or 12.1% from \$1,476.3 million at December 31, 2019. *See Graph 2.*
- Net investment activities income increased by \$60.2 million, or 31.3% to \$252.4 million at December 31, 2021 which was primarily due to a \$61.7 million, or 35.4% increase in net appreciation of investments. The increase was partially offset by a \$1.7 million, or 26.7% decrease in dividend income. For 2020, net investment activities income was \$192.2 million, a decrease of \$44.6 million or 18.8% from \$236.8 at December 31, 2019. For 2021, net appreciation of investments totaled \$236.2 million compared with net appreciation of investments of \$174.5 million for 2020. The net appreciation of investments for 2020 declined \$33.0 million, or 15.9% from \$207.5 million at December 31, 2019. *See graphs 3 (a) and (b)*
- Total pension benefit payments increased by \$6.2 million, or 5.7% at December 31, 2021, to \$115.1 million from \$108.8 million at December 31, 2020. 2020 reflected an increase of \$4.5 million, or 4.3% from \$104.3 million reported in 2019.

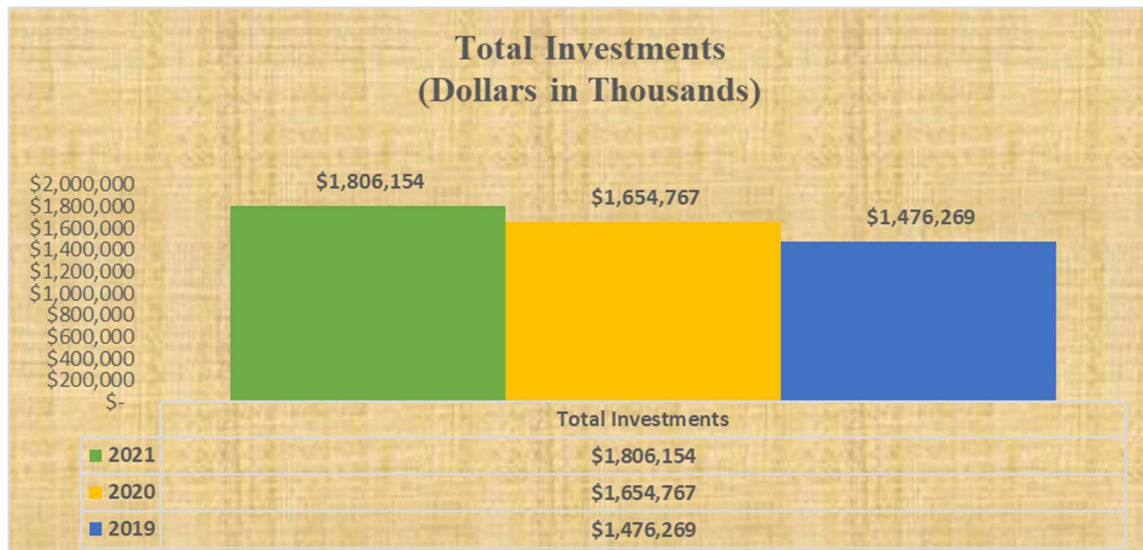
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Financial Highlights

Graph 1

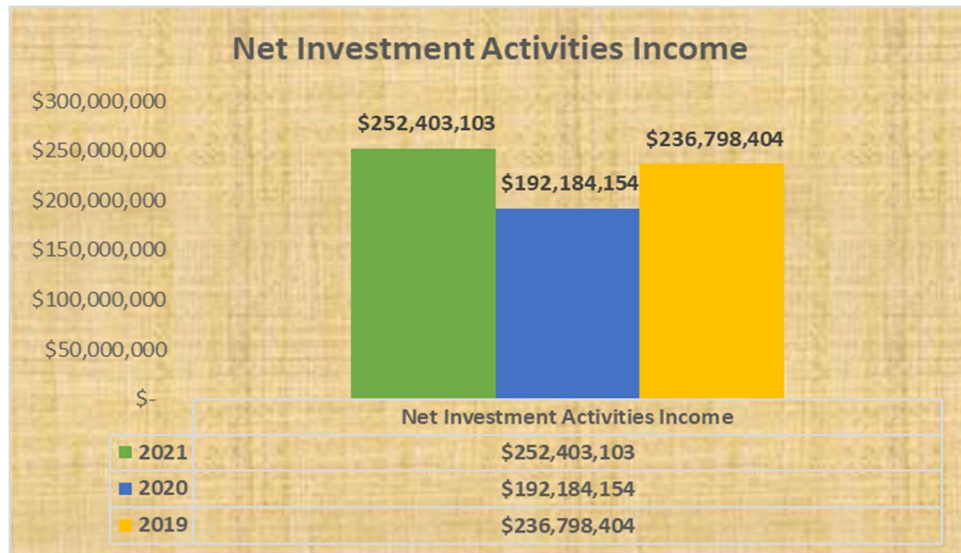


Graph 2

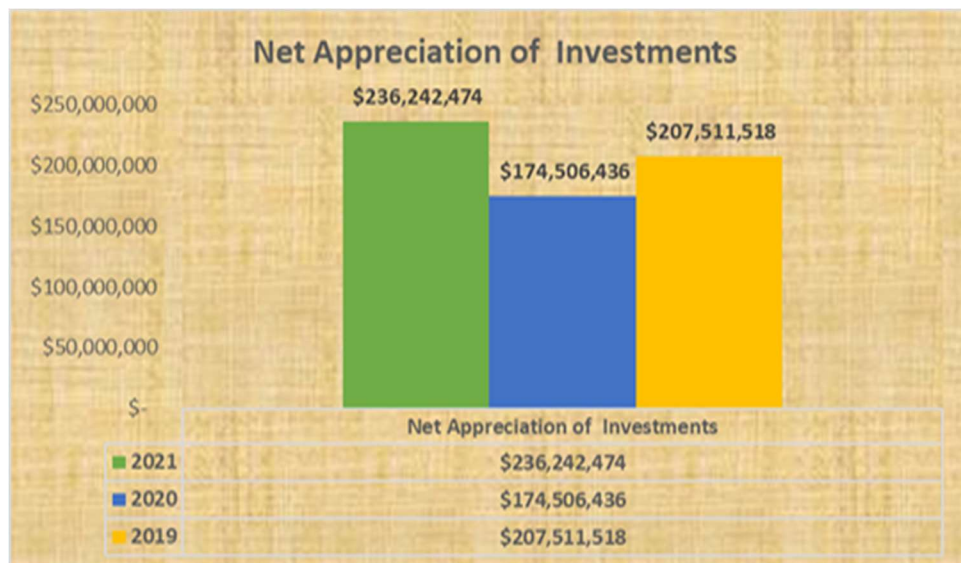


Financial Highlights

Graph 3 (a)



Graph 3 (b)





RETIREMENT AND PENSION SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2021 and 2020

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, 2021 and 2020

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, 2021, 2020, and 2019 <i>(Dollars in Thousands)</i>					
	<u>2021</u>	<u>2020</u>	<u>FY21 - FY20</u> <u>Percentage</u> <u>Change</u>	<u>2019</u>	<u>FY20 - FY19</u> <u>Percentage</u> <u>Change</u>
Assets					
Cash and cash equivalents	\$ 36,297	\$ 28,735	26.3%	\$ 78,498	-63.4%
Receivables	15,873	26,709	-40.6%	24,810	7.7%
Investments *	1,806,154	1,654,767	9.2%	1,476,269	12.1%
Collateral held for securities on loan	74,913	48,872	53.3%	82,967	-41.1%
Total assets	<u>1,933,237</u>	<u>1,759,083</u>	<u>9.9%</u>	<u>1,662,544</u>	<u>5.8%</u>
Liabilities					
Liability for securities purchased and accrued liabilities	14,424	34,674	-58.4%	22,205	56.2%
Collateral subject to return to borrowers	74,913	48,872	53.3%	82,967	-41.1%
Total liabilities	<u>89,337</u>	<u>83,546</u>	<u>6.9%</u>	<u>105,172</u>	<u>-20.6%</u>
Net position restricted for Pensions	<u>\$ 1,843,900</u>	<u>\$ 1,675,537</u>	<u>10.1%</u>	<u>\$ 1,557,372</u>	<u>7.6%</u>
* Investments include a private equity fund, GPB Holdings II, LP valued at \$30.9 million for 2021, the fair value as of December 31, 2021. For the years ended 2020 and 2019, the investment was valued at \$20.0 million, the fair value as of June 30, 2019, the most recent available at the time.					

Assets

2021 Compared to 2020:

At December 31, 2021, total assets were \$1,933.2 million, representing an addition of \$174.2 million, or 9.9%, from 2020. The Plan experienced increases in cash and cash equivalents, investments, and collateral held for securities on loan; however, the growth in fair value of the Plan's total investments was the primary reason for the increase in total assets.



RETIREMENT AND PENSION SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2021 and 2020

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 2021, total investments were \$1,806.2 million, which reflected an increase of \$151.4 million, or 9.2% from 2020. The increase in total investments can be attributed to strong performances in the Plan's equity funds, specifically, common stock domestic and common stock & mutual funds international. The Plan's private equity-international, life settlement, and real estate funds experienced significant increases in fair value. Domestic private equity funds were boosted by the addition of four new funds to the Plan's investment portfolio which resulted in an additional \$33.2 million in fair value. In addition, GPB Holdings II, LP reported a fair value of \$30.9 million as of December 31, 2021, an increase of \$10.9 million over the \$20.0 million reflected in 2020. That value represented the fair value as of June 30, 2019, which was the most recent available value as of December 31, 2020.

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 fair value of the Plan's total investments, offset in part by decreases in cash and cash equivalents and collateral held for securities on loan.

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 & mutual funds international and common stock index mutual funds 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 fair 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.



RETIREMENT AND PENSION SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2021 and 2020

Liabilities

2021 Compared to 2020:

At December 31, 2021, total liabilities were \$89.3 million, an increase of \$5.8 million, or 6.9% from \$83.5 million at 2020. This increase was primarily due to the substantial increase in collateral subject to return to borrowers, which was driven by an increase in the fair value of the securities on loan. The increase was partially offset by a decrease in liability for securities purchased.

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.

Net position

2021 Compared to 2020:

At December 31, 2021, the MLGW Pension Plan's fiduciary net position (total assets and deferred outflows of resources, less total liabilities and deferred inflows of resources) was \$1,843.9 million, an increase of \$168.4 million, or 10.1 % from the net position at December 31, 2020. The increase in the MLGW Pension Plan's fiduciary net position is primarily due to the improved fair value of investments in the common stock domestic, common stock and mutual funds international, the domestic and international private equity funds, multi-asset, life settlement funds, and the real estate funds.

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's fiduciary net position is primarily due to the improved fair value of investments in the common stock index domestic funds, the securitized asset fund, and the domestic and international special strategies funds.

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, 2021, 2020, and 2019 <i>(Dollars in Thousands)</i>					
	<u>2021</u>	<u>2020</u>	<u>FY21 - FY20</u> <u>Percentage</u> <u>Change</u>	<u>2019</u>	<u>FY20 - FY19</u> <u>Percentage</u> <u>Change</u>
Additions					
Contributions	\$ 38,415	\$ 38,332	0.2%	\$ 35,276	8.7%
Net investment activities income	252,403	192,184	31.3%	236,798	-18.8%
Securities lending activities income	194	254	-23.6%	515	-50.7%
Total additions	291,012	230,770	26.1%	272,589	-15.3%
Deductions					
Benefits payments	115,059	108,822	5.7%	104,291	4.3%
Refunds	6,722	3,004	123.8%	3,440	-12.7%
Administrative expense	868	779	11.4%	931	-16.3%
Total deductions	122,649	112,605	8.9%	108,662	3.6%
Net increase	168,363	118,165	42.5%	163,927	27.9%
Net position restricted for Pensions					
Beginning of year	1,675,537	1,557,372	7.6%	1,393,445	11.8%
End of year	<u>\$ 1,843,900</u>	<u>\$ 1,675,537</u>	<u>10.1%</u>	<u>\$ 1,557,372</u>	<u>7.6%</u>

Change in Net Position

2021 Compared to 2020:

The change in net position at December 31, 2021, was \$168.4 million, an increase of \$50.2 million, or 42.5% from \$118.2 million at December 31, 2020. Total investment activities income increased by \$60.2 million, or 31.3% due to the appreciation of investments within the equity, special strategies, and real estate funds.



RETIREMENT AND PENSION SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2021 and 2020

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.

Additions

2021 Compared to 2020:

Total additions to net position increased by \$60.2 million, or 26.1% to \$291.0 million at December 31, 2021, compared to \$230.8 million at December 31, 2020, primarily due to the increase in net investment activities income.

Net investment activities income was \$252.4 million, which reflected an increase of \$60.2 million, or 31.3% from \$192.2 million in 2020. The component of net investment activities income that had the greatest impact was net appreciation of investments which rose \$61.7 million. It was slightly offset by a \$1.7 million decrease in dividend income.

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.

Deductions

2021 Compared to 2020:

Total deductions from net position in 2021 amounted to \$122.6 million, an increase of \$10.0 million or 8.9%, up from \$112.6 million in 2020. The increase in deductions in 2021 was two-fold: the Plan reflected an increase of \$5.6 million, or 6.2% in benefit payments to retired members and an increase of \$3.7 million, or 123.8% in refunds paid to terminated employees or beneficiaries. Benefit payments to retired participants in 2021 increased due, in part, to a 13.1% increase in the number of new retirees added to the MLGW Pension Plan. Additionally, the lump sum factor increased in 2021, which contributed to the \$4.0 million increase in lump sum payments issued at the time of retirement, despite the average retirement age and average lump sum percentage election remaining consistent with 2020.

In 2021, an additional twenty-four (24) refunds were issued totaling \$6.7 million compared to \$3.0 million in 2020. The refunds were a result of voluntary or involuntary terminations as well as deaths of active and retired employees who did not have a beneficiary eligible to receive a bimonthly survivor benefit. One-time payments to beneficiaries amounted to \$1.7 million in 2021 versus \$.3 million in 2020.

RETIREMENTS

Retiree Information	2021	2020
Number of New Retirees	95	84
Number of New Retirees Who Took Lump Sum	88	78
Average Age of New Retirees	59.5	59.8

\$\$ REFUNDS \$\$

Refund Information	2021	2021 Amount	2020	2020 Amount
Number of employees who received a refund	71	\$ 5,067,545	53	\$ 2,683,813
Number of benefits paid on behalf of deceased active or retired employees	10	\$ 1,654,520	4	\$ 320,488
Total Contributions Refund	81	\$ 6,722,065	57	\$ 3,004,301



RETIREMENT AND PENSION SYSTEM MANAGEMENT'S DISCUSSION AND ANALYSIS Years Ended December 31, 2021 and 2020

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.

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 ongoing pandemic, the MLGW Pension Plan's investments followed up 2020's strong year end performance with net appreciations in investments in each of the four (4) quarters of 2021. While the Plan's performance in the third quarter revealed weaker performances within the Plan's equity funds, specifically international equity, the Plan benefited from its diverse portfolio which helped achieve the net gain in that quarter. *See graph 4 (a) and 4 (b) on the next page.*

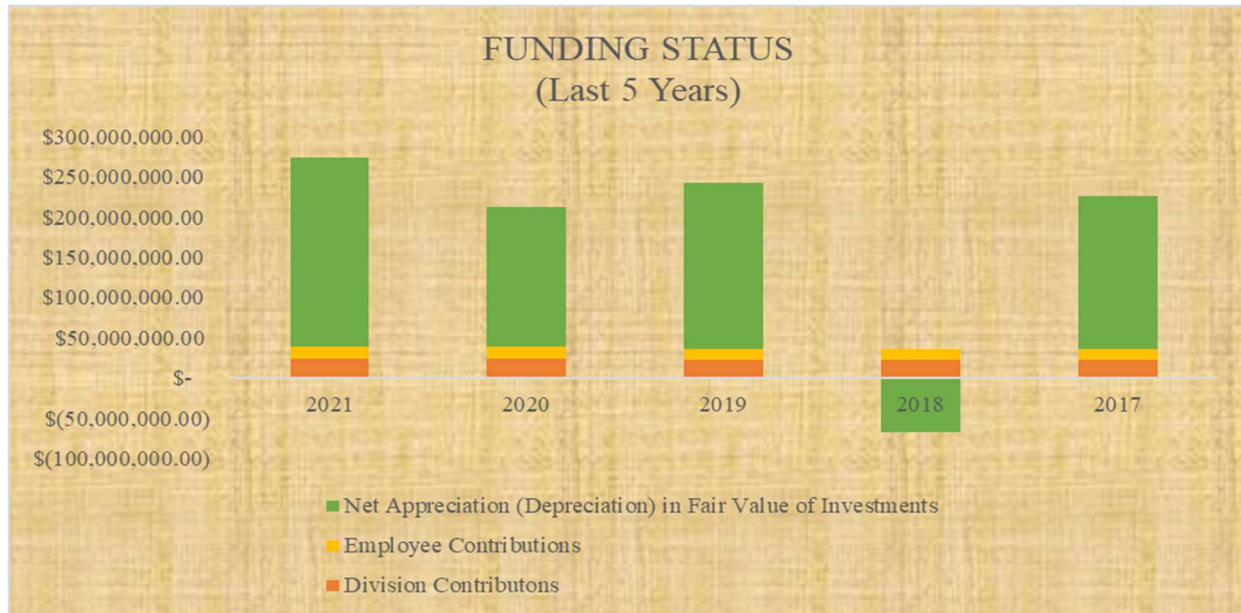
The funding policy adopted in 2015 and made effective on January 1, 2016, requires the Division to contribute 100% of the actuarially determined contribution. Employees are still required to contribute 8.0% of pensionable earnings to the MLGW Pension Plan. The Division's contribution is determined by 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, 2021, the Division's actual annual contribution was \$24.2 million as recommended and determined by an independent actuarial valuation study.

REQUESTS FOR INFORMATION

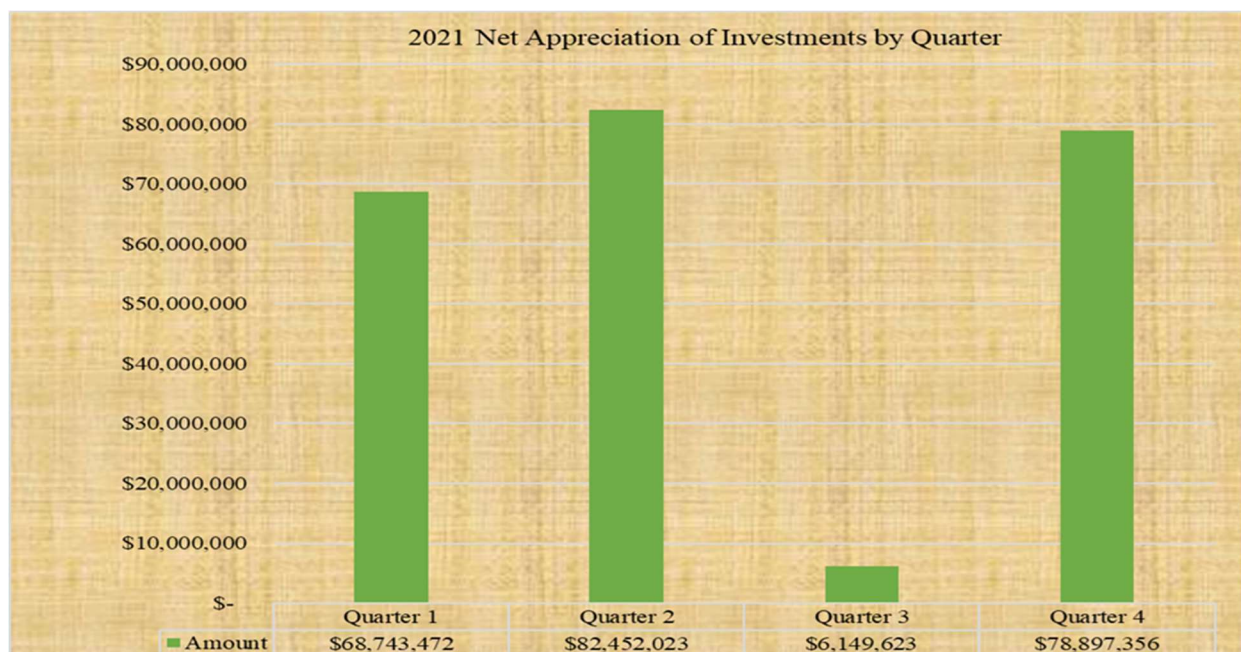
Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

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

Graph 4 (a)



Graph 4 (b)





RETIREMENT AND PENSION SYSTEM
STATEMENTS OF FIDUCIARY NET POSITION
December 31, 2021 and 2020

	December 31	
	2021	2020
Assets		
Cash and cash equivalents	\$ 36,296,890	\$ 28,734,681
Receivables:		
Interest, dividends and real estate receivable	3,211,540	3,306,455
Receivable for securities sold	11,851,397	22,882,947
Miscellaneous receivable	-	771
Employer and employee contributions receivable	810,062	519,105
Collateral held in trust for securities on loan	74,913,020	48,871,811
Total receivables	90,786,019	75,581,089
Investments:		
Equity Funds:		
Common stock - domestic	308,432,909	218,884,289
Common stock & mutual funds - international	190,293,750	172,538,146
Common stock index mutual funds - domestic	427,160,140	456,291,942
Rights/warrants	-	5,811
Preferred stock - international	-	1,943,635
Fixed Income Funds:		
Corporate bonds - domestic	49,916,841	46,374,642
Corporate bonds - international	37,606,653	40,633,682
Corporate convertible bond - international	826,452	313,500
Government bonds - domestic	7,728,224	4,483,322
Government bonds - international	48,263,961	50,864,117
Global bond - international	59,067,374	62,346,700
U.S. government agencies	11,895,863	10,828,948
Global government agencies	8,282,766	6,696,052
Asset backed securities - domestic	2,450,383	10,037,854
Asset backed securities - international	2,133,799	3,922,413
Mortgage backed securities - domestic	26,745,120	20,603,158
Securitized asset fund	39,982,607	57,574,269
Special Strategies Funds:		
Private equity - domestic *	107,198,629	65,508,371
Private equity - international	14,680,854	5,155,710
Distressed debt - domestic	44,584,994	59,177,470
Distressed debt - international	65,480,473	67,150,996
Multi-asset - domestic	16,039,620	14,373,273
Life settlement funds - domestic	80,564,330	73,202,864
Real Estate Funds:		
Real estate	251,551,824	200,776,004
Short-Term Investment	5,266,880	5,079,855
Total investments	1,806,154,446	1,654,767,023
Total assets	1,933,237,355	1,759,082,793
Liabilities		
Collateral subject to return to borrowers	74,913,020	48,871,811
Liability for securities purchased	12,413,728	32,964,344
Accrued liabilities	2,010,115	1,709,880
Total liabilities	89,336,863	83,546,035
Net position restricted for Pensions	\$ 1,843,900,492	\$ 1,675,536,758

*Private equity-domestic includes a private equity fund, GPB Holdings II, LP, valued at \$30.9 million, the fair value as of December 31, 2021. For December 31, 2020, the fair value was \$20.0 million based on the June 30, 2019 fair value, the most recent available at the time.

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, 2021 and 2020

	Years Ended December 31	
	2021	2020
Additions		
Contributions		
Employer	\$ 24,199,396	\$ 24,504,032
Member	14,215,567	13,827,902
Total contributions	38,414,963	38,331,934
Investment Activities Income		
Net appreciation of investments	236,242,474	174,506,436
Interest income	12,026,610	11,562,172
Dividend income	4,737,267	6,462,417
Real estate income	4,695,055	4,076,051
Other income	86,594	9,859
Total investment activities income	257,788,000	196,616,935
Less investment activities expenses	5,384,897	4,432,781
Net investment activities income	252,403,103	192,184,154
Securities Lending Activities:		
Securities lending income	185,484	532,778
Securities lending expenses:		
Borrower rebates	56,694	(215,749)
Management fees	(48,394)	(63,353)
Total securities lending expenses	8,300	(279,102)
Net securities lending activities income	193,784	253,676
Total investment activities income	252,596,887	192,437,830
Total additions	291,011,850	230,769,764
Deductions		
Benefit payments:		
Retired members	96,763,620	91,118,410
Survivors (spouse, minors, and dependents)	17,087,589	16,856,884
Disabled members	612,468	429,792
Deferred vested members	305,792	301,605
Alternate payees	289,080	115,602
Total benefit payments	115,058,549	108,822,293
Contributions refund	6,722,065	3,004,301
Administrative expenses	867,502	778,506
Total deductions	122,648,116	112,605,100
Change in net position	168,363,734	118,164,664
Net position restricted for Pensions		
Beginning of year	1,675,536,758	1,557,372,094
End of year	\$ 1,843,900,492	\$ 1,675,536,758

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



RETIREMENT AND PENSION SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2021 and 2020

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.



RETIREMENT AND PENSION SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2021 and 2020

Reclassifications

Certain items in the 2020 Statement of Net Position have been reclassified for comparative purposes to conform with the 2021 presentation. These reclassifications had no effect on the previously reported Statement of Net Position.

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

There were no recent accounting standards issued by the Governmental Accounting Standards Board that affected the MLGW Pension Plan for fiscal year 2021.

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.

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.



RETIREMENT AND PENSION SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2021 and 2020

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 the securitized asset 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 fund's monthly and quarterly statements. They are measured at NAV per share or its equivalent.

The real estate funds are measured at the NAV based on information obtained from the investor shareholder quarterly statements.

Short term investments 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.

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



RETIREMENT AND PENSION SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2021 and 2020

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, 2021 and 2020 consisted of:

	<u>2021</u>	<u>2020</u>
Retired members or beneficiaries currently receiving benefits	2,700	2,678
Vested terminated members entitled to but not yet receiving benefits *	34	37
Active members	2,426	2,480
Total	<u>5,160</u>	<u>5,195</u>

** 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.

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.



RETIREMENT AND PENSION SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2021 and 2020

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.

The annual retirement allowance shall not exceed 85.0% of the member's final average compensation. The 2021 minimum monthly retirement benefit for all members is the greater of \$50 per year of service or \$500 per month. Effective January 1, 2022, the minimum monthly retirement benefit is the greater of \$60 per year of service or \$600 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.



RETIREMENT AND PENSION SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2021 and 2020

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 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 2021 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.



RETIREMENT AND PENSION SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2021 and 2020

As of January 1, 2022, the actuarial accrued liability was \$1,682.7 million, and the actuarial value of assets was \$1,663.1 million; resulting in an unfunded actuarial accrued liability of \$19.6 million which is a funded ratio of 98.8%. The covered payroll projected was \$177.8 million.

3. NET PENSION LIABILITY

The components of the net pension liability (asset) of the Pension System at December 31, 2021 and 2020, were as follows:

	<u>2021</u>	<u>2020</u>
Total pension liability	\$ 1,643,127,789	\$ 1,569,558,041
Plan fiduciary net position	1,843,900,492	1,675,536,758
Net pension liability (asset)	<u>\$ (200,772,703)</u>	<u>\$ (105,978,717)</u>
Plan fiduciary net position as a percentage of the total pension liability	112.22%	106.75%

Actuarial Assumptions:

The total pension liability was determined by an actuarial valuation as of December 31, 2021, 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	7.00%, net of pension plan investment expense, including inflation; previously 7.25%
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, 2021 and 2020

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 January 1, 2022, valuation were based on the results of an experience study for the five-year period ended 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, 2021, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return ¹
Domestic Equity	35%	6.40%
International Equity	9%	7.37%
Fixed Income	24%	0.77%
Alternatives	15%	7.85%
Real Estate	15%	3.90%
Short Term Investments	2%	-0.10%
Total	100%	4.85%

¹ The expected real rates of return are net of inflation. The total percentage represents the weighted average total.

Discount Rate

The discount rate used to measure the Total Pension Liability (TPL) were 7.00% and 7.25% as of December 31, 2021 and December 31, 2020, respectively. 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 Plan Fiduciary Net Position (FNP) 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 TPL as of both December 31, 2021 and December 31, 2020.



RETIREMENT AND PENSION SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2021 and 2020

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 7.00%, as of December 31, 2021 and 7.25% as of December 31, 2020, 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 (6.00%) for 2021 and (6.25%) for 2020 or one percentage-point higher (8.00%) for 2021 and (8.25%) for 2020 than the current rate:

2021			
	Current Discount		
	1% Decrease (6.00%)	Rate (7.00%)	1% Increase (8.00%)
Net Pension Liability (Asset)	\$ (20,293,522)	\$ (200,772,703)	\$ (352,141,680)
2020			
	Current Discount		
	1% Decrease (6.25%)	Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability (Asset)	\$ 64,010,041	\$ (105,978,717)	\$ (248,686,997)

4. DEPOSITS AND INVESTMENTS

Deposits

As of December 31, 2021 and 2020, 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.



RETIREMENT AND PENSION SYSTEM
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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.

The Investment Committee engages 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 MLGW Pension Plan. The investment 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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Years Ended December 31, 2021 and 2020

As of December 31, 2021, the MLGW Pension Plan's investments consisted of the following:

Investment Type	Investments	Actual Exposure	Maximum Exposure	Minimum Exposure
Domestic Equity Funds:				
Common stock - domestic	\$ 308,432,909	17.08%		
Common stock index mutual funds - domestic	427,160,140	23.65%		
Subtotal Domestic Equity Funds:	735,593,049	40.73%	65%	20%
International Equity Funds:				
Common stock & mutual funds - international	190,293,750	10.53%		
Subtotal International Equity Funds:	190,293,750	10.53%	25%	0%
Global Fixed Income Funds:				
Corporate bond - domestic	49,916,841	2.76%		
Corporate bond - international	37,606,653	2.08%		
Convertible corporate bond - international	826,452	0.05%		
Government bonds - domestic	7,728,224	0.43%		
Government bonds - international	48,263,961	2.67%		
Global bond - international	59,067,374	3.27%		
U.S. government agencies - domestic	11,895,863	0.66%		
Global government agencies	8,282,766	0.46%		
Asset backed securities-domestic	2,450,383	0.14%		
Asset backed securities-international	2,133,799	0.12%		
Mortgage backed securities	26,745,120	1.48%		
Securitized asset fund	39,982,607	2.21%		
Subtotal Global Fixed Income Funds:	294,900,043	16.33%	65%	15%
Special Strategies Funds:				
Private equity - domestic*	107,198,629	5.93%		
Private equity - international	14,680,854	0.81%		
Distressed debt - domestic	44,584,994	2.47%		
Distressed debt - international	65,480,473	3.63%		
Multi-asset - domestic	16,039,620	0.89%		
Life settlement funds - domestic	80,564,330	4.46%		
Subtotal Special Strategies Funds:	328,548,900	18.19%	25%	0%
Real Estate Funds				
Real estate	251,551,824	13.93%		
Subtotal Real Estate Funds:	251,551,824	13.93%	20%	0%
Short-Term Investments	5,266,880	0.29%	40%	0%
Total Investments	\$ 1,806,154,446	100.00%		



RETIREMENT AND PENSION SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
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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:

	Net Appreciation (Depreciation)	
	of Investments	
	<u>2021</u>	<u>2020</u>
Investments:		
Equity Funds:		
Common stock - domestic	\$ 44,785,996	\$ 37,357,109
Common stock & mutual funds - international	14,001,684	9,793,959
Common stock index mutual funds - domestic	96,916,777	106,149,451
Preferred stock - international	-	(114,966)
Equity ETF - domestic	-	(8,822,732)
Subtotal Equity Funds:	<u>155,704,457</u>	<u>144,362,821</u>
Fixed Income Funds:		
Corp. Bonds; Gov't Bonds; Global Bond; Gov't Agencies; Asset backed Securities; Mortgage Backed Securities; Short-Term Investments - domestic	(1,561,939)	4,718,196
Corp. Bonds; Convertible Corp. Bond; Gov't Bonds; Global Bond; Gov't Agencies; Asset backed Securities; Mortgage Backed Securities; Short-Term Investments - international	(11,200,084)	4,785,440
Securitized asset fund - domestic	1,988,757	6,806,523
Subtotal Fixed Income Funds:	<u>(10,773,266)</u>	<u>16,310,159</u>
Special Strategies Funds:		
Private equity funds - domestic	17,086,954	2,080,521
Private equity fund - international	2,731,785	1,034,915
Distressed debt funds - domestic	1,295,766	3,400,246
Distressed debt fund - international	23,986,626	7,596,781
Multi-asset fund - domestic	1,666,347	513,117
Life settlement funds - domestic	3,989,771	(1,939,541)
Subtotal Special Strategies Funds:	<u>50,757,249</u>	<u>12,686,039</u>
Real Estate Funds	40,554,034	1,147,417
Total Net Appreciation of Investments	<u><u>\$ 236,242,474</u></u>	<u><u>\$ 174,506,436</u></u>



RETIREMENT AND PENSION SYSTEM
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Years Ended December 31, 2021 and 2020

Rate of Return

For the years ended December 31, 2021 and 2020, the annual money-weighted rate of return on the Plan's investments, net of investment expenses, was 15.40 % and 12.75 %, 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 32.1% 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.



RETIREMENT AND PENSION SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020

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, 2021, 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 Government Guaranteed	Total
Asset Backed Securities	\$	\$	\$	\$ 496,830	\$	\$	\$ 385,985	\$	\$ 3,599,232	\$ 102,135	\$ 4,584,182
Commercial Mortgage-Backed				264,144	189,327				19,077,072		19,530,543
Corporate Bonds	554,693	7,727,251	15,101,482	27,879,249	5,429,545	4,917,906	1,008,497		24,904,873		87,523,496
Corporate Convertible Bonds					826,452						826,452
Funds - Short Term Investment									29,544,035		29,544,035
Government Agencies		6,667,861		2,809,792	385,927				1,751,951	8,563,098	20,178,629
Government Bonds		1,179,973	1,148,255	8,293,653	7,346,497	7,090,868	1,800,246	422,691	19,647,484	7,313,637	54,243,304
Government Mortgage Backed Securities										3,357,849	3,357,849
Government Issued Commercial Mortgage-Backed										3,070,102	3,070,102
Life Settlement Funds									15,274,945		15,274,945
Municipal/Provincial Bonds									713,731		713,731
Non-Government Backed CMOs									786,625		786,625
Short Term Bills and Notes										5,196,880	5,196,880
Sukuk									1,035,150		1,035,150
Unit Trust Bonds									59,067,375		59,067,375
Total Market Value by Rating	\$ 554,693	\$ 15,575,085	\$ 16,249,737	\$ 39,743,668	\$ 14,177,748	\$ 12,008,774	\$ 3,194,728	\$ 422,691	\$ 175,402,473	\$ 27,603,701	\$ 304,933,298

As of December 31, 2021, 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 Government Guaranteed	Total
Asset Backed Securities	\$	\$	\$	\$ 1,994,564	\$ 728,239	\$	\$	\$	\$ 1,759,244	\$ 102,135	\$ 4,584,182
Commercial Mortgage-Backed				264,144					19,266,399		19,530,543
Corporate Bonds	2,372,552	8,026,249	15,350,417	30,061,627	5,863,102	6,068,501	1,162,316		18,618,732		87,523,496
Corporate Convertible Bonds					826,452						826,452
Funds - Short Term Investment	29,544,035										29,544,035
Government Agencies	9,508,910	1,142,248		1,467,634	3,434,565	449,271			909,202	3,266,799	20,178,629
Government Bonds	5,527,559	601,440	2,069,317	13,574,404	5,389,701	7,542,819	656,307	124,500	15,470,077	3,287,180	54,243,304
Government Mortgage Backed Securities										3,357,849	3,357,849
Government Issued Commercial Mortgage-Backed										3,070,102	3,070,102
Life Settlement Funds									15,274,945		15,274,945
Municipal/Provincial Bonds				472,734					240,997		713,731
Non-Government Backed CMOs									786,625		786,625
Short Term Bills and Notes										5,196,880	5,196,880
Sukuk			1,035,150								1,035,150
Unit Trust Bonds									59,067,375		59,067,375
Total Market Value by Rating	\$ 46,953,056	\$ 9,769,937	\$ 18,454,884	\$ 47,835,107	\$ 16,242,059	\$ 14,060,591	\$ 1,818,623	\$ 124,500	\$ 131,393,596	\$ 18,280,945	\$ 304,933,298



RETIREMENT AND PENSION SYSTEM
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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, 2021, 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



RETIREMENT AND PENSION SYSTEM
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At December 31, 2021, the MLGW Pension Plan had the following investments with effective duration:

Investment Type	Market Value	Effective Duration (in years)
Asset Backed Securities	\$ 4,584,182	4.5
Commercial Mortgage-Backed	19,530,543	5.5
Corporate Bonds	81,150,106	7.2
Corporate Convertible Bonds	826,452	13.1
Government Agencies	20,178,629	8.5
Government Bonds	54,243,304	7.3
Government Mortgage Backed Securities	3,357,849	3.4
Gov't-issued Commercial Mortgage-Backed	3,070,102	9.4
Municipal/Provincial Bonds	713,731	10.3
Non-Government Backed C.M.O.s	786,625	24.9
Short Term Bills and Notes	5,196,880	0.4
Sukuk	1,035,150	8.2
Subtotal:	194,673,553	
Corporate Bonds	6,373,390	Unavailable
Funds- Short term Investments	29,544,035	Unavailable
Life Settlement Fund-Corry Capital	15,274,945	Unavailable
Unit Trust Bonds	59,067,375	Unavailable
Subtotal:	110,259,745	
Total Investments with Effective Duration	<u>\$ 304,933,298</u>	

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, 2021, is as follows:

Investments	Currency	Fair Value
Corporate Bonds	Mexican peso	\$ 492,008.14
Government Agencies	Indonesia rupiah	247,691
Government Agencies	South African rand	380,534
Government Bonds	Euro - Cote d'Ivoire	702,181
Government Bonds	Euro - Peru	392,370
Government Bonds	Brazilian real	2,734,859
Government Bonds	Chilean peso	1,259,758
Government Bonds	Columbian peso	1,093,661
Government Bonds	Hungarian forint	1,500,690
Government Bonds	Indonesian rupiah	2,287,617
Government Bonds	Mexican peso	2,744,400
Government Bonds	Malaysian ringgit	1,718,823
Government Bonds	New Romanian leu	632,992
Government Bonds	Euro-Romania	364,643
Government Bonds	Russian ruble	2,111,358
Government Bonds	South African rand	2,428,071
Government Bonds	Thai baht	2,469,296
Total foreign currency exposure		\$ 23,560,952

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 2021 and 2020 statements of plan net position consisted of cash and noncash collateral. At December 31, 2021 and 2020, 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:

As of December 31, 2021						
Securities Type	Market Value of Securities on Loan			Collateral Received from Borrowers		
	Cash Collateral	Non-Cash Collateral	Total	Cash Collateral	Non-Cash Collateral ¹	Total
Global Agencies	\$ 237,206	\$ -	\$ 237,206	\$ 246,500	\$ -	\$ 246,500
Global Corporate Fixed	1,744,351	-	1,744,351	1,815,348	-	1,815,348
Global Equities	-	263,534	263,534	-	276,562	276,562
Global Government Fixed	2,607,587	-	2,607,587	2,678,962	-	2,678,962
U.S. Agencies	629,016	256,966	885,982	642,020	268,047	910,067
U.S. Corporate Fixed	10,641,650	-	10,641,650	10,868,993	-	10,868,993
U.S. Equities	50,219,334	20,255,684	70,475,018	51,677,448	20,926,438	72,603,886
U.S. Government Fixed	6,853,339	1,065,148	7,918,487	6,983,749	1,090,767	8,074,516
Total	\$ 72,932,483	\$ 21,841,332	\$ 94,773,815	\$ 74,913,020	\$ 22,561,814	\$ 97,474,834

As of December 31, 2020						
Securities Type	Market Value of Securities on Loan			Collateral Received from Borrowers		
	Cash Collateral	Non-Cash Collateral	Total	Cash Collateral	Non-Cash Collateral ¹	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
Total	\$ 47,675,605	\$ 14,908,351	\$ 62,583,956	\$ 48,871,811	\$ 15,424,874	\$ 64,296,685

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

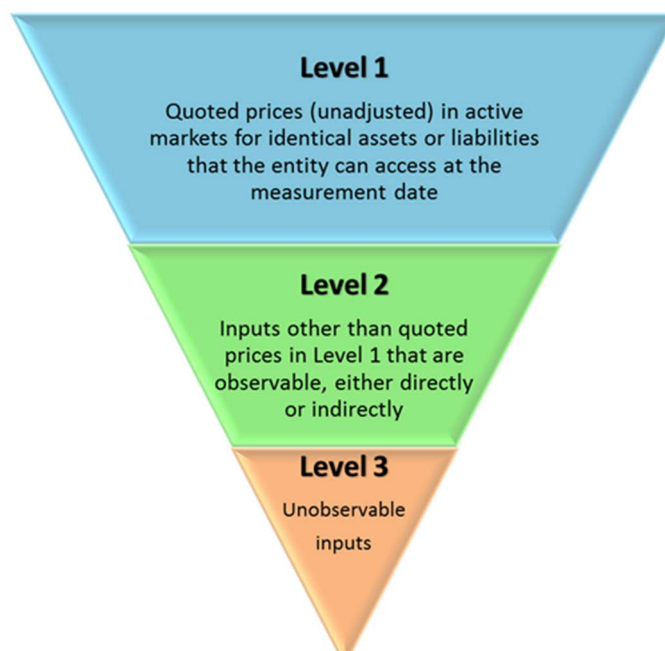
5. FAIR VALUE MEASUREMENTS

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, 2021 and 2020, respectively:

	Fair Value Measurements Using			
	December 31 2021	Quoted Prices in	Other	Significant
		Active Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Short-term securities	\$ 5,266,880	\$ 5,196,880	\$ 70,000	\$ -
Debt Securities				
Asset backed securities	4,584,182	-	102,135	4,482,047
Corporate bonds	88,349,947	-	73,621,336	14,728,611
Gloabal bond - international	59,067,374	-	59,067,374	-
Government mortgage-backed securities	6,427,951	-	6,421,486	6,465
Municipal bonds	713,731	-	713,731	-
Global government agencies	8,282,766	-	8,282,766	-
Government bonds-international	48,263,961	-	48,100,581	163,380
Non-government mortgage-backed securities	20,317,169	-	3,939,225	16,377,944
U.S. government agencies	11,895,863	-	11,895,863	-
U.S. treasury securities	7,014,493	7,014,493	-	-
Total debt securities	254,917,437	7,014,493	212,144,497	35,758,447
Equity Securities				
Communication services	30,503,297	30,503,297	-	-
Consumer discretionary	37,449,896	37,449,896	-	-
Consumer staples	4,556,990	4,556,990	-	-
Energy	15,390,409	15,390,409	-	-
Equity other	611,444,583	611,444,583	-	-
Financials	31,037,807	31,037,807	-	-
Health care	36,769,877	36,769,877	-	-
Industrials	49,722,622	49,722,622	-	-
Information technology	99,265,292	99,265,292	-	-
Materials	3,298,352	3,298,352	-	-
Real estate	6,447,673	6,447,673	-	-
Total equity securities	925,886,798	925,886,798	-	-
Total investments by fair value level	1,186,071,115	\$ 938,098,171	\$ 212,214,497	\$ 35,758,447
Investments measured at the net asset value (NAV) *				
Distressed debt funds	110,065,467			
Life settlement funds	80,564,330			
Securitized asset fund	39,982,607			
Multi-asset fund	16,039,620			
Private equity funds **	121,879,483			
Real estate funds	251,551,824			
Total investments measured at NAV	620,083,331			
Total Investments	\$ 1,806,154,446			

* 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 funds includes the MLGW Pension Plan's investment in GPB Holdings II, LP . It is valued at \$30.9 million, the fair value as of December 31, 2021. Please refer to the note under the fair value hierarchy table for December 31, 2020 on the following page to understand change in fair value over last year.



RETIREMENT AND PENSION SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
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	Fair Value Measurements Using			
		Quoted Prices in	Other	Significant
	December 31	Active Markets for	Observable	Unobservable
	2020	Identical Assets	Inputs	Inputs
		(Level 1)	(Level 2)	(Level 3)
Investments by Fair Value Level				
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
Global bond - international	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	-
Global government agencies	6,696,052	-	6,654,402	41,650
Government bonds - international	51,265,917	-	51,191,857	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	257,104,388	3,314,825	220,728,915	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	-	-
Total investments by fair value level	1,111,848,066	\$ 857,978,503	\$ 220,808,915	\$ 33,060,648
Investments measured at the net asset value (NAV) *				
Distressed debt funds	126,328,466			
Life settlement funds	73,202,864			
Securitized asset fund	57,574,269			
Multi-asset fund	14,373,273			
Private equity funds **	70,664,081			
Real estate funds	200,776,004			
Total investments measured at NAV	542,918,957			
Total Investments	\$ 1,654,767,023			

* * Private equity funds includes the MLGW Pension Plan's investment in GPB Holdings II, LP . It is valued at \$20.0 million, the fair value as of June 30, 2019. As of the date that the December 31, 2020, financial statements were available to be issued, the Pension Plan had not received the fair value statement from GPB Holdings II, LP as of December 31, 2020. In March of 2020, GPB Holdings II, LP issued a distribution of \$1.3 million which did not impact its fair value.



RETIREMENT AND PENSION SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2021 and 2020

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, 2021		
	Fair Value December 31, 2021	Fair Value December 31, 2020	Unfunded Commitments	Redemption Notice Period	Redemption Frequency (if Currently Eligible)
Distressed debt funds ⁽¹⁾	\$ 110,065,467	\$ 126,328,466	\$ 11,305,000	N/A	N/A
Life settlement funds ⁽²⁾	80,564,330	73,202,864	-	90-120 days	Quarterly
Fixed income fund ⁽³⁾	39,982,607	57,574,269	-	N/A	N/A
Multi-asset fund ⁽⁴⁾	16,039,620	14,373,273	-	60 days	Quarterly with no gate
Private equity funds ⁽⁵⁾	121,879,483	70,664,081	51,830,834	N/A	N/A
Real estate funds ⁽⁶⁾	251,551,824	200,776,004	24,282,427	30 - 91 days	Quarterly or 2 years
Total investments measured at NAV	\$ 620,083,331	\$ 542,918,957	\$ 87,418,261		

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 1 to 6 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 37.8% can be redeemed quarterly with 90 days' notice; 18.8% can be redeemed quarterly with 120 days' notice. The remaining 43.4% are not subject to redemption and it is expected that the underlying assets of these funds will be liquidated over the next 6 to 9 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 3 years.

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 with 60 days' notice.
5. *Private equity funds.* This category includes thirteen private equity funds that invest in healthcare and technology, utilities, transportation and energy assets, high quality cash flowing companies, high-growth companies mainly through equity and equity-related instruments, and secondary investments across various sectors. Additionally, funds in this category invest in secondary venture capital opportunities through direct and fund investments. An emphasis will also be placed on middle market buyouts. 74.6% 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 2 to 13 years. The remaining 25.4% can be redeemed monthly on the 15th after the 3rd month.
6. *Real estate funds.* This category includes seven real estate funds that invest in office, retail, industrial, and multi-family properties. Investments in this fund focus on building a portfolio that will withstand changes in the economy, capital market, and property market over the life of the Fund. The MLGW Pension Plan investments in this category representing 17.7% can be redeemed quarterly with 30 days' notice; 21.7% can be redeemed 2 years after notice; 34.7% can be redeemed quarterly with 91 days' notice. The remaining 25.9% are not subject to redemption and it is expected that the underlying assets of these funds will be liquidated over the next 4 to 9 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.

REQUIRED SUPPLEMENTARY INFORMATION



RETIREMENT AND PENSION SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
Years Ended December 31, 2021 and 2020

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total Pension Liability									
Service cost	\$ 32,462,546	\$ 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	111,731,945	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	4,759,848	-	-	-	-	-	-	-	-
Differences between expected and actual experience	6,176,600	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	40,219,423	-	(174,213)	-	-	-	-	(22,111,951)	-
Benefit payments, including refunds of employee contributions	(121,780,614)	(111,826,594)	(107,730,602)	(113,315,849)	(104,919,467)	(102,627,833)	(100,528,352)	(100,249,274)	(91,930,874)
Net change in total pension liability	73,569,748	38,683,112	29,617,905	30,026,951	35,696,884	20,913,266	31,825,571	(6,477,111)	25,729,620
Total pension liability - beginning	1,569,558,041	1,530,874,929	1,501,257,024	1,471,230,073	1,435,533,189	1,414,619,923	1,382,794,352	1,389,271,463	1,363,541,843
Total pension liability - ending (a)	\$1,643,127,789	\$ 1,569,558,041	\$1,530,874,929	\$ 1,501,257,024	\$ 1,471,230,073	\$1,435,533,189	\$ 1,414,619,923	\$1,382,794,352	\$ 1,389,271,463
Plan fiduciary net position									
Contributions - employer	\$ 24,199,396	\$ 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	14,215,567	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	252,596,887	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	(121,780,614)	(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	(867,502)	(778,506)	(931,403)	(871,948)	(859,736)	(729,599)	(758,946)	(714,266)	(657,209)
Other	-	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	168,363,734	118,164,664	163,927,381	(118,792,563)	146,067,532	38,554,165	(52,356,251)	36,500,952	135,825,079
Other adjustments	-	-	-	-	-	-	787,877 *	-	-
Plan fiduciary net position - beginning	1,675,536,758	1,557,372,094	1,393,444,713	1,512,237,276	1,366,169,744	1,327,615,579	1,379,183,953	1,342,683,001	1,206,857,922
Plan fiduciary net position - ending (b)	\$1,843,900,492	\$ 1,675,536,758	\$1,557,372,094	\$ 1,393,444,713	\$ 1,512,237,276	\$1,366,169,744	\$1,327,615,579	\$1,379,183,953	\$ 1,342,683,001
Net pension liability - ending (a) - (b)	\$ (200,772,703)	\$ (105,978,717)	\$ (26,497,165)	\$ 107,812,311	\$ (41,007,203)	\$ 69,363,445	\$ 87,004,344	\$ 3,610,399	\$ 46,588,462
Plan fiduciary net position as a percentage of the total pension liability	112.22%	106.75%	101.73%	92.82%	102.79%	95.17%	93.85%	99.74%	96.65%
Covered - employee payroll	\$ 175,790,422	\$ 173,424,888	\$ 170,945,709	\$ 169,605,389	\$ 167,220,851	\$ 161,925,757	\$ 160,640,772	\$ 152,367,924	\$ 154,759,208
Net pension liability as percentage of covered employee payroll	-114.21%	-61.11%	-15.50%	63.57%	-24.52%	42.84%	54.16%	2.37%	30.10%

Notes to Schedule:

Benefit changes : Effective January 1, 2022, the System raised the minimum benefit outlined in Section 6.1(b) of the Plan Document from the greater of \$50 per year of service or \$500 per month to the greater of \$60 per year of service or \$600 per month.

Assumptions : The discount rate was lowered from 7.25% to 7.00% with the December 31, 2021 measurement.

* 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, 2021 and 2020

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

Year Ended December 31	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2021	\$ 24,199,396	\$ 24,199,396	\$ -	\$ 175,790,422	13.77%
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%

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RETIREMENT AND PENSION SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

Years Ended December 31, 2021 and 2020

Notes to the Required Schedules

Methods and Assumptions used to establish "Actuarially Determined Contribution" Rates:

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Valuation Date	January 1, 2020	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
Measurement Date	December 31, 2021	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
Census data collected	December 31, 2021	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
Actuarial cost method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age Normal	Entry Age Normal Cost Method (2012-2015 presented)			
Amortization method	Level Dollar	0.50%	1.00%	1.50%	2.50%	2.50%	2.00%	2.50%	Level percent of payroll (2012-2013 presented)	
	Level percent of payroll, using annual increases (2017-2020)/with amortization at pay (2014-2016)									
Amortization period of initial unfunded AAL	19-year closed	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 2012-2014 presented)		
Remaining amortization period	21 years	22 years	23 years	24 years	25 years	26 years	25 years	26 years	27 years	28 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 actual and expected returns on a market value basis and is recognized over a five-year period. The deferred return is further adjusted, if necessary, so that the actuarial value of assets will stay within 30% of the market value of assets.									
Investment rate of return	7.25%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
	net of pension plan investment expense, including inflation.									
Inflation rate	2.50%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	3.25%	3.25%
Cost of living adjustments	for years 2014 - 2020 presented below:								for years 2012-2013 presented below:	
	0.750 for age 56-58	0.83% for ages 56-58							0.98% for ages 56-58	
	1.500 for ages 59-61	1.65% for ages 59-61							1.95% for ages 59-61	
	1.875 for ages 62*	2.06% for ages 62 *							2.44% for ages 62*	
	* ages 62 and above, and all disabled participants									
Projected salary increases	0.00% to 8.50%	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)									

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RETIREMENT AND PENSION SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
Years Ended December 31, 2021 and 2020

Notes to the Required Schedules (*continued*)

Methods and Assumptions used to Determine Contribution Rates

Mortality Rates (2021)

<i>Pre-retirement</i>	PRI-2012 Employee Mortality Table
<i>Healthy annuitants</i>	120% of PRI-2012 Healthy Annuitant Mortality Table
<i>Disabled annuitants</i>	120% of PRI-2012 Disabled Retiree Mortality Table
<i>Beneficiaries</i>	120% of PRI-2012 Contingent Survivor Mortality Table
	Mortality rates were based on the PRI-2012 Mortality Tables for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale SSA-2019

Mortality Rates (2019-2020)

<i>Pre-retirement</i>	PRI-2012 Employee Mortality Table
<i>Healthy annuitants</i>	120% of PRI-2012 Healthy Annuitant Mortality Table
<i>Disabled annuitants</i>	120% of PRI-2012 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

Mortality Rates (2014-2018)

<i>Pre-retirement</i>	RP-2014 Employee Mortality Table
<i>Healthy annuitants</i>	138% of RP-2014 Healthy Annuitant Mortality Table
<i>Disabled annuitants</i>	138% of RP-2014 Disabled Retiree Mortality Table
	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.

Mortality Rates (2012-2013)

<i>Pre-retirement</i>	RP-2000 Combined Health Mortality Table with Blue Collar Adjustment for males and White Collar Adjustment for females
<i>Healthy annuitants</i>	RP-2000 Disabled Retiree Mortality Table
	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

2016	* '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.
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RETIREMENT AND PENSION SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
Years Ended December 31, 2021 and 2020

Schedule of Investment Returns
Last 10 Fiscal Years

	<u>2021</u>	<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>
Annual money-weighted rate of return, net of investment expense *	15.40%	12.75%	17.70%	(2.61%)	16.51%	8.66%	1.34%	7.77%	16.00%	4.84%

*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, 2021, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 27, 2022. 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, 2021, 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.

Report on 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 designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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.

Report on 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
May 27, 2022

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

**Schedule of Prior Year Findings and Responses
For the Year Ended December 31, 2021**

There were no prior findings reported.