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

# Financial Statements

Years Ended December 31, 2025 and 2024

**Prepared by:** MLGW Pension Department Staff
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**MEMPHIS LIGHT, GAS AND WATER DIVISION**
**OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST**
Memphis, Tennessee

Years ended December 31, 2025 and 2024

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# Letter of Transmittal

## MEMPHIS LIGHT, GAS AND WATER DIVISION

## OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

**To the Members of the MGLW OPEB Trust Investment Committee and MLGW Board of Commissioners:**

We are pleased to submit the Annual Report of Memphis Light, Gas and Water Division ("MLGW" or "the Division") Other Post Employment Benefits Trust (the "OPEB Trust") for the year ended December 31, 2025. This report has been prepared in conformity with generally accepted accounting principles ("GAAP") in the United States of America.

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

MLGW OPEB Trust's 2025 financial statements have been audited by Forvis Mazars, LLP, certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of MLGW OPEB Trust for the year ended December 31, 2025, were free from material misstatement. The independent audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. It also involved evaluating the appropriateness of accounting policies used, the reasonableness of significant accounting estimates made by management.

The independent auditor issued an unmodified opinion on the MLGW OPEB Trust's financial statements for the year ended December 31, 2025. The independent auditor's report is presented as the first component of the report.

Governmental Accounting Standards Board ("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"). GASB Statement No. 103, *Financial Reporting Model Improvements,* was issued to refine the governmental financial reporting framework established by GASB Statement No. 34. GASB Statement No. 103 seeks to improve transparency and usefulness of financial reporting for state and local governments. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The OPEB Trust's MD&A can be found immediately following the report of the independent auditor.

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

In accordance with the OPEB Trust agreement, the OPEB Trust is permitted to pay or reimburse MLGW for benefits paid under the MLGW medical benefits plan. Premium rates for retired members and beneficiaries receiving benefits are periodically reset and are currently at 25% of costs for medical and drug benefits and 40% for life insurance and AD&D.

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

**Funded Status** – Based on the actuarial valuation and review measured as of December 31, 2025, the OPEB Trust was 86.07% funded. The Total OPEB Liability for benefits was $957,398,732 and the OPEB Trust Fiduciary Net Position was $824,070,140 resulting in a Net OPEB Liability ("NOL") of $133,328,592. The covered employee payroll was $222,145,416 and the ratio of NOL to the covered employee payroll was 60.02%.

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

Respectfully submitted,

**Doug McGowen**
President & CEO

**Rodney Cleek**
VP, CFO & Secretary-Treasurer

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

## *OPEB Trust Investment Committee Members*

***Mitch Graves***
***Chairman***

***Doug McGowen***
***Vice Chairman***

***Rodney Cleek***
***Secretary-Treasurer***

***Chandrika Winston-Rosser***
***Employee Member***
*Term Expires:12/31/2027*

***Randy Orsby***
***Employee Member***
*Term Expires: 12/31/2028*

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

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

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

*PROFESSIONAL CONSULTANTS*

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

## INVESTMENT CONSULTANT
**CBIZ Investment Advisory Services, LLC**

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

Brian Jones
Senior Vice President & Senior Consultant

## CUSTODIAN
**Northern Trust Corporation**

Paul Dugan
Vice President | Asset Servicing, Americas
Asset Owner Segment

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

## CONSULTING ACTUARY
**Segal Consulting**

Samuel Boustani, FCA ASA, MAAA
Consulting Actuary

## LEGAL CONSTANT
**Evans & Petree, PC**

Frank N. Stockdale Carney
Attorney at Law

# Financial Section

Independent Auditor’s Report
Forvis Mazars, LLP

Forvis Mazars, LLP
1715 Aaron Brenner Dr. Suite 701
Memphis, TN 38120
P 901.761.3000 | F 901.761.9667
forvismazars.us

# Independent Auditor's Report

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

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the financial statements of the Memphis Light, Gas and Water Division Other Post Employment Benefits Trust (the "OPEB Trust"), a fiduciary fund of the City of Memphis, Tennessee, which comprise the statements of fiduciary net position as of December 31, 2025 and 2024, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the fiduciary net position of the OPEB Trust as of December 31, 2025 and 2024, and the respective changes in its fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

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

### *Emphasis of Matter*

As discussed in Note 1, the accompanying financial statements are those of Memphis Light, Gas and Water Division Other Post Employment Benefits Trust. The financial statements do not purport to present the financial position of the Light, Gas and Water Division of the City of Memphis or the City of Memphis as of December 31, 2025 and 2024, 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.

As discussed in Note 1, in 2025, the Memphis Light, Gas, and Water Division Other Post Employment Benefits Trust adopted Governmental Accounting Standards Board Statement No. 103, *Financial Reporting Model Improvements*. Our opinion is not modified with respect to this matter.

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

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

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

### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

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

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

### *Required Supplementary Information*

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

### *Other Information*

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

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

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2026, on our consideration of the OPEB Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the OPEB Trust's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the OPEB Trust's internal control over financial reporting and compliance.

Forvis Mazars, LLP

**Memphis, Tennessee**
**June 12, 2026**

## 1. OVERVIEW OF THE FINANCIAL STATEMENTS

This report contains the following information about Memphis Light, Gas and Water Division ("MLGW") Other Post Employment Benefits Trust ("OPEB Trust"):

1. **Basic Financial Statements** including:
   a. Statements of Fiduciary Net Position
   b. Statements of Changes in Fiduciary Net Position
   c. Notes to the Financial Statements

2. **Required Supplementary Information** including:
   a. Schedule of Changes in Net OPEB Liability (Asset)
   b. Schedule of Employer's Contributions
   c. Schedule of Investment Returns
   d. Management's Discussion & Analysis ("MD&A")

The basic financial statements are described as follows:

- The Statements of Fiduciary Net Position are a measure of the OPEB Trust at a point in time. It reflects what the Trust holds (assets) and its obligations (liability). The Statements of Fiduciary Net Position incorporate assets such as cash and cash equivalent, receivables, collateral held in trust for securities on loan, and investments. The Statements also include liabilities such as benefits payable, liabilities for securities purchased, accrued liabilities, and collateral subject to return to borrowers. Total assets minus total liabilities equal net position held in the OPEB Trust for the future payment of healthcare and welfare benefits for retirees and their eligible dependents.

- The Statements of Changes in Fiduciary Net Position present how the OPEB Trust gives details about the activity that happened in the year that caused the net position to rise or decline. The Statements of Changes in Fiduciary Net Position include additions and deductions to the Trust throughout the year. Additions are comprised of employer contributions, net investment income, and net income from securities lending. Deductions include benefit payments and administrative expenses. The difference between additions and deductions is the change (increase or decrease) in net position. The increase or decrease in net position is added to or subtracted from the beginning of year net position to arrive at the ending net position, which is reported on the Statements of Fiduciary Net Position.

- The Notes to the Financial Statements are an integral part of the financial statements. They provide context, detailed schedules, policies, and information about GASB standards to help users obtain a better understanding of the financial statements. The notes dive into what the numbers on the Statements of Fiduciary Position and Changes in Fiduciary Net Position mean and how they were calculated. The notes provide information on Plan provisions, valuation methods, deposits and investments policies, securities lending agreements, actuarial assumptions, and the fair value hierarchy related to investments.

The required supplementary information is based upon the MLGW OPEB Trust's adoption of GASB Statement 74 and provides historical trends that help to reflect the ongoing plan perspective and the long-term nature of the defined benefit plan.

- The Schedule of Changes in Net OPEB Liability contains actuarial information about expected benefit liabilities and the funded status of the Plan. It presents actuarial data on the Trust's funding status and changes in Net OPEB Trust liability over time.

- The Schedule of Employer Contributions contains historical trend information regarding the value of the annual minimum contributions the employer must pay, and the actual contributions paid by the employer relative to this requirement and as a percent of covered payroll. In addition, significant methods and assumptions used in calculating the actuarially determined contributions are included as notes to the schedule.

- The Schedule of Investment Returns contains the annual money-weighted rate of return on the MLGW OPEB Trust investments for the last ten years.

- MD&A is useful when reviewing the Statements of Fiduciary Net Position and the Statements of Changes in Fiduciary Net Position because it offers detailed explanations as to why contribution amounts may have changed, why investments appreciated or depreciated, and why benefit payments changed from the previous year. It includes certain information and schedules to provide a better understanding of the financial statements.

## 2. FINANCIAL SUMMARY

The following management's discussion and analysis of financial performance provides a narrative overview and analysis of the OPEB Trust financial activities and funding conditions for the years ended December 31, 2025, and 2024. Please read it in conjunction with the OPEB Trust's financial statements, notes, and required supplementary information, which follow this section. Information for fiscal year 2023 is presented for comparative purposes.

- **Total assets** at December 31, 2025, were $831.1 million, an increase of $72.8 million, or 9.6%, compared to total assets at December 31, 2024, of $758.3 million. 2024 reflected an increase of $58.0 million from $700.3 million reported in 2023.

- **Total liabilities** were $7.0 million at December 31, 2025, an increase of $5.7 million, or 426.3% from total liabilities at December 31, 2024 of $1.3 million. 2024 reflected a decrease of $0.9 million or 41.0% from total liabilities of $2.3 million reported at December 31, 2023.

- **Total fiduciary net position restricted for OPEB Trust** (total asset less total liabilities) at December 31, 2025, was $824.1 million, an increase of $67.1 million, or 8.9%, compared to the total net position at December 31, 2024, of $757.0 million. 2024 reflected an increase of $58.9 million, or 8.4% from $698.1 million total net position at December 31, 2023. *See Graph 1.*

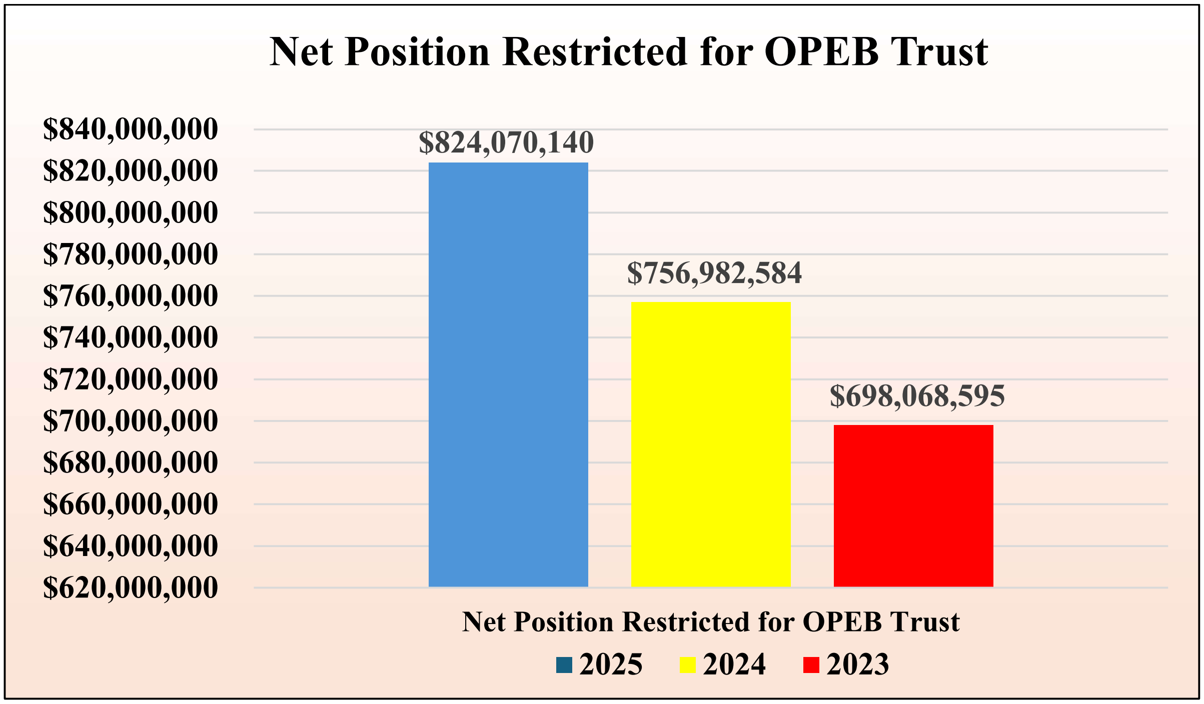
- **Total additions** at December 31, 2025, were $98.0 million, a decrease of $0.7 million, or 0.8% from $98.7 million at December 31, 2024. 2024 reflected a reduction of $3.5 million, or 3.4% from $102.2 million reported in 2023.

- **Total deductions** at December 31, 2025, were $30.9 million, a decrease of $8.9 million, or 22.4% from total deductions at December 31, 2024, of $39.8 million. 2024 reflected an increase of $0.8 million, or 2.0% from $39.0 million reported in 2023.

- **The increase (decrease) in net position** at December 31, 2025 was $67.1 million, reflecting an increase of $8.2 million, or 13.9%, from $58.9 million at December 31, 2024. 2024 declined of $4.3 million, or 6.7% from $63.2 million reported at December 31, 2023. *See Graph 2.*

*Continue next page*

Graph 1




Graph 2

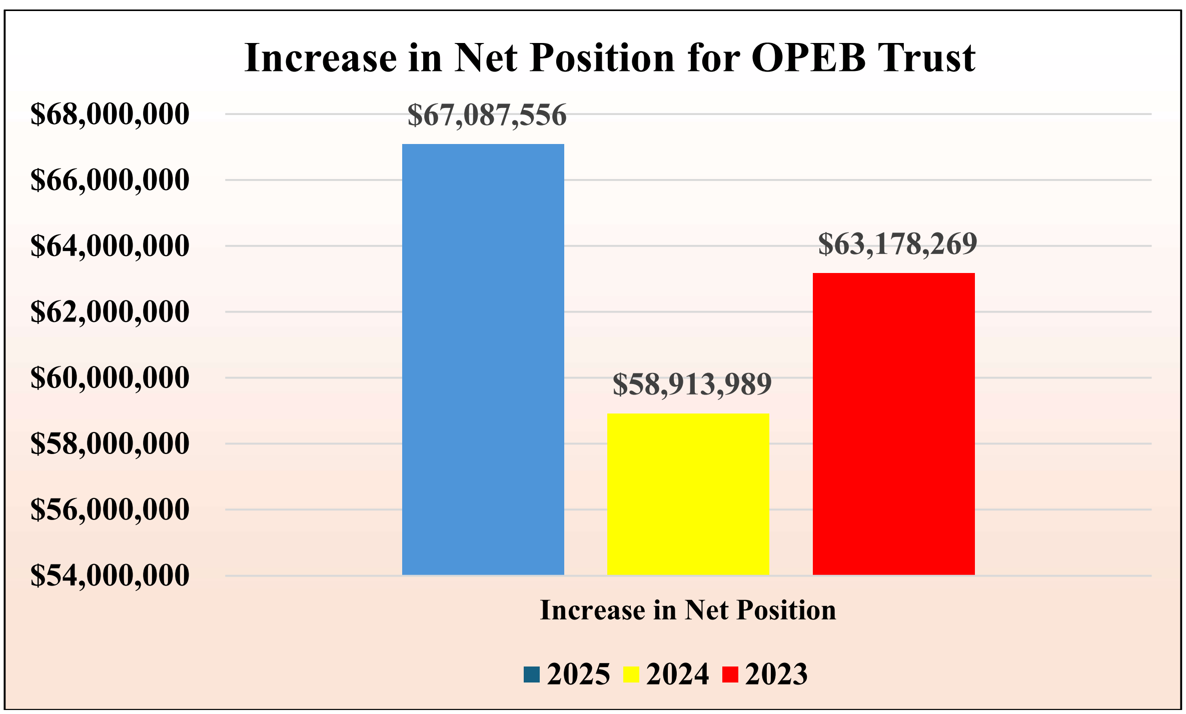


Table 1 and 2 represent the condensed financial information comparing MLGW's OPEB Trust for the past three years.

**Table 1**
**Condensed Statements of Fiduciary Net Position**
**December 31, 2025, 2024, and 2023**
***(Dollars in Thousands)***

| | 2025 | 2024 | FY25 - FY24 Percentage Change | 2023 | FY24 - FY23 Percentage Change |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | **$ 46,714** | $ 26,967 | 73.2% | $ 17,238 | 56.4% |
| Receivables | **1,223** | 2,144 | -43.0% | 2,375 | -9.7% |
| Investments | **781,694** | 728,624 | 7.3% | 680,058 | 7.1% |
| Collateral held for securities on loan | **1,453** | 581 | 150.1% | 655 | -11.3% |
| Total assets | **831,084** | 758,316 | 9.6% | 700,326 | 8.3% |
| **Liabilities** | | | | | |
| Benefits payable | **4,832** | - | 100% | 954 | -100.0% |
| Liability for securities purchased and accrued liabilities | **729** | 752 | -3.1% | 649 | 15.9% |
| Collateral subject to return to borrowers | **1,453** | 581 | 150.1% | 655 | -11.3% |
| Total liabilities | **7,014** | 1,333 | 426.2% | 2,258 | -41.0% |
| **Net position restricted for OPEB** | **$ 824,070** | $ 756,983 | 8.9% | $ 698,068 | 8.4% |

**Table 2**
**Condensed Statements of Changes in Fiduciary Net Position**
**Years Ended December 31, 2025, 2024 and 2023**
***(Dollars in Thousands)***

| | 2025 | 2024 | FY25 - FY24 Percentage Change | 2023 | FY24 - FY23 Percentage Change |
|---|---|---|---|---|---|
| **Additions** | | | | | |
| Employer contributions | **$ 26,588** | $ 40,806 | -34.8% | $ 40,136 | 1.7% |
| Net investment income, other than from securities lending | **71,348** | 57,869 | 23.3% | 62,030 | -6.7% |
| Net securities lending income | **15** | 11 | 36.4% | 12 | -8.3% |
| Total additions | **97,951** | 98,686 | -0.7% | 102,178 | -3.4% |
| **Deductions** | | | | | |
| Benefits payments | **29,795** | 39,210 | -24.0% | 38,406 | 2.1% |
| Administrative expense | **1,069** | 561 | 90.6% | 594 | -5.6% |
| Total deductions | **30,864** | 39,771 | -22.4% | 39,000 | 2.0% |
| **Increase in net position** | **67,087** | 58,915 | 13.9% | 63,178 | -6.7% |
| **Net position restricted for OPEB** | | | | | |
| **Beginning of year** | **756,983** | 698,068 | 8.4% | 634,890 | 10.0% |
| **End of year** | **$ 824,070** | $ 756,983 | 8.9% | $ 698,068 | 8.4% |

## 3. DETAILED ANALYSES

***Assets***

*2025 Compared to 2024*

The growth in total assets was primarily driven by the increases in cash and cash equivalents, alongside a rise in total investments. As of December 31, 2025, receivables for retiree premium saw an increase of $0.6 million. Additionally, there was a $0.9 million increase in collateral held in trust for securities on loan under the OPEB Trust's securities lending program. However, these gains were slightly offset by a decrease receivable for securities sold during the year, which was down by $1.7 million.

Cash and cash equivalents at December 31, 2025, experienced an increase of $19.7 million, or 73.2%. By year-end, The Trust's total cash and cash equivalents had reached $46.7 million, compared to $27.0 million in 2024. This growth was primarily driven by gains from cash received from the current money managers. In 2025, the OPEB Cash account received $14.2 million as prescription rebates and refund from the MLGW Division to help cover retirees' medical expenses. Additionally, $5.7 million was added to our cash position following the liquidation of the Vida Life Settlement fund. Our equity common stock accounts also contributed to strengthening our cash position. Channing Capital contributed $0.3 million, Chickasaw Capital Management added $0.6 million, Fiera Capital brought in $0.4 million, Kennedy Capital accounted for $0.9 million, and Highland Capital—a fixed income account—added another $1.1 million. It's worth noting that the liquidation of the Ryder Court International Select Trust fund increased our cash position by $29.2 million. However, this was offset by the addition of the Causeway Value Equity fund, which reduced cash by $30.0 million.

The Trust's total receivables as of December 31, 2025, saw a decrease of $0.9 million, falling to $1.2 million, or 150.1%, compared to the $2.1 million reported in 2024. The main reason behind this reduction was a significant drop in securities sold, down by $1.7 million, representing a 100.0% decrease compared to last year. Securities sold in 2024 included a $1.5 million partial redemption accrual from American Strategic Value Realty Fund, LP, based on the December 31, 2024, valuation. Additionally, the Trust's international equity fund, Ryder Court International Select fund, had $0.06 million in pending trade sales that were settled in January 2025. This fund itself was liquidated in 2025, contributing further to the reduction in receivables. Despite these declines, there was a partial offset, a $0.7 million retiree premium receivable reported at year end 2025. This amount represents reimbursement from the MLGW Division for retiree life insurance premiums and Cigna administrative costs for the year.

The MLGW OPEB Trust investments portfolio is diversified across equity, fixed income, special strategies, and real assets, with investments spanning both domestic and international funds. The Trust's total investments experienced noteworthy growth over the past year. At December 31, 2025, the total value of the Trust's investments reached $781.7 million, marking a solid increase of $53.1 million, or 7.3%, compared to 2024. Equity funds were the standout performers this year, driving impressive growth. Investments in domestic common stock, international common stock and mutual funds, and the newly introduced value equity international fund collectively contributed $93.7 million to the overall increase. These gains were partially offset by the $58.7 million decline within the equity collective domestic and international funds. On the fixed income side, the portfolio saw a significant boost of $29.4 million gain across several categories, including government bonds by $10.2 million, corporate bonds by $6.8 million, convertible bonds by $2.7 million, mortgage-backed securities by $8.1 million, and domestic asset backed securities by $1.4 million. Offsetting these gains was the $7.7 million decrease within the Trust's global bond international fund. Special strategies funds also added momentum, with an uptick of $2.9 million. Real asset funds declined by $6.4 million. Despite these challenges, the OPEB Trust's investments portfolio is in a strong position, with significant growth particularly in equity and fixed income funds.

*2024 Compared to 2023*

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

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

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

***Liabilities***

*2025 Compared to 2024*

The increase in total liabilities was primarily driven from the change to accounting process for retiree medical costs that affects the benefits payable for retiree claims filed in December 2025, which amounted to $4.8 million. Due to the new arrangement with Cigna, the retirees' claims incurred in December would not be paid until January 2026. However, the related expenses were accrued in 2025 to properly reflect the obligations. Additionally, there was a notable increase in collateral subject to return to borrowers. This collateral rose by $0.9 million, reaching a total of $1.5 million at December 31, 2025, compared to $0.6 million reported at the end of 2024.

*2024 Compared to 2023*

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

***Fiduciary Net Position***

*2025 Compared to 2024*

The increase in net position restricted for OPEB Trust was primarily due to a significant rise in cash and cash equivalents totaling $19.7 million, as well as an increase in total investments of $53.1 million. The Trust showed a strong performance in fixed income which contributed $21.7 million, and its equity funds added another $35.0 million to the overall growth. These gains were partially offset by a decline in real asset funds, which decreased by $6.4 million. Additionally, there was a $5.7 million increase in liabilities, which also played a role in the decrease. *Please refer to each category above for more detailed explanation.*

*2024 Compared to 2023*

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

***Additions***

*2025 Compared to 2024*

At December 31, 2025, the Trust reflected a slight decrease in total additions to the fiduciary net position, largely due to the net impact of a significant decline in employer contributions, and comparable increase in net investment income. Employer contributions dropped to $26.6 million at year-end, representing a decrease of $14.2 million compared to the $40.8 million recorded in 2024. The primary reason for this reduction is the change in retiree medical benefits funding, caused by a MLGW Division directive. As a result of this directive, MLGW Division discontinued making contributions to the OPEB Trust for retiree insurance premium payments, which had previously been a key component of employer contributions. Despite this drop, there were positive developments that helped balance the decrease. Net investment income, other than from security lending, increased $13.5 million. That increase was driven by net appreciation in the fair value of investments, which totaled $59.7 million, an increase of $11.9 million, or 25.0%, from the $48.0 million reported in 2024. On top of that, interest, dividends, and other income increased by $1.3 million, further contributing to the overall financial stability.

*2024 Compared to 2023*

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

***Deductions***

*2025 Compared to 2024*

The decrease in total deductions was primarily due to a $9.4 million reduction in benefit payments. At the end of 2025, the OPEB Trust fund received $9.0 million in rebates on prescription costs for retirees, as well as an additional $5.2 million in a refund of the reserved fund covering retirees' medical expenses. These amounts were netted with the total benefit payments, resulting in a net figure of $29.8 million as of December 31, 2025. The reduction in benefit payments was slightly offset by the $0.5 million increase in administrative expenses.

*2024 Compared to 2023*

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

***Increase (Decrease) in Net Position***

*2025 Compared to 2024*

The net position restricted for OPEB Trust at December 31, 2025 reflected an increase of $8.2 million, or 13.9% over 2024. A detailed explanation will be explained in the Additions and Deductions sections above.

*2024 Compared to 2023*

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

*Continue next page*

## 4. SIGNIFICANT CAPITAL ASSETS AND LONG-TERM FINANCING ACTIVITY

In 2025, the OPEB Trust did not hold capital assets or issue debt. All funding is derived from contributions and investment income. There were no capital acquisitions or financing arrangements during the reporting period.

## 5. CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

**Economic factors**: The medical benefits (health and welfare) for retired MLGW employees and their eligible dependents are financed by the Division's contribution and income earned from the OPEB Trust's investments. Over the long term, the investment portfolio returns have been a major component of additions to the MLGW OPEB Trust's net position. Net appreciation in fair value of investments showed an increase in 2025 compared to a decrease in 2024. It remained positive due to the Trust's diverse portfolio. OPEB Trust's investments in equity, fixed income, and special strategies increased but the Trust's real asset funds continue to struggle in the current economic environment.

**Current year's decisions:** Important update regarding the accounting process: Starting January 1, 2025, the MLGW Division put forth a directive that all retiree medical benefit costs, including paid medical and prescription claims, life insurance premiums, dental expenses, Cigna administrative expenses, and other related costs, would now be paid directly from the OPEB Trust fund. This change was to streamline the Trust's accounting process and to ensure that retiree medical expenses were handled in a more efficient and transparent manner.

**Unusual or infrequent events**: None

## 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 38101-0430

# OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

## STATEMENTS OF FIDUCIARY NET POSITION

## December 31, 2025 and 2024

MLGW

| | December 31 | |
|---|---|---|
| | **2025** | 2024 |
| **Assets** | | |
| Cash and cash equivalents | **$ 46,713,794** | $ 26,966,568 |
| Receivables: | | |
| Interest, dividends, and real asset | **566,294** | 460,396 |
| Retiree premium | **657,275** | - |
| Securities sold | **-** | 1,683,761 |
| Total receivables | **1,223,569** | 2,144,157 |
| Collateral held in trust for securities on loan | **1,453,025** | 581,014 |
| Investments, at Fair Value: | | |
| Equity Funds: | | |
| Common stock - domestic | **176,948,358** | 150,707,257 |
| Common stock & mutual funds - international | **50,696,617** | 43,485,709 |
| Common stock index mutual fund - domestic | **138,932,329** | 117,902,881 |
| Equity collective fund - domestic | **24,740,467** | 54,278,931 |
| Equity collective fund - international | **-** | 29,186,404 |
| Value equity - international | **39,214,294** | - |
| Fixed Income Funds: | | |
| Corporate bonds - domestic | **4,504,020** | 1,789,240 |
| Corporate bonds - international | **100,967** | - |
| Corporate bonds CIT - international | **13,910,536** | 13,061,966.00 |
| Corporate bond mutual funds - domestic | **46,132,897** | 42,947,950 |
| Convertible bond mutual funds -domestic | **14,833,054** | 12,120,989 |
| Government bonds - domestic | **13,520,815** | 3,352,501 |
| Government agencies - domestic | **690,423** | 686,130 |
| Global bond fund - international | **13,834,078** | 21,524,403 |
| Mortgage backed securities - domestic | **11,505,432** | 3,437,700 |
| Asset backed securities - domestic | **2,435,018** | 1,026,657 |
| Asset backed securities - international | **-** | 100,790 |
| Other fixed income - domestic | **250,073** | - |
| Special Strategies Funds: | | |
| Private equity funds - domestic | **73,358,361** | 68,332,628 |
| Private equity funds - international | **9,250,702** | 10,053,991 |
| Distressed debt funds - domestic | **12,361,433** | 16,762,542 |
| Distressed debt funds - international | **10,343,701** | 9,755,939 |
| Private debt funds - domestic | **15,217,443** | 11,968,287 |
| Multi-asset fund - domestic | **10,258,711** | 7,271,344 |
| Life settlement funds - domestic | **7,991,154** | 14,213,307 |
| Equity hedge fund - domestic | **14,499,886** | 12,071,673 |
| Real Asset Funds: | | |
| Real asset funds - domestic | **75,612,894** | 81,910,423 |
| Real asset fund - international | **550,370** | 673,978 |
| Total investments | **781,694,033** | 728,623,620 |
| Total assets | **831,084,421** | 758,315,359 |
| **Liabilities** | | |
| Benefits payable | **4,832,003** | - |
| Liability for securities purchased | **180,229** | 82,938 |
| Accrued liabilities | **549,024** | 668,823 |
| Collateral subject to return to borrowers | **1,453,025** | 581,014 |
| Total liabilities | **7,014,281** | 1,332,775 |
| **Net position restricted for** | | |
| **other post employment benefits** | **$ 824,070,140** | $ 756,982,584 |

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

| | Years Ended December 31 | |
|---|---|---|
| | **2025** | 2024 |
| **Additions** | | |
| Employer contributions | **$ 26,587,729** | $ 40,806,176 |
| Investment income: | | |
| Net appreciation in fair value of investments | **59,734,070** | 47,797,597 |
| Interest income | **6,056,120** | 5,915,950 |
| Dividend income | **6,838,825** | 5,834,172 |
| Real asset funds income | **530,182** | 573,254 |
| Other income | **152,636** | 8,511 |
| Less: investment expenses, other than from securities lending | **(1,963,621)** | (2,260,278) |
| Net investment income, other than from securities lending | **71,348,212** | 57,869,206 |
| Securities lending income | **37,829** | 45,169 |
| Securities lending expenses: | | |
| Borrower rebates | **(18,096)** | (31,386) |
| Management fees | **(4,570)** | (2,749) |
| Total securities lending expenses | **(22,666)** | (34,135) |
| Net securities lending income | **15,163** | 11,034 |
| Net investment income | **71,363,375** | 57,880,240 |
| Total additions | **97,951,104** | 98,686,416 |
| **Deductions** | | |
| Benefit payments | **29,794,627** | 39,210,426 |
| Administrative expenses | **1,068,921** | 562,001 |
| Total deductions | **30,863,548** | 39,772,427 |
| Increase in net position | **67,087,556** | 58,913,989 |
| **Net position restricted for other post employment benefits** | | |
| Beginning of year | **756,982,584** | 698,068,595 |
| End of current period | **$ 824,070,140** | $ 756,982,584 |

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Organization

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

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

### Basis of Presentation

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

### Basis of Accounting

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

*Continue next page*

**Recent Accounting Standards**

In April of 2024, GASB issued Statement No. 103*, Financial Reporting Model Improvements*. This Statement supersedes Statements No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.* The objective of this Statement is to improve key components of the financial reporting model. The purposes of the improvements are to (a) enhance the effectiveness of the financial reporting model in providing information that is essential for decision making and assessing a government's accountability and (b) address certain application issues identified through pre-agenda research conducted by GASB. The requirements of this Statement apply to all state and local governments, mainly focusing on the government-wide, governmental fund, and propriety fund's financial statements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

One of the key components in this Statement is the requirement that the basic financial statements be preceded by Management's Discussion and Analysis (MD&A), which requires the information presented in the MD&A be limited to the related topics in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. Furthermore, the MD&A should explain why balances and results of operations have changed rather than simply stating the amounts by which they changed.

MLGW OPEB Trust adopted the applicable requirements of this statement in its financial statements for the year ended December 31, 2025, noting no impact other than to MD&A.

**Use of Estimates**

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

**Cash and Cash Equivalents**

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

**Investments**

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

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

Collective Investment Trusts ("CITs") were incorporated into the Plan in 2015 and are designed to streamline investment management for the investment manager by combining assets from different clients into a single fund with a specific investment strategy, similar to a mutual fund. They provide for pooling of assets of employee benefits trusts, that meet all the conditions as permitted under Revenue Rulings 81-100 and 2011-1, or subsequent guidance, and are operated or maintained exclusively for the commingling and collective investment of funds from other trusts.

The fixed income funds do not have quoted prices in active markets, MLGW's Custodian determines the value using basic assumptive information received from an independent pricing evaluator such as Bloomberg or Reuter's Analytics after the prices for the majority of corporate deals are obtained.

The special strategies funds are comprised of domestic and international investments in limited partnerships and other funds in the following categories: private equity, distressed debt, private debt, multi-asset, life settlement, and equity hedge fund. The fair value of these funds is based on the Net Asset Value ("NAV") per share, or its equivalent provided by the fund manager.

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

## 2. OTHER POSTEMPLOYMENT BENEFITS

### Plan Description

The Trust Agreement was made effective January 1, 2007, between Memphis Light, Gas and Water Division ("MLGW") and the Board of Light, Gas, and Water Commissioners, City of Memphis, Tennessee ("Trustee"). MGLW by resolution of its Board of Commissioners, has established, adopted, and maintains a medical benefits (health and welfare) plan (the "Plan") for its retired employees and their eligible dependents. The Plan is a single employer, defined benefit healthcare plan administered by MLGW.

The Board of Commissioners of Memphis Light, Gas and Water Division serves as the "Trustee" and establishes the policies of the MLGW Plan. The Trustee shall fulfill the duties of the fiduciary responsible for MLGW and OPEB Trust's administration. The Trustee shall have overall control of the administration in respect to the Plan. The Trustee will act with all power and discretion necessary to properly oversee and execute the fiduciary principles of the plan to benefit the recipients.

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

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

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

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

Members of the Plan consisted of the following at December 31, 2025 and 2024:

| | **2025** | 2024 |
|---|---|---|
| Retired members and beneficiaries currently receiving benefits | **3,753** | 3,731 |
| Deferred disabled members entitled to but not yet receiving benefits | **46** | 42 |
| Active members | **2,635** | 2,566 |
| Total | **6,434** | 6,339 |

The contribution requirements of plan members and MLGW are established and may be amended by the MLGW Board of Commissioners. Premium rates for retired plan members and beneficiaries currently receiving benefits are periodically reset and are currently at 25.0% of costs for medical and drug benefits. For life insurance and AD&D, retirees contribute 40.0% of the cost. For the year ended December 31, 2025, plan members contributed $5,686,644, or 15.6% of total premiums and expenses, through their required contributions of $54.30 to $531.92 per month depending on the coverage (retiree only, retiree and spouse, or family) and health plan selected. For the year ended December 31, 2024, plan members contributed $5,977,226, or 13.1% of total premiums and expenses, through their required contributions of $54.30 to $531.92 per month depending on the coverage (retiree only, retiree and spouse, or family) and health plan selected. The required contributions received from retirees and beneficiaries to cover their premiums for medical coverage, life insurance, and prescription drug benefits are netted with benefit payments on the Statements of Changes in Fiduciary Net Position.

In accordance with the OPEB Trust agreement, MLGW may, at its sole discretion and in conjunction with the approval of the Council of the City of Memphis ("Council"), may, at will, make deposits, contributions, and payments of cash or other property to the OPEB Trust. These assets are to be held and administered in accordance with the terms and provisions of the OPEB Trust.

Approximately $36,704,711 previously held by MLGW for retiree health care benefits was transferred to the former Trust upon its establishment in 1995. In addition, MLGW made contributions to the former Trust from 1995 through 1997. Subsequent to the establishment of the OPEB Trust in 2007, MLGW has made annual contributions. MLGW contributed $26,587,729 and $40,806,176 for the years ended December 31, 2025 and 2024, respectively.

In accordance with the OPEB Trust agreement, the OPEB Trust is permitted to pay or reimburse MLGW for benefits paid under the Plan. The OPEB Trust premium expenses totaled $29,794,627 and $39,210,426 for 2025 and 2024, respectively. On the Statements of Changes in Fiduciary Net Position, these premium expenses equal total deductions of $30,863,548 and $39,772,427 in 2025 and 2024, respectively, less professional services related administrative expenses (e.g., investment advisory fees, actuarial consulting fees, etc.) of $1,068,921 and $286,917 in 2024 and 2023, respectively.

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

**Contributions**

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

**Net OPEB Liability ("NOL")**

The components of the Net OPEB Liability of the OPEB Trust on December 31, 2025 and 2024, were as follows:

| | **2025** | 2024 |
|---|---|---|
| Total OPEB Liability | **$ 957,398,732** | $ 877,778,005 |
| Plan Fiduciary Net Position | **824,070,140** | 756,982,584 |
| Net OPEB Liability | **$ 133,328,592** | $ 120,795,421 |
| | | |
| Plan Fiduciary Net Position as a percentage of the Total OPEB Liability [1] | **86.07%** | 86.24% |

[1] These funded percentage are not necessarily appropriate for assessing the sufficiency of Plan assets to cover the estimated cost setting the Plan's benefit obligation or the need for or the amount of future contributions.

Total OPEB Liability was determined from actuarial valuations using date as of December 31, 2025 and 2024, respectively. Plan fiduciary net position (plan assets) was valued as of December 31, 2025 and 2024, respectively.

The actuarial assumptions used in the December 31, 2025 and 2024, valuations were based on the results of an actuarial experience study for the five-year period December 31, 2019 to December 31, 2023.

Significant assumptions were as follows at December 31, 2025:

| **Actuarial Assumptions:** | |
|---|---|
| Inflation | 2.50% |
| Salary increases | Inflation plus merit increases based on age and service |
| Discount Rate | 7.00% |
| Healthcare costs trend rates | |
| Medical | 7.00% grading to 4.50% over 10 years |
| Prescription drug | 9.50% grading to 4.50% over 10 years |
| Dental, Administrative costs | 3.00% |
| Mortality rates | |
| Pre-retirement | PRI-2012 Blue Collar Employee Mortality Table, Headcount-Weighted, with sex-distinct rates, projected generationally with Scale MP-2021. |
| Healthy annuitants | PRI-2012 Blue Collar Healthy Annuitant Mortality Table, Headcount-Weighted, with sex-distinct rates, plus a 20% load for males and a 12% load for female projected generationally with Scale MP-2021. |
| Disabled annuitants | PRI-2012 Disabled Retiree Mortality Table, Headcount-Weighted, with sex-distinct rates, plus a 20% load, projected generationally with Scale MP-2021. |
| Beneficiaries | PRI-2012 Contingent Survivor Mortality Table, Headcount-Weighted, with sex-distinct rates, plus a 12% load, projected generationally with Scale MP-2021. |

Significant assumptions were as follows at December 31, 2024:

**Actuarial Assumptions:**

| | |
|---|---|
| Inflation | 2.50% |
| Salary increases | Inflation plus merit increases based on age and service |
| Discount Rate | 7.00% |
| Healthcare costs trend rates | |
| Medical | 7.00% grading to 4.50% over 10 years |
| Prescription drug | 10.00% grading to 4.50% over 11 years |
| Dental, Administrative costs | 3.00% |
| Mortality rates | |
| Pre-retirement | PRI-2012 Blue Collar Employee Mortality Table, Headcount-Weighted, with sex-distinct rates, projected generationally with Scale MP-2021. |
| Healthy annuitants | PRI-2012 Blue Collar Healthy Annuitant Mortality Table, Headcount-Weighted, with sex-distinct rates, plus a 20% load for males and a 12% load for female projected generationally with Scale MP-2021. |
| Disabled annuitants | PRI-2012 Disabled Retiree Mortality Table, Headcount-Weighted, with sex-distinct rates, plus a 20% load, projected generationally with Scale MP-2021. |
| Beneficiaries | PRI-2012 Contingent Survivor Mortality Table, Headcount-Weighted, with sex-distinct rates, plus a 12% load, projected generationally with Scale MP-2021. |

### Determination of Discount Rate and Investment Rates of Return

The long-term expected rate of return on OPEB plan investments was determined by using a building block method in which best estimate ranges of expected future rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Domestic Equity | 37.00% | 5.90% |
| International Equity | 10.00% | 6.00% |
| Fixed Income | 22.00% | 1.90% |
| Special strategies | 17.00% | 7.23% |
| Real asset | 13.00% | 3.80% |
| Short Term Investments | 1.00% | 0.80% |
| Total | 100.00% | |

The discount rate used to measure the Total OPEB Liability ("TOL") was 7.00% for December 31, 2025 and 2024. The projection of cash flows used to determine the discount rate assumed that 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. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the TOL as of both December 31, 2025 and 2024, using the discount rate.

*Continue next page*

### Discount Rate and Trend Sensitivity

The following presents the NOL of the Division as of December 31, 2025. It projects what the Division's NOL would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate. Also, shown is the NOL as if it were calculated using healthcare cost trend rates that were one percentage point lower or one percentage point higher than the current healthcare cost trend rates.

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|---|---|---|---|
| Net OPEB Liability | $ 260,297,994 | $ 133,328,592 | $ 28,672,308 |

| | 1% Decrease in Health Care Cost Trend Rates | Current Health Care Cost Trend Rates | 1% Increase in Health Care Cost Trend Rates |
|---|---|---|---|
| Net OPEB Liability | $ 31,924,711 | $ 133,328,592 | $ 257,748,754 |

## 3. DEPOSITS AND INVESTMENTS

### Deposits

As of December 31, 2025 and 2024, MLGW OPEB Trust's deposits were fully insured or collateralized in accordance with state law.

### Investments

The OPEB Trust adopted a new revision of Investment Policy Statement on June 18, 2025. This adoption was meant to establish and set forth a clear understanding on the part of the OPEB Trust's Investment Committee in relationship to its responsibility for the assets of the OPEB Trust ("Fund") and to the investment policy and objectives of the Fund. The intent of this Investment Policy Statement is to design an investment environment with specific parameters. These parameters will reflect the philosophy of the Trustees and allow the investment managers to work toward achieving the desired performance goals for the Fund. The overall investment objective is to provide for the funding needs of the OPEB Trust.

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

- Act solely in the interest of the Fund and for the exclusive purpose of meeting the financial needs of the Fund.

- Act with the care, skill, prudence, and diligence, under the prevailing circumstances as a prudent person would in like capacity. Exhibiting familiarity with such matters and using the conduct of a prudent person of like character and similar financial goals.

- Determine the asset allocation that offers the highest probability of achieving the investment goals and objectives. Moreover, update and revise the asset mix as the financial needs of the Fund and the outlook for the capital markets change. Place certain maximum exposures on some of the assets being employed by the Fund to reduce risk. The maximum exposures are disclosed in the following section of this note. The Trustees have delegated to the OPEB Investment Committee the responsibility of determining the asset allocation. In addition, the OPEB Investment Committee determines the target asset allocation of the Fund, and may adjust periodically, to give balance to the overall structure of the Fund's investment program over an extended time horizon.

- Engage the services of registered investment managers (co-fiduciaries of the Fund) who possess the necessary specialized research tools and skilled professional staff to meet the investment objectives and guidelines of the Fund. They are expected to invest the assets entrusted to them according to the goals and objectives of the Fund and within the constraints placed on them as directed by the MLGW Board.

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

*Continue next page*

As of December 31, 2025, the OPEB Trust's cash and cash equivalents and investments consisted of the following:

| Investment Type | Fair Value | Actual Exposure | Maximum Exposure | Minimum Exposure |
|---|---|---|---|---|
| **Cash and Cash Equivalents** | $ 46,713,794 | 5.64% | 40% | 0% |
| **Domestic Equity Funds:** | | | | |
| Common stock - domestic | 176,948,358 | 21.36% | | |
| Common stock & mutual funds- domestic | 138,932,329 | 16.77% | | |
| Equity collective fund - domestic | 24,740,467 | 2.99% | | |
| Subtotal Domestic Equity Funds: | 340,621,154 | 41.12% | 65% | 20% |
| **International Equity Funds:** | | | | |
| Common stock & mutual funds- international | 50,696,617 | 6.12% | | |
| Value equity fund - international | 39,214,294 | 4.73% | | |
| Subtotal International Equity Funds: | 89,910,911 | 10.85% | 25% | 0% |
| **Global Fixed Income Funds:** | | | | |
| Corporate bonds - domestic | 4,504,020 | 0.55% | | |
| Corporate bonds - international | 100,967 | 0.01% | | |
| Corporate bonds CIT - international | 13,910,536 | 1.68% | | |
| Corporate bond mutual funds - domestic | 46,132,897 | 5.57% | | |
| Convertibal bond mutual funds - domestic | 14,833,054 | 1.79% | | |
| Government bonds - domestic | 13,520,815 | 1.63% | | |
| Government agencies - domestic | 690,423 | 0.08% | | |
| Global bond fund - international | 13,834,078 | 1.67% | | |
| Asset backed securities-domestic | 2,435,018 | 0.29% | | |
| Mortgage backed securities-domestic | 11,505,432 | 1.39% | | |
| Other fixed income - domestic | 250,073 | 0.03% | | |
| Subtotal Global Fixed Income Funds: | 121,717,313 | 14.69% | 65% | 15% |
| **Special Strategies Funds:** | | | | |
| Private equity funds - domestic | 73,358,361 | 8.85% | | |
| Private equity funds - international | 9,250,702 | 1.12% | | |
| Distressed debt funds - domestic | 12,361,433 | 1.49% | | |
| Distressed debt funds - international | 10,343,701 | 1.25% | | |
| Private debt fund fund - domestic | 15,217,443 | 1.84% | | |
| Multi-asset fund fund - domestic | 10,258,711 | 1.24% | | |
| Life settlement funds - domestic | 7,991,154 | 0.96% | | |
| Equity hedge fund - domestic | 14,499,886 | 1.75% | | |
| Subtotal Special Strategies Funds: | 153,281,391 | 18.50% | 20% | 0% |
| **Real Asset Funds** | | | | |
| Real asset - domestic | 75,612,894 | 9.13% | | |
| Real asset - international | 550,370 | 0.07% | | |
| Subtotal Real Asset Funds: | 76,163,264 | 9.20% | 15% | 0% |
| **Total Deposits and Investments** | **$ 828,407,827** | **100.00%** | | |

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

| | Net Appreciation (Depreciation) in Fair Value of Investments | |
|---|---|---|
| | **2025** | 2024 |
| Investments, at Fair Value: | | |
| **Equity Funds:** | | |
| Common stock - domestic | **$ 12,405,307** | $ 16,964,481 |
| Common stock & mutual funds - international | **16,866,104** | 1,997,267 |
| Equity collective fund - domestic | **467,260** | 6,647,518 |
| Equity collective fund - international | **93,604** | 494,687 |
| Equity mutual index fund - domestic | **19,483,136** | 22,097,621 |
| Subtotal Equity Funds: | **49,315,411** | 48,201,574 |
| **Fixed Income Funds:** | | |
| Corp bonds; corp bond mutual funds; convertible bond; govt bonds; govt agencies; mortgage backed; asset backed securities - domestic | **4,159,799** | 453,689 |
| Corp bonds; corp bond CIT; mortgage backed; asset backed securities - international | **849,582** | (1,389,834) |
| Global bond fund - international | **2,390,277** | (2,077,428) |
| Subtotal Fixed Income Funds: | **7,399,658** | (3,013,573) |
| **Special Strategies Funds:** | | |
| Private equity funds - domestic | **1,325,182** | 1,565,144 |
| Private equity funds - international | **(584,602)** | (850,247) |
| Distressed debt funds - domestic | **(56,195)** | 2,587,402 |
| Distressed debt funds - international | **1,138,207** | 804,808 |
| Private debt fund - domestic | **(501,140)** | (194,084) |
| Multi-asset fund - domestic | **487,367** | 578,163 |
| Life settlement funds - domestic | **264,105** | (511,216) |
| Equity hedge fund - domestic | **2,428,213** | 1,696,726 |
| Subtotal Special Strategies Funds: | **4,501,137** | 5,676,696 |
| **Real Asset Funds** | | |
| Real asset funds - domestic | **(1,358,528)** | (2,870,724) |
| Real asset fund - international | **(123,608)** | (196,376) |
| Subtotal Real Asset Funds: | **(1,482,136)** | (3,067,100) |
| **Total Net Appreciation in Fair Value of Investments** | **$ 59,734,070** | $ 47,797,597 |

## Rate of Return

For the years ended December 31, 2025, and 2024, the annual money-weighted rate of return on the OPEB Trust's investments, net of investment expenses, was 9.73% and 8.74 %, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

## Credit Risk

*Credit risk* is the risk that an issuer of a debt security will not fulfill its obligation. This credit risk is measured by the credit quality of investments in debt securities as described by nationally recognized statistical rating organizations. Investments in obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk. The following table presents the OPEB Trust's investment exposure to credit risk as of December 31, 2025:

**As of December 31, 2025, the Plan's investments were rated as follows by Standard & Poor's:**

| Investment Type | AAA | AA | A | BBB | Not Rated/ Categorized or Quality Rating not Available | US Government Guaranteed | Total |
|---|---|---|---|---|---|---|---|
| Asset Backed Securities | $ 161,205 | $ 43,641 | $ 82,163 | $ 122,460 | $ 1,612,016 | $ 413,533 | $ 2,435,018 |
| Commercial Mortgage-Backed | | | | | 23,183 | | 23,183 |
| Corporate Bonds | | | 1,555,882 | 2,735,341 | 14,549,269 | | 18,840,492 |
| Funds - Corporate Bonds | | | | | 60,965,951 | | 60,965,951 |
| Funds - Short Term Investment | | | | | 32,834,164 | | 32,834,164 |
| Government Agencies | | 552,985 | | | | 137,438 | 690,423 |
| Government Bonds | | | | | | 13,357,713 | 13,357,713 |
| Government Mortgage Backed Securities | | | | | | 8,623,637 | 8,623,637 |
| Government Issued Commercial Mortgage-Backed | 198,826 | | | | | 1,549,251 | 1,748,077 |
| Life Settlement Funds | | | | | 13,567,498 | | 13,567,498 |
| Hedge Market Independent | | | | | 1,389,540 | | 1,389,540 |
| Municipal/Provincial Bonds | | 59,778 | | | 103,325 | | 163,103 |
| Non-Government Backed C.M.O.s | 170,532 | | | | 940,003 | | 1,110,535 |
| Other Fixed Income | | | | | 250,074 | | 250,074 |
| Unit Trust Bonds | | | | | 13,834,078 | | 13,834,078 |
| **Total Market Value by Rating** | **$ 530,563** | **$ 656,404** | **$ 1,638,045** | **$ 2,857,801** | **$ 140,069,101** | **$ 24,081,572** | **$ 169,833,486** |

**As of December 31, 2025, the Plan's investments were rated as follows by Moody's Investor Services:**

| Investment Type | Aaa | Aa | A | Baa | Not Rated/ Categorized or Quality Rating not Available | US Government Guaranteed | Total |
|---|---|---|---|---|---|---|---|
| Asset Backed Securities | $ 308,952 | | $ 93,213 | | $ 1,619,320 | $ 413,533 | $ 2,435,018 |
| Commercial Mortgage-Backed | | | | | 23,183 | | 23,183 |
| Corporate Bonds | 101,694 | 262,883 | 2,284,302 | 1,514,232 | 14,677,381 | | 18,840,492 |
| Funds - Corporate Bonds | | | | | 60,965,951 | | 60,965,951 |
| Funds - Short Term Investment | | | | | 32,834,164 | | 32,834,164 |
| Government Agencies | | 552,985 | | | | 137,438 | 690,423 |
| Government Bonds | | 13,357,713 | | | | | 13,357,713 |
| Government Mortgage Backed Securities | | | | | | 8,623,637 | 8,623,637 |
| Government Issued Commercial Mortgage-Backed | | | | | | 1,748,077 | 1,748,077 |
| Life Settlement Funds | | | | | 13,567,498 | | 13,567,498 |
| Hedge Market Independent | | | | | 1,389,540 | | 1,389,540 |
| Municipal/Provincial Bonds | | 142,035 | | | 21,068 | | 163,103 |
| Non-Government Backed C.M.O.s | 353,276 | | | | 757,259 | | 1,110,535 |
| Other Fixed Income | | | | | 250,074 | | 250,074 |
| Unit Trust Bonds | | | | | 13,834,078 | | 13,834,078 |
| **Total Market Value by Rating** | **$ 763,922** | **$ 14,315,616** | **$ 2,377,515** | **$ 1,514,232** | **$ 139,939,516** | **$ 10,922,685** | **$ 169,833,486** |

### Custodial Credit Risk

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

By an agreement dated December 20, 2007, between the Board and The Northern Trust Company ("Northern"), the MLGW OPEB Trust Master Custody Agreement ("Agreement") was established. The Agreement requires Northern to hold securities or other property for the OPEB Trust: through an agent, in the name of its nominee, in a corporate depository of federal book entry account system, or other form as it deems best. The OPEB Trust does not have a formal policy for custodial credit risk. None of the Fund's investments on December 31, 2025, were exposed to custodial credit risk.

### Concentration of Credit Risk

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

In accordance with the investment policy, no more than 5% of the OPEB Trust's portfolio will be invested in the securities of any single issuer with the following exceptions: short-term investments will not exceed 10%. Of the investments subject to concentration of credit risk, there were no investments in any one issuer that represented 5% of more of the Fund's investments on December 31, 2025.

### Interest Rate Risk

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

On December 31, 2025, the OPEB Trust had the following investments exposed to interest rate risk:

| Investment Type | Market Value | Effective Duration (in years) |
|---|---|---|
| Asset Backed Securities | $ 2,435,018 | 3.9 |
| Commercial Mortgage-Backed | 23,183 | 2.1 |
| Corporate Bonds | 4,604,987 | 5.9 |
| Government Agencies | 690,423 | 4.5 |
| Government Bonds | 13,357,713 | 6.5 |
| Government Mortgage Backed Securities | 8,623,637 | 4.7 |
| Gov't-issued Commercial Mortgage-Backed | 1,748,077 | 7.5 |
| Municipal/Provincial Bonds | 163,103 | 6.9 |
| Non-Government Backed C.M.O.s | 1,110,535 | 3.9 |
| Other Fixed Income | 250,074 | 0.3 |
| Subtotal: | 33,006,750 | |
| Corporate Bonds | 14,235,505 | Unavailable |
| Funds - Corporate Bond | 60,965,951 | Unavailable |
| Funds - Short term Investments | 32,834,164 | Unavailable |
| Life Settlement Fund | 13,567,498 | Unavailable |
| Hedge Market Independent | 1,389,540 | Unavailable |
| Unit Trust Bonds | 13,834,078 | Unavailable |
| Subtotal: | 136,826,736 | |
| **Total Investments with Effective Duration** | **$ 169,833,486** | |

## Securities Lending Transactions

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

Collateral held in trust for securities on loan included in the 2025 and 2024 Statements of Fiduciary Net Position consisted of cash collateral. On December 31, 2025, and 2024, the OPEB Trust had no credit risk exposure to borrowers because the amounts the OPEB Trust owed to the borrowers exceeded the amounts the borrowers owed the OPEB Trust. Under the terms of the lending agreement, the OPEB Trust is indemnified against any losses, damages, costs, and expenses should the Agent be unable to recover borrowed securities and distributions due to the borrower filing for bankruptcy or similar relief or failure of the Agent to properly evaluate the creditworthiness of the borrower. In addition, the OPEB Trust is indemnified against loss should the Agent fail to demand adequate and appropriate collateral on a timely basis. Investments made by broker-dealers under securities loans consist of the following:

**As of December 31, 2025**

| | Market Value of Loaned Securities Collaterized | | | Collateral Received from Borrowers | | |
|---|---|---|---|---|---|---|
| **Securities Type** | **Cash Collateral** | **Non-Cash Collateral** | **Total** | **Cash Collateral** | **Non-Cash Collateral [1]** | **Total** |
| Global Equities | $ - | $ 184,983 | $ 184,983 | $ - | $ 197,488 | $ 197,488 |
| U.S. Corporate Fixed | - | 720,750 | 720,750 | - | 748,067 | 748,067 |
| U.S. Equities | **1,396,623** | 7,571,709 | 8,968,332 | **1,443,754** | 7,814,809 | 9,258,563 |
| U.S. Government Fixed | - | 6,973,429 | 6,973,429 | - | 7,129,255 | 7,129,255 |
| **Total** | **$ 1,396,623** | **$ 15,450,871** | **$ 16,847,494** | **$ 1,443,754** | **$ 15,889,619** | **$ 17,333,373** |

**As of December 31, 2024**

| | Market Value of Loaned Securities Collaterized | | | Collateral Received from Borrowers | | |
|---|---|---|---|---|---|---|
| **Securities Type** | **Cash Collateral** | **Non-Cash Collateral** | **Total** | **Cash Collateral** | **Non-Cash Collateral [1]** | **Total** |
| Global Equities | $ - | $ 1,113,644 | $ 1,113,644 | $ - | $ 1,200,595 | $ 1,200,595 |
| U.S. Corporate Fixed | **67,223** | 308,425 | 375,648 | **68,695** | 316,053 | 384,748 |
| U.S. Equities | **299,464** | 4,140,588 | 4,440,052 | **313,201** | 4,255,263 | 4,568,464 |
| U.S. Government Fixed | **195,368** | 774,328 | 969,696 | **199,118** | 790,286 | 989,404 |
| **Total** | **$ 562,055** | **$ 6,336,985** | **$ 6,899,040** | **$ 581,014** | **$ 6,562,197** | **$ 7,143,211** |

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

## 4. FAIR VALUE MEASUREMENTS

The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB Statement No. 72 requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. This Statement establishes a hierarchy that prioritizes and ranks the inputs to valuation techniques used to measure fair value based on observability. The accounting standards break down the fair value hierarchy into three levels based on how observable these inputs are that make up the valuation. The most observable inputs are classified as Level 1, inputs other than quoted prices included with level 1 that are observable for an asset or liability, either directly of indirectly are classified as Level 2, and the unobservable inputs are classified as Level 3.

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

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

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

GASB 72
Fair Value Hierarchy

The following table displays information regarding investments measured using the fair value hierarchy on December 31, 2025:

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| | December 31 2025 | Active Markets for Identical Assets (Level 1) | Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| **Investments by Fair Value Level** | | | | |
| Equity Funds: | | | | |
| Common stock - domestic | $ 176,948,359 | $ 176,948,358 | $ - | $ - |
| Common stock - international | 50,696,617 | 50,696,617 | - | - |
| Common stock & mutal funds - international | 138,932,329 | 138,932,329 | - | - |
| Common stock index mutual fund - domestic | 24,740,467 | 24,740,467 | - | - |
| Value euqity - international | 39,214,294 | 39,214,294 | - | - |
| Total equity funds | 430,532,065 | 430,532,065 | - | - |
| Fixed income funds: | | | | |
| Corporate bonds CIT - international | 13,910,536 | 13,910,536 | - | - |
| Corporate bonds - domestic | 4,504,020 | - | 4,504,020 | - |
| Corporate bonds - international | 100,967 | - | 100,967 | - |
| Corporate bond mutual funds - domestic | 46,132,897 | 46,132,897 | - | - |
| Convertible bond mutual fund - domestic | 14,833,054 | 14,833,054 | - | - |
| Global bond fund - international | 13,834,078 | - | 13,834,078 | - |
| Government agencies - domestic | 690,423 | - | 690,423 | - |
| Asset backed securiest - domestic | 2,435,018 | - | 2,435,018 | - |
| Mortgage backed securities - domestic | 11,505,432 | - | 11,449,826 | 55,606 |
| Government bonds - domestic | 13,520,815 | 13,357,713 | 163,102 | - |
| Other fixed income - domestic | 250,073 | - | 250,073 | - |
| Total fixed income funds | 121,717,313 | 88,234,200 | 33,427,507 | 55,606 |
| **Total investments by fair value level** | **552,249,378** | **$ 518,766,265** | **$ 33,427,507** | **$ 55,606** |
| **Investments measured at the net asset value (NAV) *** | | | | |
| Private equtiy funds | 82,609,063 | | | |
| Distressed debt funds | 22,705,134 | | | |
| Private debt funds | 15,217,443 | | | |
| Multi-asset fund | 10,258,711 | | | |
| Life settlement funds | 7,991,154 | | | |
| Equity hedge fund | 14,499,886 | | | |
| Real asset funds | 76,163,264 | | | |
| **Total investments measured at NAV** | **229,444,655** | | | |
| **Total Investments** | **$ 781,694,033** | | | |

* 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.

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

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| | December 31 2024 | Active Markets for Identical Assets (Level 1) | Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| **Investments by Fair Value Level** | | | | |
| Equity Funds: | | | | |
| Common stock - domestic | $ 150,707,258 | $ 150,707,257 | $ - | $ - |
| Common stock & mutual funds - international | 43,485,709 | 43,485,709 | - | - |
| Common stock index mutual fund - domestic | 117,902,881 | 117,902,881 | - | - |
| Equity collective fund - domestic | 54,278,931 | 54,278,931 | - | - |
| Equity collective fund - international | 29,186,404 | 29,186,404 | - | - |
| Total fixed income funds | 395,561,182 | 395,561,182 | - | - |
| Fixed Income Funds: | | | | |
| Corporate bonds - domestic | 1,789,240 | - | 1,789,240 | - |
| Corporate bonds CIT - international | 13,061,966 | 13,061,966 | - | - |
| Corporate bond mutual funds - domestic | 42,947,950 | 42,947,950 | - | - |
| Convertible bond mutual funds - domestic | 12,120,989 | 12,120,989 | - | - |
| Government bonds - domestic | 3,352,501 | 3,294,790 | 57,711 | - |
| Government agencies - domestic | 686,130 | - | 686,130 | - |
| Global bond fund - international | 21,524,403 | - | 21,524,403 | - |
| Mortage backed securities - domestic | 3,437,700 | - | 3,304,871 | 132,829 |
| Asset backed securites - domestic | 1,026,657 | - | 963,777 | 62,880 |
| Asset backed securities - international | 100,790 | - | 100,790 | - |
| Total equity securities | 100,048,326 | 71,425,695 | 28,426,922 | 195,709 |
| **Total investments by fair value level** | **495,609,508** | **$ 466,986,877** | **$ 28,426,922** | **$ 195,709** |
| **Investments measured at the net asset value (NAV) *** | | | | |
| Distressed debt funds | 26,518,481 | | | |
| Life settlement funds | 14,213,307 | | | |
| Equity hedge fund | 12,071,673 | | | |
| Multi-asset fund | 7,271,344 | | | |
| Private debt fund | 11,968,287 | | | |
| Private equity funds | 78,386,619 | | | |
| Real asset funds | 82,584,401 | | | |
| **Total investments measured at NAV** | **233,014,112** | | | |
| **Total Investments** | **$ 728,623,620** | | | |

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

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

The following table displays information regarding investments that use NAV per share (or equivalent) as their fair value measurement on December 31, 2025, and 2024.

| | | | December 31, 2025 | | |
|---|---|---|---|---|---|
| **Investments Measured at the Net Asset Value (NAV)** | **Fair Value December 31, 2025** | **Fair Value December 31, 2024** | **Unfunded Commitments** | **Redemption Notice Period** | **Redemption Frequency (if Currently Eligible)** |
| Distressed debt funds [1] | $ 22,705,134 | $ 26,518,481 | $ 19,110,000 | N/A | N/A |
| Equity hedge fund [2] | 14,499,886 | 12,071,673 | - | March 15, September 15 | Semi-annually |
| Life settlement funds [3] | 7,991,154 | 14,213,307 | - | 90-120 days | Quarterly |
| Multi-asset fund [4] | 10,258,711 | 7,271,344 | - | N/A | N/A |
| Private debt fund [5] | 15,217,443 | 11,968,287 | 7,628,951 | N/A | N/A |
| Private equity funds [6] | 82,609,063 | 78,386,619 | 7,370,224 | 60 days | Quarterly |
| Real asset funds [7] | 76,163,264 | 82,584,401 | 2,429,600 | 30-180 days | Quarterly |
| **Total investments measured at NAV** | **$ 229,444,655** | **$ 233,014,112** | **$ 36,538,775** | | |

1. *Distressed Debt.* This category includes six distressed debt which limit partnership funds that invest in senior secured debt. Also included are stressed assets which are either restructuring or believed to be misunderstood in the marketplace. The OPEB Trust investment in each fund is generally not subject to redemption. These investments are normally returned through distributions upon liquidation of holdings over the next 3 to 5 years.

2. *Equity hedge fund.* This category is composed of a firm that seeks to preserve capital in all markets and provides a 12-15% net return over rolling 2-year period. Its portfolio is comprised of premier, fundamentally base long/short equity hedge funds. The fund invests in managers who employ a bottom-up, research intensive long/short equity style. The OPEB Trust investment in this fund can be redeemed on June 30 with March 15 notice and December 31 with September 15 notice.

3. *Life settlement funds.* This category includes four hedge funds. Life settlement contracts that invest in longevity contingent assets. These include life settlements and a portfolio of individual, non-variable, life insurance policies. OPEB Trust investments in this category are generally subject to a 1-year lockup period before redemption is permissible. Investments in this category representing 21.1% of assets can be redeemed quarterly dependent upon 120-day notice, 3.7% can be redeemed quarterly with 90-day notice, and the remaining 75.2% are not subject to redemption. It is expected that the underlying assets will be liquidated over the next 2 to 5 years.

4. *Multi-asset fund.* This category is comprised of a fund that strives to maintain and grow capital with high investment income and capital appreciation by employing alternative strategies under a flexible mandate including both fund and direct investments. OPEB Trust's investment in this category can be redeemed quarterly with 60 days' notice.

5. *Private debt.* This category includes two funds, one of which is focused on providing senior-secured, floating rate loans to middle market borrowers. Its strategy is not centered on any one industry, but it is focused on issuing USD-denominated loans to borrowers based in the United States. The other fund's goal is to return competitive yields and returns through selective loans in the underserved middle market (generally companies with less than $25 million of EBITDA). OPEB Trust investments in these funds are not subject to redemption and are normally returned through distributions. It is expected that the underlying assets of these funds will be liquidated over the next 1 to 5 years.

6. *Private equity.* This category includes thirteen private equity funds that invest in: health care, technology, utilities, transportation, energy assets, high quality cash flow companies, and secondary investments across various sectors. OPEB Trust investments in this category representing 23.0% can be redeemed with 60-day notice. The remaining 77.0% is generally not subject to redemption and is normally returned through distributions after the liquidation of holdings. It is expected that the underlying assets of these funds will be liquidated over the next 6 to 9 years.

7. *Real asset.* This category includes eight real asset funds that invest in office, retail, industrial, and multi-family properties. OPEB Trust investment in this category representing 15.7% can be redeemed quarterly with 30-day notice; 36.3% can be redeemed quarterly with 90-day notice, 17.0% can be redeemed quarterly with 180 days' notice. The remaining 31.0% are not subject to redemption. It is expected that the underlying assets of these funds will be liquidated over the next 1 to 5 years.

## 5. INCOME TAX STATUS

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

# REQUIRED SUPPLEMENTARY INFORMATION

# Schedule of Changes in Net OPEB Liability

*Dollars in thousands*

| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|---|---|---|
| **Total OPEB Liability** | | | | | | | | | |
| Service cost | $ 18,981 | $ 17,631 | $ 18,547 | $ 18,094 | $ 16,093 | $ 15,400 | $ 15,804 | $ 15,381 | $ 19,520 |
| Interest | 61,711 | 57,764 | 60,267 | 57,870 | 54,019 | 51,712 | 53,030 | 50,560 | 64,667 |
| Change of benefit terms | - | - | - | - | - | - | - | - | (61,896) |
| Differences between expected and actual experience | 198 | 137 | 8,924 | (5,593) | 12,400 | (4,090) | 15,351 | (3,134) | 3,674 |
| Changes of assumptions | 29,594 | 14,899 | (83,192) | - | 30,869 | - | (46,583) | - | (200,370) |
| Benefit payments, including refunds of member contributions | (30,864) | (39,772) | (39,001) | (34,248) | (33,268) | (30,588) | (31,916) | (28,677) | (29,457) |
| **Net change in Total OPEB Liability** | 79,620 | 50,658 | (34,455) | 36,123 | 80,113 | 32,434 | 5,686 | 34,130 | (203,862) |
| Total OPEB Liability - beginning | 877,778 | 827,120 | 861,575 | 825,452 | 745,339 | 712,905 | 707,219 | 673,089 | 876,951 |
| **Total OPEB Liability - ending** | **957,398** | **877,778** | **827,120** | **861,575** | **825,452** | **745,339** | **712,905** | **707,219** | **673,089** |
| **Plan Fiduciary Net Position** | | | | | | | | | |
| Contributions - employer | 26,588 | 40,806 | 40,136 | 38,381 | 37,561 | 34,895 | 33,949 | 48,972 | 45,184 |
| Net investment income (loss) | 71,363 | 57,880 | 62,043 | (73,591) | 106,511 | 84,891 | 76,566 | (14,273) | 57,671 |
| Benefit payments, including refunds of member contributions | (30,864) | (39,772) | (39,001) | (34,248) | (33,268) | (30,589) | (31,916) | (28,677) | (29,457) |
| **Net change in Plan Fiduciary Net Position** | 67,087 | 58,914 | 63,178 | (69,458) | 110,804 | 89,197 | 78,599 | 6,022 | 73,398 |
| Plan Fiduciary Net Position - beginning | 756,983 | 698,069 | 634,890 | 704,348 | 593,544 | 504,347 | 425,748 | 419,726 | 346,328 |
| **Plan Fiduciary Net Position - ending** | **824,070** | **756,983** | **698,068** | **634,890** | **704,348** | **593,544** | **504,347** | **425,748** | **419,726** |
| **Net OPEB Liability- ending** | $ 133,328 | $ 120,795 | $ 129,052 | $ 226,685 | $ 121,104 | $ 151,795 | $ 208,558 | $ 281,471 | $ 253,363 |
| **Plan Fiduciary Net Position as a percentage of the Total OPEB Liability** | 86.07% | 86.24% | 84.40% | 73.69% | 85.33% | 79.63% | 70.75% | 60.20% | 62.36% |
| **Covered - employee payroll [1]** | $ 222,145 | $ 207,483 | $ 191,237 | $ 184,710 | $ 175,790 | $ 173,425 | $ 170,946 | $ 169,605 | $ 167,221 |
| **Plan Net OPEB Liability as percentage of covered payroll** | 60.02% | 58.22% | 67.48% | 122.72% | 68.89% | 87.53% | 122.00% | 165.96% | 151.51% |

**Notes to Schedule:**

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

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

*Change of assumptions* :

Effective with the December 31, 2025 measurement, the following assumptions were changed:

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

Effective with the December 31, 2024 measurement, the following assumption were changed:

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

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

## Schedule of Employer Contributions

Last 10 Fiscal Years

| Fiscal Year Ended December 31 | Actuarially Determined Contributions | Contributions in Relation to the Acturially Determined Contributions | Contribution Deficiency (Excess) | Covered Payroll | Contributions as Percentage of Covered Payroll |
|---|---|---|---|---|---|
| 2025 | $ 26,583,712 | $ 26,587,729 | $ (4,017) | $ 222,145,416 | 11.97% |
| 2024 | 33,933,050 | 40,806,176 | (6,873,126) | 207,482,561 | 19.67% |
| 2023 | 34,131,217 | 40,135,967 | (6,004,750) | 191,237,413 | 20.99% |
| 2022 | 31,405,545 | 38,380,621 | (6,975,076) | 184,709,533 | 20.78% |
| 2021 | 32,403,191 | 37,560,901 | (5,157,710) | 175,790,422 | 21.37% |
| 2020 | 32,111,492 | 34,894,584 | (2,783,092) | 173,424,888 | 20.12% |
| 2019 | 31,709,199 | 33,949,385 | (2,240,186) | 170,945,709 | 19.86% |
| 2018 | 48,270,194 | 48,971,640 | (701,446) | 169,605,389 | 28.87% |
| 2017 | 46,978,291 | 45,183,806 | 1,794,485 | 167,220,851 | 27.02% |
| 2016 | 45,289,255 | 42,496,354 | 2,792,901 | 161,925,757 | 26.24% |

## Notes to Schedule:

*Methods and assumptions used to establish "Actuarially Determined Contribution" rates:*

| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| Valuation Date | January 1, one year prior [1] (for 2025-2017) | | | | | | | | | December 31, 2015 |
| Measurement Date | December 31, 2025 | December 31, 2024 | December 31, 2023 | December 31, 2022 | December 31, 2021 | December 31, 2019 | December 31, 2018 | December 31, 2017 | December 31, 2017 | December 31, 2015 |
| Census data collected | December 31, 2025 | December 31, 2024 | December 31, 2023 | December 31, 2021 | December 31, 2021 | December 31, 2019 | December 31, 2017 | December 31, 2017 | December 31, 2017 | December 31, 2015 |
| Actuarial cost method | Entry Age Actuarial Cost Method (for all years presented) | | | | | | | | | |
| Amortization method | 30-year closed, level salary (for all year presented) | | | | | | | | | |
| Amortization period of initial unfunded AAL | 30 years | 30 years | 30 years | 30 years | 30 years | 30 years | 30 years | 30 years | 30 years | 30 years |
| Remaining amortization period | 19 years | 20 years | 21 years | 22 years | 23 years | 25 years | 26 years | 27 years | 28 years | 29 years |
| Asset valuation method | Market value [2] (for all years presented) | | | | | | | | | |
| Investment rate of return | 7.00% | 7.00% | 7.00% | 7.00% | 7.00% | 7.25% | 7.25% | 7.50% | 7.50% | 7.50% |
| Inflation rate | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.75% | 2.75% | 2.75% |
| Salary increases | Inflation plus merit in | Inflation plus merit increases that vary by age and service (for all years presented) | | | | | | | | |
| Health care cost trend rates: | | | | | | | | | | |
| Medical | 7.00% grading to 4.5% over 10 years | 7.00% grading to 4.5% over 10 years | 7.75% graded to 5.00% over 6 years for 2011 and 2012<br>7.75% graded to 5.00% over 11 years for 2013 and 2014<br>7.25% graded to 5.00% over 9 years for 2015 and 2016<br>7.00% graded to 4.5% over 10 years for 2017 through 2023 | | | | | | | |
| Presciption drug | 9.50% grading to 4.5% over 10 years | 10.00% grading to 4.5% over 11 years | 6.5% graded to 5.00% over 3 years for 2011 and 2012<br>6.00% graded to 5.00% over 5 years for 2013 and 2014<br>11.50% graded to 5.00% over 11 years for 2015<br>9.50% graded to 5.00% over the 17 years for 2016<br>9.00% graded to 4.5% over the 10 years for 2017 through 2019<br>8.00% graded to 4.00% over 14 years for 2020 through 2023 | | | | | | | |
| Dental, administratve costs | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |

*(Dental included beginning year 2022)*

## Notes to Schedule (*continued*):

Mortality Rates (2024-2025)

| | |
|---|---|
| *Pre-retirement* | PRI-2012 Blue Collar Employee Mortality Table. |
| *Healthy annuitants* | PRI-2012 Blue Collar Healthy Annuitant Mortality Table, plus a 20% load for males and a 12% load for females. |
| *Disabled annuitants* | PRI-2012 Disabled Retiree Mortality Table, plus a 20% load. |
| *Beneficiaries* | PRI-2012 Contingent Survivor Mortality Table, plus a 12% load. |
| | Mortality rates were based on the PRI-2012 Mortality Tables, Headcount-Weighted, with sex-distinct rate, projected generationally with Scale MP-2021. |
| | For 2025 - The tables with generational projection to the ages of participant as of the measurement date reasonably reflect the mortality experience of the Plan as of the measurement date. These mortality tables were then adjusted to future years using the generational projection to reflect future mortality improvements between the measurement date and those years. |

Mortality Rates (2020-2023)

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

Mortality Rates (2016-2019)

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

Other Information

Notes:
[1] Actuarially determined contribution rates are calculated as of January 1, one year prior to the end of the fiscal year in which contributions are reported.
[2] Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between actual and expected returns on a market value basis and is recognized over a five-year period. The deferred return is further adjusted, if necessary, so that the actuarial value of assets will stay within 20% of the market value of assets.

# Schedule of Investment Returns

Last 10 Fiscal Years

| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| Annual money-weighted rate of return, net of investment expense * | 9.73% | 8.74% | 9.83% | -10.40% | 17.75% | 16.97% | 17.84% | -3.45% | 17.16% | 9.26% |

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("*Government Auditing Standards*"), the financial statements of the Memphis Light, Gas and Water Division Other Post Employment Benefits Trust (the "OPEB Trust"), which comprise the statement of fiduciary net position as of December 31, 2025, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 12, 2026. Our report disclosed that the statements of the OPEB Trust do not purport to present the financial position of the Light, Gas and Water Division of the City of Memphis or the City of Memphis as of December 31, 2025, and the respective changes in their financial position or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Report on Internal Control over Financial Reporting

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

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

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

## Report on Compliance and Other Matters

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

### *Purpose of this Report*

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

Forvis Mazars, LLP

**Memphis, Tennessee**
**June 12, 2026**

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

Summary Schedule of Prior Year Findings
Year Ended December 31, 2025

There were no prior findings reported.