

**Lansing Board of Water and Light
Defined Benefit Plan and Trust for
Employees' Pensions**

**Financial Report
with Required Supplementary Information
As of and for the Years Ended June 30, 2022 and 2021**

Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees' Pensions

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Independent Auditors' Report

To the Honorable Mayor, Members of the City Council,
Commissioners of the Board of Water and Light of
Lansing Board of Water and Light
Defined Benefit Plan and Trust for Employees' Pensions

Opinion

We have audited the accompanying financial statements of the Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees' Pensions (the Plan), a fiduciary fund of the Lansing Board of Water and Light, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan as of June 30, 2022 and 2021 and the respective changes in 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). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Plan is presenting only the financial statements of the Plan and do not purport to, and do not, present fairly the financial position of the Lansing Board of Water and Light, as of June 30, 2022 and 2021, and the changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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, we:

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

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 the required supplementary information, as listed in the table of contents be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements and other knowledge we obtained during our audit of the 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.

Baker Tilly US, LLP

Madison, Wisconsin
September 12, 2022

Lansing Board of Water and Light

Defined Benefit Plan and Trust for Employees' Pensions

Management's Discussion and Analysis (Unaudited)
As of and for the Years Ended June 30, 2022 and 2021

Using this Annual Report

The annual report consists of two parts: (1) Management's Discussion and Analysis (this section) and (2) the financial statements. The financial statements include notes that explain information in the statements and provide more detail.

Condensed Financial Information

The table below compares key financial information in a condensed format between the current year and the prior two years:

	2022	2021	2020
Assets held in trust:			
Money market collective trust fund	\$ 1,308,877	\$ 1,401,780	\$ 1,402,445
Mutual funds	24,919,695	33,017,321	27,724,351
Common collective funds	18,671,886	19,776,148	19,028,423
Common stock	5,259,217	7,460,769	7,429,429
Trade Receivable due from Broker	500,000	20,550	-
Interest and dividend receivable	1,171	1,964	2,247
Total assets held in trust	<u>\$ 50,660,846</u>	<u>\$ 61,678,532</u>	<u>\$ 55,586,895</u>
Liabilities - Accrued liabilities	\$ 2,072	\$ 20,433	\$ -
Net position restricted for pension	<u>50,658,774</u>	<u>61,658,099</u>	<u>55,586,895</u>
Total liabilities and net position	<u>\$ 50,660,846</u>	<u>\$ 61,678,532</u>	<u>\$ 55,586,895</u>
Changes in net position:			
Net investment income (loss)	\$ (5,398,557)	\$ 11,852,724	\$ 1,657,911
Benefits payments	(5,466,158)	(5,658,372)	(6,347,779)
Administrative fees	(134,610)	(123,148)	(145,084)
Net change in net position	<u>\$ (10,999,325)</u>	<u>\$ 6,071,204</u>	<u>\$ (4,834,952)</u>

Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees' Pensions

Management's Discussion and Analysis (Unaudited) (Continued) As of and for the Years Ended June 30, 2022 and 2021

Investment Results

The fiscal year ended June 30, 2022 saw a net investment loss of (\$5.4) million. We believe this performance is consistent with the experience of similarly situated employee benefit funds.

The Lansing Board of Water & Light's ("BWL") actuarially determined contribution ("ADC") as determined by the BWL's actuary was \$0 in fiscal year 2022, therefore no employer contributions were required.

The discount rate was 6.5% in fiscal year 2021 and 6.0% in fiscal year 2022

Investment Objectives and Asset Allocation

The Lansing Board of Water & Light Defined Benefit Plan and Trust for Employees' Pensions ("Plan") assets shall be invested in accordance with sound investment practices that emphasize long-term investment fundamentals. In establishing the investment objectives of the Plan, the BWL has considered the time horizon available for investment, the nature of the Plan's cash flows and liabilities, and other factors that affect the Plan's risk tolerance.

The investment of Plan assets is intended to result in moderate, long-term capital appreciation through moderate risk-taking. The Plan's overall investment objective is to earn an average, annual return of 6.0% over five-year rolling periods. Achievement of this objective is likely to result in stable contribution rates and ensure its ability to pay retirement benefits for all plan participants.

Consistent with the advice of the investment advisor, the BWL has selected the following target asset allocation strategy:

<u>Asset Class</u>	<u>Target Asset Allocation</u>
Core Bonds	20%
Multi-Sector	10%
Liquid Absolute Return	10%
U.S. Large Cap Equity	25%
U.S. Small Cap Equity	10%
Non-U.S. Equity	20%
Core Real Estate	<u>5%</u>
Total	100%

Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees' Pensions

Management's Discussion and Analysis (Unaudited) (Continued)
As of and for the Years Ended June 30, 2022 and 2021

Future Events

The Plan is currently overfunded, with a funded ratio (fiduciary net position divided by total pension liability) of 106%. This funding level results in an actuarially determined contribution of \$0 for fiscal year 2023. As a result, the BWL does not expect to make contributions to the trust in fiscal year 2023.

The Plan expects to make an annual withdrawal of approximately \$5,000,000 to cover participant benefits in fiscal year 2023.

Contacting the Plan's Management

The financial report is intended to provide a general overview of the Plan's finances and to demonstrate accountability for the funds it administers. Questions about this report should be submitted to Lansing Board of Water & Light Defined Benefit Plan and Trust for Employees' Pensions, Attn: Retirement Plan Committee, P.O. Box 13007, Lansing, Michigan 48901-3007.

Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees' Pensions

Statements of Plan Fiduciary Net Position

	As of June 30	
	2022	2021
Assets		
Investments at fair value:		
Cash and money market trust fund	\$ 1,308,877	\$ 1,401,780
Mutual funds	24,919,695	33,017,321
Common collective funds	18,671,886	19,776,148
Common stocks	5,259,217	7,460,769
Total investments at fair value	50,159,675	61,656,018
Trade receivable - due from broker	500,000	20,550
Receivable - investment interest receivable	1,171	1,964
Total assets	50,660,846	61,678,532
Liabilities		
Trade payable - due to broker	2,072	20,433
Net Position Restricted for Pensions	\$ 50,658,774	\$ 61,658,099

Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees' Pensions

Statements of Changes in Plan Fiduciary Net Position

	For the Year Ended June 30	
	2022	2021
Additions		
Investment income:		
Net appreciation in fair value of investments	\$ -	\$ 10,760,058
Interest and dividend income	2,102,005	1,092,666
Total investment income	2,102,005	11,852,724
Deductions		
Net depreciation in fair value of investments	7,500,562	-
Retiree benefits paid	5,466,158	5,658,372
Administrative expenses	134,610	123,148
Total deductions	13,101,330	5,781,520
Net Increase (Decrease) in Net Position	(10,999,325)	6,071,204
Net Position Restricted for Pensions		
Beginning of year	61,658,099	55,586,895
End of year	\$ 50,658,774	\$ 61,658,099

Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees' Pensions

Notes to Financial Statements
As of and for the Years Ended June 30, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

The Lansing Board of Water & Light (“BWL”) sponsors the Lansing Board of Water & Light Defined Benefit Plan and Trust for Employees’ Pensions (“Plan”), which is a noncontributory single-employer defined benefit, public employee retirement system established and administered by the BWL under Section 5-203.10 of the City Charter. A participant’s interest shall be fully vested when the participant has been credited with seven years of vesting service. The Plan was established in 1939 and has been amended several times, with the latest amendment effective July 1, 2010. Participants should refer to the Plan Document for a more complete description of the Plan’s provisions.

Accounting and Reporting Principles

The Plan follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board.

Basis of Accounting

Fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Employer contributions to the Plan are recognized when due pursuant to legal requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Report Presentation

This report includes the fund-based statements of the Plan.

Investment Valuation and Income Recognition – Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales prices. Investments that do not have an established market are reported at estimated fair value.

Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees' Pensions

Notes to Financial Statements
As of and for the Years Ended June 30, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

Report Presentation (Continued)

Purchases and sales of securities are recorded on a trade-date basis.

Appreciation or depreciation of investments is calculated based on the beginning of year fair value of investments.

Expenses – Substantially all Plan expenses are paid by the Plan.

Use of Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Regulatory Status – The Plan is not subject to the reporting requirements of the Employee Retirement Income Security Act of 1974 (ERISA) as it has been established for the benefit of a governmental unit.

Note 2 – Plan Description

Plan Administration – The BWL administers the Plan – a noncontributory single-employer defined benefit pension plan for employees of the BWL. The benefit terms were established by the BWL and may be amended by future BWL actions.

Management of the Plan is vested in the BWL Board of Commissioners, which consists of eight members appointed by the mayor of the City of Lansing, Michigan. Board members have by resolution delegated administrative and investment duties to the BWL's Retirement Plan Committee ("RPC").

Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees' Pensions

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

Note 2 – Plan Description (Continued)

Plan Membership – At February 28, 2022 and February 28, 2021 (the most recent actuarial valuation for funding purposes), Plan membership consisted of the following:

	<u>2022</u>	<u>2021</u>
Inactive Plan members or beneficiaries currently receiving benefits	284	296
Inactive Plan members entitled to but not yet receiving benefits	2	2
Active Plan members	<u>3</u>	<u>3</u>
Total	<u><u>289</u></u>	<u><u>301</u></u>

The Plan, by resolution of the Board of Commissioners, was closed to employees hired subsequent to December 31, 1996, and a defined contribution retirement savings plan was established for employees hired after December 31, 1996. Effective December 1, 1997, all active participants in this Plan were required to make an irrevocable choice to either remain in this Plan (defined benefit) or move to the newly established defined contribution plan. Those participants who elected to move to the defined contribution plan received lump-sum distributions from this Plan that were rolled into their accounts in the newly established defined contribution plan. Of the 760 employees who were required to make this election, 602 elected to convert their retirement benefits to the newly established defined contribution plan. As a result of this action, effective December 1, 1997, the Board of Commissioners transferred \$75,116,470 to the newly established defined contribution plan, reflecting the Plan participants' accumulated benefits as of said date.

Benefits Provided – The Plan provides retirement, early retirement, disability, termination, and death benefits. The Plan provides for an annual benefit upon normal retirement age equal to the product of the employee's pension service credit (service credited on an elapsed time basis) multiplied by a percentage equal to 1.80% of the employee's annual pay (base pay plus bonus received during the year in which the base pay was the highest within the last ten years of employment), paid in equal monthly installments.

Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees' Pensions

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

Note 2 – Plan Description (Continued)

Payments will either be nonincreasing or increase only as follows: (a) by an annual percentage increase that does not exceed the annual percentage increase in a cost-of-living index that is based on prices of all items and issued by the Bureau of Labor Statistics; (b) to the extent of the reduction in the amount of the employee's payments to provide for a survivor benefit upon death, but only if the beneficiary whose life was being used to determine the distribution period described in Section 9 of the Plan document dies or is no longer the employee's beneficiary pursuant to a qualified domestic relations order within the meaning of Internal Revenue Code Section 414(p); (c) to provide cash refunds of employee contributions upon the employee's death; or (d) to pay increased benefits that result from a Plan amendment.

Contributions – Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the BWL retains an independent, external actuary to determine the annual contribution. The actuarially determined contribution is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. There was no contribution required for the years ended June 30, 2022 and 2021. Plan documents do not require participant contributions.

Plan Termination – Although the BWL has not expressed any intent to terminate the Plan, the BWL has the right to do so at any time. If the Plan is terminated, each employee who has a pension benefit under the Plan will be fully vested in that benefit. Those benefits shall be calculated on Plan termination as though each person had elected to receive his or her accrued benefit as a lump sum amount, although no employee would be required to accept his or her Plan termination distribution in the form of a lump sum. The lump sum amount to be paid to each individual in any of the forms permitted by the Plan would be calculated in accordance with the Plan document. On termination of the Plan, each employee would have recourse toward satisfaction of his or her nonforfeitable benefit from the Plan assets and from the general assets of the BWL and its successor, if any.

The Plan is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, bonds, mutual funds, collective investment funds, diversified investment companies, annuity investment contracts, mortgages, real estate, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees' Pensions

Notes to Financial Statements
As of and for the Years Ended June 30, 2022 and 2021

Note 3 – Cash, Investments, and Fair Disclosure

The Plan's deposits and investment policies are in accordance with PA 196 of 1997; the Plan has authorized the investments according to Michigan PA 314 of 1965, as amended.

Custodial Credit Risk of Bank Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Plan's deposits may not be returned to it. The Plan requires that financial institutions must meet minimum criteria to offer adequate safety to the Plan. The Plan evaluates each financial institution with which it deposits funds and only those institutions meeting minimum established criteria are used as depositories. The Plan does not have any deposits exposed to custodial credit risk.

Custodial Credit Risk of Investments – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Plan does not have a policy for custodial credit risk. At year end, all investments of the Plan were held in the name of the Plan and are therefore not subject to custodial credit risk.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. The Plan's investment policy does not restrict investment maturities, other than commercial paper, which can only be purchased with maturities 270 days or less. The Plan has no investments subject to interest rate risk as of June 30, 2022 and June 30, 2021.

Credit Risk – State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Plan has no investment policy that would further limit its investment choices. The Plan has no investments subject to credit risk as of June 30, 2022 and June 30, 2021.

Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees' Pensions

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

Note 4 – 401(h) Account

Effective July 1, 1999, the Plan was amended to include a medical-benefit component, in addition to the normal retirement benefits, to fund a portion of the postretirement obligations for certain retirees and their beneficiaries in accordance with Section 401(h) of the Internal Revenue Code (IRC). A separate account has been established and maintained in the Plan for the net assets related to the medical-benefit component 401(h) account. In accordance with IRC Section 401(h), the Plan's investments in the 401(h) account may not be used for, or diverted to, any purpose other than providing health benefits for retirees and their beneficiaries. Employer contributions or qualified transfers to the 401(h) account are determined annually and are at the discretion of the Plan sponsor. At June 30, 2022 and 2021, there were no excess Plan assets available for transfer.

Note 5 – Tax Status

The Plan obtained, from the Internal Revenue Service, a determination letter dated November 4, 2011. The letter affirmed that the Plan complied with the requirements of Internal Revenue Code section 401(a). The Plan continues to operate as a qualified plan.

Note 6 - Plan Investments - Policy and Rate of Return

Investment Policy – The Plan's policy in regard to the allocation of invested assets is established and may be amended by the BWL by a majority vote of its members. It is the policy of the board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the BWL's adopted asset allocation policy as of June 30, 2022 and 2021:

<u>Asset Class</u>	<u>2022 Target Allocation</u>	<u>2021 Target Allocation</u>
Global Fixed Income	40%	40%
U.S. Equities	35%	35%
Non-U.S. Equities	20%	20%
Commercial real estate	5%	5%

Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees' Pensions

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

Note 6 – Plan Investments - Policy and Rate of Return (Continued)

Rate of Return – For the year ended June 30, 2022, the annual money-weighted rate of return on plan investments, net of plan investment expense, was -9.18%. For the year ended June 30, 2021, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 22.42%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 7 – Net Pension Asset of the BWL

The components of the net pension asset of the BWL at June 30, 2022 and 2021 were as follows (in thousands):

	<u>2022</u>	<u>2021</u>
Total pension liability	\$ 47,887	\$ 48,444
Plan fiduciary net pension	<u>50,659</u>	<u>61,658</u>
Plan's net pension asset	<u>\$ (2,772)</u>	<u>\$ (13,214)</u>
Plan fiduciary net position, as a percentage of the total pension liability	105.79%	127.28%

Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees' Pensions

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

Note 7 – Net Pension Asset of the BWL (Continued)

Actuarial Assumptions – The June 30, 2022 total pension liability was determined by an actuarial valuation as of February 28, 2022, which used updated procedures to roll forward the estimated liability to June 30, 2022. The June 30, 2021 total pension liability was determined by an actuarial valuation as of February 28, 2021, which used updated procedures to roll forward the estimated liability to June 30, 2021. The total pension liability is determined by the Plan's independent actuary and is that amount that results from applying actuarial assumptions to adjust the total pension liability to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment. Benassist Retirement Consulting, LLC was the actuary for the February 28, 2022 and February 28, 2021 valuations, respectively. The inflation rate used was 2.25% for the February 28, 2022 and February 28, 2021 valuations. Salary increase used was 3.5% for both the February 28, 2022 and February 28, 2021 valuations, respectively. The most recent experience review was completed in 2014. Since the Plan only covered 17 active participants in fiscal year 2014, assumptions like termination, retirement, and disability have an immaterial impact on the results and have not been changed.

The mortality table was based on the PUB-2010 General Mortality Table, Male and Female, projected generationally using the MP-2021 projection scale for the June 30, 2022 valuation. The June 30, 2021 valuation used the PUB-2010 General Mortality Table, Male and Female, projected generationally using the MP-2019 projection scale.

Discount Rate – The discount rate used to measure the total pension liability was 6.0% and 6.5% for June 30, 2022 and June 30, 2021, respectively. The projection of cash flows used to determine the discount rate in both years assumed that BWL contributions will be made at rates equal to the actuarially determined contribution rates.

Projected Cash Flows Section – Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees' Pensions

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

Note 7 – Net Pension Asset of the BWL (Continued)

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of June 30, 2022 and 2021 for each major asset class included in the Plan's target asset allocation, as disclosed in Note 6, are summarized in the following table:

Asset Class	2022 Long-term Expected Real Rate of Return	2021 Long-term Expected Real Rate of Return
Core Bonds	2.58%	2.58%
Multi-Sector	3.53%	3.42%
Liquid Absolute Return	3.25%	3.26%
U.S. large Cap Equity	7.13%	7.15%
U.S. Small cap Equity	8.53%	8.44%
Non-U.S. Equity	8.22%	8.15%
Core Real Estate	6.60%	6.66%

Sensitivity of the Net Pension Asset to Changes in the Discount Rate – The following presents the net pension asset of the BWL at June 30, 2022, calculated using the discount rate of 6.00%, as well as what the BWL's net pension asset would be if it were calculated using a discount rate that is 1 percentage point lower (5.00%) or 1 percentage point higher (7.00%) than the current rate:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Net pension liability (asset) of the BWL	\$ 1,749,379	\$ (2,772,080)	\$ (5,093,794)

Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees' Pensions

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

Note 7 – Net Pension Asset of the BWL (Continued)

The following presents the net pension asset of the BWL at June 30, 2021, calculated using the discount rate of 6.50%, as well as what the BWL's net pension asset would be if it were calculated using a discount rate that is 1 percentage point lower (5.50%) or 1 percentage point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Net pension liability (asset) of the BWL	\$ (8,727,745)	\$ (13,214,275)	\$ (15,551,002)

Note 8 – Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three Levels of the fair value hierarchy under authoritative guidance are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted market prices for identical assets in active markets that the Plan has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- > quoted prices for similar assets or liabilities in active markets;
- > quoted prices for identical or similar assets or liabilities in inactive markets;
- > inputs other than quoted prices that are observable for the asset or liability;
- > inputs that are derived principally from or corroborated by observable market data by correlation or other means; and
- > if the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees' Pensions

Notes to Financial Statements
As of and for the Years Ended June 30, 2022 and 2021

Note 8 – Fair Value Measurements (Continued)

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observables and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2022 and 2021:

Money market trust fund: Valued at the quoted net asset value ("NAV") of shares held by the Plan at year end.

Common stock: Valued at the most recent closing price reported on the market on which individual securities are traded.

Mutual and common collective funds: Valued at the daily closing price as reported by the fund. Mutual and common collective funds held by the Plan are open-end mutual and common collective funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual and common collective funds held by the Plan are deemed to be actively traded.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees' Pensions

Notes to Financial Statements As of and for the Years Ended June 30, 2022 and 2021

Note 8 – Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of June 30, 2022 and 2021:

Investment Type	June 30, 2022			
	Level 1	Level 2	Level 3	Total
Cash and money market trust fund	\$ -	\$ 1,308,877	\$ -	\$ 1,308,877
Mutual funds	-	24,919,695	-	24,919,695
Common collective funds	4,093,767	14,578,119	-	18,671,886
Common stocks	5,259,217	-	-	5,259,217
Total	<u>\$ 9,352,984</u>	<u>\$ 40,806,691</u>	<u>\$ -</u>	<u>\$ 50,159,675</u>

Investment Type	June 30, 2021			
	Level 1	Level 2	Level 3	Total
Cash and money market trust fund	\$ -	\$ 1,401,780	\$ -	\$ 1,401,780
Mutual funds	-	33,017,321	-	33,017,321
Common collective funds	3,334,176	16,441,972	-	19,776,148
Common stocks	7,460,769	-	-	7,460,769
Total	<u>\$ 10,794,946</u>	<u>\$ 50,861,072</u>	<u>\$ -</u>	<u>\$ 61,656,018</u>

Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees' Pensions

Notes to Financial Statements
As of and for the Years Ended June 30, 2022 and 2021

Note 9 – Risks and Uncertainties

The total pension liability is reported based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

In addition, the Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Plan Fiduciary Net Position.

Note 10 – Subsequent Events

The Plan has evaluated subsequent events occurring through September 12, 2022 the date that the Plan's financial statements were approved and available to be issued, for events requiring recording or disclosure in the Plan's financial statements. There are no subsequent events warranting disclosures.

Required Supplementary Information

**Lansing Board of Water and Light
Defined Benefit Plan and Trust for Employees' Pensions**

**Required Supplementary Information (Unaudited)
Schedule of Changes in the BWL's
Net Pension Asset and Related Ratios
Last Ten Fiscal Years
(in Thousands)**

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total Pension Liability										
Service cost	\$ 26	\$ 26	\$ 42	\$ 60	\$ 50	\$ 113	\$ 223	\$ 274	\$ 349	\$ 407
Interest	2,974	3,212	3,566	3,691	4,031	4,317	4,625	4,919	4,751	5,085
Changes in benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	179	(968)	(919)	(743)	(230)	(383)	299	(1,093)	964	(1,716)
Changes in assumptions	1,730	(366)	1,555	1,210	1,419	(857)	(1,468)	-	4,538	-
Benefit payments, including refunds	(5,466)	(5,658)	(5,872)	(6,143)	(6,414)	(7,473)	(7,896)	(8,046)	(8,541)	(7,777)
Net Change in Total Pension Liability	(557)	(3,754)	(1,628)	(1,925)	(1,144)	(4,283)	(4,217)	(3,946)	2,061	(4,001)
Total Pension Liability - Beginning of year	<u>48,444</u>	<u>52,198</u>	<u>53,826</u>	<u>55,751</u>	<u>56,895</u>	<u>61,178</u>	<u>65,395</u>	<u>69,341</u>	<u>67,280</u>	<u>71,281</u>
Total Pension Liability - End of year	47,887	48,444	52,198	53,826	55,751	56,895	61,178	65,395	69,341	67,280
Plan Net Position										
Contributions - Employer	-	-	-	-	-	-	-	-	-	-
Contributions - Member	-	-	-	-	-	-	-	-	-	-
Net investment income	(5,399)	11,853	1,658	4,381	3,112	8,272	47	1,771	14,243	10,170
Administrative expenses	(134)	(123)	(145)	(183)	(255)	(317)	(388)	(576)	(596)	(536)
Benefit payments, including refunds	(5,466)	(5,658)	(5,872)	(6,143)	(6,414)	(7,473)	(7,896)	(8,045)	(8,541)	(7,777)
Other	-	-	(477)	-	-	-	-	-	-	-
Net change in Net Position Held in Trust	(10,999)	6,072	(4,836)	(1,945)	(3,557)	482	(8,237)	(6,850)	5,106	1,857
Net Position Restricted for Pensions - Beginning of year	<u>61,658</u>	<u>55,586</u>	<u>60,422</u>	<u>62,367</u>	<u>65,924</u>	<u>65,442</u>	<u>73,679</u>	<u>80,529</u>	<u>75,424</u>	<u>73,567</u>
Net Position Restricted for Pensions - End of year	<u>50,659</u>	<u>61,658</u>	<u>55,586</u>	<u>60,422</u>	<u>62,367</u>	<u>65,924</u>	<u>65,442</u>	<u>73,679</u>	<u>80,530</u>	<u>75,424</u>
BWL Net Pension Asset - Ending	<u>\$ (2,772)</u>	<u>\$ (13,214)</u>	<u>\$ (3,388)</u>	<u>\$ (6,596)</u>	<u>\$ (6,616)</u>	<u>\$ (9,029)</u>	<u>\$ (4,264)</u>	<u>\$ (8,284)</u>	<u>\$ (11,189)</u>	<u>\$ (8,144)</u>
Plan Net Position as a % of Total Pension Liability	105.79%	127.28%	106.49%	112.25%	111.87%	115.87%	106.97%	112.67%	116.14%	112.10%
Covered Employee Payroll	\$ 238	\$ 237	\$ 240	\$ 406	\$ 603	\$ 586	\$ 772	\$ 1,018	\$ 1,225	\$ 1,684
BWL's Net Pension Asset as a % of Covered Employee Payroll	(1,165%)	(5,576%)	(1,412%)	(1,625%)	(1,097%)	(1,541%)	(552%)	(814%)	(913%)	(484%)

**Lansing Board of Water and Light
Defined Benefit Plan and Trust for Employees' Pensions**

**Required Supplementary Information (Unaudited)
Schedule of Employer Contributions
Last Ten Fiscal Years
(in Thousands)**

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	-	-	-	-	-	-	-	-	-	-
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 238	\$ 237	\$ 240	\$ 406	\$ 603	\$ 586	\$ 772	\$ 1,018	\$ 1,225	\$ 1,684
Contributions as a Percentage of Covered Employee Payroll	- %	- %	- %	- %	- %	- %	- %	- %	- %	- %

Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees' Pensions

Notes to Required Supplementary Information (Unaudited) Years Ended June 30, 2022 and 2021

Actuarial valuation information relative to the determination of contributions:

Valuation date June 30, 2022, based on roll-forward of February 28, 2022 valuation

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age method
Amortization method	Level dollar over a 15-year period
Remaining amortization period	15 years
Asset valuation method	Market value of the assets
Inflation	2.25%
Salary increases	3.5% per year
Investment rate of return	6.0% per year compounded annually
Mortality	PUB-2010 General Mortality Table with MP-2021 Improvement Scale

Actuarial valuation information relative to the determination of contributions:

Valuation date June 30, 2021, based on roll-forward of February 28, 2021 valuation

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age method
Amortization method	Level dollar over a 15-year period
Remaining amortization period	15 years
Asset valuation method	Market value of the assets
Inflation	2.25%
Salary increases	3.5% per year
Investment rate of return	6.5% per year compounded annually
Mortality	PUB-2010 General Mortality Table with MP-2020 Improvement Scale

Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees' Pensions

Notes to Required Supplementary Information (Unaudited) Years Ended June 30, 2022 and 2021

Significant Changes:

June 30, 2022

- > Difference between actual and expected experience – The \$179K actuarial gain on the Total Pension Liability for the fiscal year ending June 30, 2022 is primarily attributable to the difference between actual experience and demographic assumptions.
- > Assumption change – The plan experienced a \$1.73MM actuarial loss due to the change in the mortality improvement scale and the decrease in the discount rate from 6.50% to 6.00%. Updating the mortality improvement scale to the MP-2021 scale resulted in a \$120K actuarial loss and decreasing the discount rate resulted in a \$1.61MM actuarial loss. The combination of these two changes resulted in an overall actuarial loss of \$1.73MM.

June 30, 2021

- > Difference between actual and expected experience – The \$968K actuarial gain on the Total Pension Liability for the fiscal year ending June 30, 2021 is primarily attributable to participant deaths.
- > Assumption change – The plan experienced a \$366K actuarial gain due to the change in the mortality improvement scale.

June 30, 2020

- > Difference between actual and expected experience – The \$.92MM actuarial gain on the Total Pension Liability for the fiscal year ending June 30, 2020 is primarily attributable to participant deaths.
- > Assumption change – The plan experienced a \$1.55MM actuarial loss due to the change in the mortality improvement scale and decrease in the discount rate from 7.00% to 6.50%. Updating the mortality improvement scale to the MP-2019 scale resulted in a \$.22MM actuarial gain and decreasing the discount rate resulted in a \$1.77MM actuarial loss. The combination of these two changes resulted in an overall actuarial loss of \$1.55MM.

June 30, 2019

- > Difference between actual and expected experience – The \$.74MM gain on the Total Pension Liability for the fiscal year ending June 30, 2019 is primarily attributable to participant deaths.
- > Assumption change – The plan experienced a \$1.21MM loss due to the change of the mortality assumption from the RP-2014 Total Dataset Mortality adjusted to 2006 and projected generationally using the MP-2017 improvement scale to the PUB-2010 General Employees Mortality, projected generationally using the MP-2018 improvement scale.

Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees' Pensions

Notes to Required Supplementary Information (Unaudited) Years Ended June 30, 2022 and 2021

Significant Changes (Continued):

June 30, 2018

- > Difference between actual and expected experience – The \$230,000 gain on the Total Pension Liability for the fiscal year ending June 30, 2018 is primarily attributable to participant deaths.
- > Assumption change – Assumptions for the discount rate and expected return on assets were decreased from 7.50% to 7.00% to reflect the expected long term rate of return on the trust.

June 30, 2017

- > Difference between actual and expected experience – The \$383,000 gain on the Total Pension Liability for the fiscal year ending June 30, 2017 is primarily attributable to participant deaths.
- > Assumption change – The plan experienced a \$.86MM gain due to the change of the mortality assumption from the RP-2014 table projected generationally with Scale MP-2014 with MP-2016 Improvement Scale.

June 30, 2016

- > Difference between actual and expected experience – The \$299,000 loss on the Total Pension Liability for the fiscal year ending June 30, 2016 is primarily attributable to participant deaths.
- > Assumption change – The plan experienced a \$1.47MM gain due to the change of the mortality assumption from the RP-2014 table projected generationally with Scale MP-2014 with MP-2015 Improvement Scale.

June 30, 2015

- > Difference between actual and expected experience – The \$1.01MM gain on the Total Pension Liability for the fiscal year ending June 30, 2015 is primarily attributable to participant deaths.
- > Assumption change – There were no impacts associated with assumption changes.

June 30, 2014

- > Difference between actual and expected experience – The \$964,000 loss on the Total Pension Liability for the fiscal year ending June 30, 2014 is primarily attributable to participant deaths.
- > Assumption change – The plan experienced a \$4.54MM loss due to the change of the mortality assumption from the RP2000CH table projected to 2018 with Scale AA to the RP-2014 table projected generationally with Scale MP-2014.

**Lansing Board of Water and Light
Defined Benefit Plan and Trust for Employees' Pensions**

**Required Supplementary Information (Unaudited)
Schedule of Investment Returns
Last Ten Fiscal Years**

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013*
Annual money-weighted rate of return, net of investment expense	(9.18%)	22.42%	2.90%	7.39%	4.97%	12.10%	(0.49%)	1.55%	19.18%	- %

*GASB 67 was implemented as of June 30, 2014. Information from 2013 is not available and this schedule will be presented on a prospective basis