



OPEB Trust Meeting
Gaylord Opryland Resort and Convention Center
November 20, 2021

AGENDA

Call to Order 12:55 p.m.	Dr. Dale Viox, Chairman
Approval of Agenda 12:55 p.m.	
Approval of the February 23, 2021 Minutes 12:55 p.m.	
Acceptance of the 3-month Financial Statements - September 30, 2021 12:55 p.m.	Dr. Tammy Grissom, Trust Administrator
Report of Activities and Fiscal Condition of the Trust 12:55 p.m.	Dr. Tammy Grissom, Trust Administrator
Review OPEB Trust Bylaws 12:55 p.m.	Emily Warren, TSBA Staff Attorney
Approval of June 30, 2021 Audit 12:55 p.m.	Erica Saeger, Audit Director Crosslin CPA
Approval of Auditing Firm for 2022, 2023, and 2024 12:55 p.m.	Dr. Tammy Grissom, Trust Administrator
Investment Report 12:55 p.m.	Chris Sigmund, Morgan Stanley
Approval of Trustee Appointments (Term: 01/01/22 - 12/31/24) <ul style="list-style-type: none">• Dr. Dale Viox, Arlington• Kevin Long, Johnson County• Kevin Woods, Shelby County• A.J. Massey, Jackson-Madison County• Wright Cox, Collierville	
12:55 p.m.	Dr. Dale Viox, Chairman

Election of 2022 Trust Officers (Chairman and Vice-Chairman)
12:55 p.m.

Dr. Dale Viox,
Chairman

Other Business
12:55 p.m.
Adjourn
12:55 p.m.



OPEB Trust Meeting
Gaylord Opryland Resort and Convention Center
Magnolia Boardroom A
November 20, 2021

AGENDA

11:45 a.m.	Lunch	
12:15 p.m.	Call to Order	Dr. Dale Viox, Chairman
12:16 p.m.	Approval of Agenda	
12:17 p.m.	Approval of February 23, 2021 Minutes	
12:18 p.m.	Acceptance of 3-month Financial Statements – September 30, 2021	Dr. Tammy Grissom, Trust Administrator
12:19 p.m.	Report of Activities and Fiscal Condition of the Trust	Dr. Tammy Grissom
12:21 p.m.	Review OPEB Trust Bylaws	Emily Warren, TSBA Staff Attorney
12:25 p.m.	Approval of June 30, 2021 Audit	Erica Saeger, Audit Director Crosslin CPA
12:35 p.m.	Approval of Auditing Firm for 2022, 2023, and 2024	Dr. Tammy Grissom
12:37 p.m.	Investment Report	Chris Sigmund, Morgan Stanley
12:50 p.m.	Approval of Trustee Appointments Term: 01/01/22 – 12/31/24	Dr. Dale Viox
	<ul style="list-style-type: none">• Dr. Dale Viox, Arlington• Kevin Long, Johnson County• Kevin Woods, Shelby County• A.J. Massey, Jackson-Madison County• Wright Cox, Collierville	
12:55 p.m.	Election of 2022 Trust Officers (Chairman and Vice-Chairman)	Dr. Dale Viox
12:58 p.m.	Other Business	
1:00 p.m.	Adjourn	

**Tennessee School Boards Association
OPEB Trust Meeting
February 23, 2021**

The TSBA OPEB Trustees met electronically on Tuesday, February 23, 2021. The following members were present: **Dale Viox**, Arlington; **Kevin Long**, Johnson County; **Wright Cox**, Collierville; **Kevin Woods**, Shelby County; **Brett Henley**, Coffee County; and **Tammy Grissom**, Trust Administrator. Absent was **A.J. Massey**, Jackson-Madison County. TSBA staff member present was **Emily Warren**. **Chris Sigmund** with Morgan Stanley was also in attendance.

Dale Viox called the meeting to order at 8:30 a.m. and welcomed everyone. It was stated that, in order to protect the health, safety, and welfare of Tennesseans in light of the COVID-19 outbreak, the determination was made to hold the meeting electronically in accordance with Governor Lee's Executive Order 71.

HENLEY/GRISSOM: Motion to approve the determination to conduct the meeting electronically.

MOTION CARRIED WITH **VIOX, LONG, COX, WOODS, HENLEY, AND GRISSOM** VOTING IN FAVOR.

COX/GRISSOM: Motion to approve the agenda.

MOTION CARRIED WITH **VIOX, LONG, COX, WOODS, HENLEY, AND GRISSOM** VOTING IN FAVOR.

HENLEY/LONG: Motion to approve October 21, 2020 Minutes.

MOTION CARRIED WITH **VIOX, LONG, COX, WOODS, HENLEY, AND GRISSOM** VOTING IN FAVOR.

COX/LONG: Motion to accept the 6-month Financial Statements (December 31, 2020).

MOTION CARRIED WITH **VIOX, LONG, COX, WOODS, HENLEY, AND GRISSOM** VOTING IN FAVOR.

Tammy Grissom, the Trust Administrator, reported on the activities and fiscal condition of the Trust. She noted that no new members had joined the OPEB Trust and listed each school district that currently is a member of the Trust. She reminded everyone that an audit of the Trust was conducted annually by our auditors. There was no discussion as to the report.

Discussion was held as to whether any changes needed to be made to Investment policy 3060. Tammy noted that the policy is reviewed annually in consultation with Chris Sigmund with Morgan Stanley to ensure it aligns with the practices of the OPEB Trust. No changes were recommended.

Sigmund reported on the financial stability of the OPEB Trust and the performance of the Trust's investments in the current economy. He highlighted the Trust's growth during the pandemic and noted

that the investments were continuing to grow. He went into detail as to how the economy is remaining bullish and the effects this would have on future investments.

WOODS/GRISSOM: Motion for meeting to adjourn.

MOTION CARRIED WITH **VIOX, LONG, COX, WOODS, HENLEY, AND GRISSOM** VOTING IN FAVOR.

The meeting adjourned at 8:56 a.m.

Respectfully submitted,

Dale Viox, Chairman

Tammy Grissom, OPEB Trust Administrator

TSBA OPEB Trust
Balance Sheet
As of September 30, 2021

	Sep 30, 21
ASSETS	
Current Assets	
Checking/Savings	
1000-00 · Suntrust Operating Account	5,653.12
Total Checking/Savings	5,653.12
Other Current Assets	
1300-00 · Investments	
1300-10 · Hickman County Investments	2,797,493.30
1300-20 · Johnson County Investments	1,384,066.32
1300-30 · Shelby County Investments	118,089,970.83
1300-50 · Jackson-Madison Investments	508,424.57
1300-60 · Arlington Investments	4,044,995.58
1300-70 · Bartlett Investments	4,898,746.52
1300-80 · Collierville Investments	2,099,355.45
1300-90 · Lakeland Investments	2,182,127.69
1300-91 · Millington Investments	386,249.97
Total 1300-00 · Investments	136,391,430.23
Total Other Current Assets	136,391,430.23
Total Current Assets	136,397,083.35
TOTAL ASSETS	136,397,083.35
LIABILITIES & EQUITY	
Equity	
3200-00 · Unrestricted Net Assets	137,761,847.40
Net Income	-1,364,764.05
Total Equity	136,397,083.35
TOTAL LIABILITIES & EQUITY	136,397,083.35

TSBA OPEB Trust
Profit & Loss
 July through September 2021

	Jul - Sep 21
Income	
4400-00 · Unrealized Gain/Loss	
4400-10 · Unrealized Gain/Loss - Hickman	-35,821.53
4400-20 · Unrealized Gain/Loss - Johnson	-17,724.36
4400-30 · Unrealized Gain/Loss - Shelby	-1,526,747.63
4400-50 · Unrealized Gain/Loss - JMadison	-6,518.28
4400-60 · Unrealized Gain/Loss - Arlingto	-51,262.86
4400-70 · Unrealized Gain/Loss - Bartlett	-62,312.55
4400-80 · Unrealized Gain/Loss - Collierv	-26,972.86
4400-90 · Unrealized Gain/Loss - Lakeland	-28,009.50
4400-91 · Unrealized Gain/Loss - Millingt	-4,918.40
	-1,760,287.97
Total 4400-00 · Unrealized Gain/Loss	-1,760,287.97
4500-00 · Interest, Dividends&Capital Gn	
4500-10 · Interest, Div., & CG - Hickman	10,389.96
4500-20 · Interest, Div., & CG - Johnson	5,139.85
4500-30 · Interest, Div., & CG - Shelby	435,809.61
4500-50 · Interest, Div., & CG - JMadison	1,891.12
4500-60 · Interest, Div., & CG - Arlingto	14,789.38
4500-70 · Interest, Div., & CG - Bartlett	17,981.16
4500-80 · Interest, Div., & CG - Collierv	7,820.95
4500-90 · Interest, Div., & CG - Lakeland	8,114.50
4500-91 · Interest, Div., & CG - Millingt	1,434.85
	503,371.38
Total 4500-00 · Interest, Dividends&Capital Gn	503,371.38
4800-00 · Interest Income	0.10
	0.10
Total Income	-1,256,916.49
Expense	
6400-00 · Administrative Fee	
6400-10 · Administrative Fee - Hickman	1,764.89
6400-20 · Administrative Fee - Johnson	873.18
6400-30 · Administrative Fee - Shelby	36,772.93
6400-50 · Administrative Fee - J. Madison	320.76
6400-60 · Administrative Fee - Arlington	2,551.82
6400-70 · Administrative Fee - Bartlett	3,090.50
6400-80 · Administrative Fee - Colliervil	1,324.48
6400-90 · Administrative Fee - Lakeland	1,376.69
6400-91 · Administrative Fee - Millington	243.66
	48,318.91
Total 6400-00 · Administrative Fee	48,318.91
6500-00 · Investment Advisor Fees	
6500-10 · Investment Advisor Fees - Hickm	1,215.62
6500-20 · Investment Advisor Fees - Johns	602.29
6500-30 · Investment Advisor Fees - Shelb	51,521.30
6500-50 · Investment Advisor Fees - JMadi	221.63
6500-60 · Investment Advisor Fees - Arlin	1,777.35
6500-70 · Investment Advisor Fees - Bartl	2,149.76
6500-80 · Investment Advisor Fees - Colli	915.05
6500-90 · Investment Advisor Fees - Lakel	957.56
6500-91 · Investment Advisor Fees - Milli	168.09
	59,528.65
Total 6500-00 · Investment Advisor Fees	59,528.65
Total Expense	107,847.56
Net Income	-1,364,764.05

Tennessee School Boards Association

OPEB Trust

Bylaws

ARTICLE I—TRUSTEES

Section 1. Appointment of Trustees. There shall be seven (7) Trustees. The Executive Director and President of the Tennessee School Boards Association will be voting ex-officio members of the Board of Trustees and shall remain as Trustees so long as they hold their respective positions. The remaining five (5) Trustees shall be from the governing boards of the participating members of the Trust and appointed by the TSBA OPEB Trustees. The term of these five (5) Trustees shall be three (3) years, and they may be reappointed.

Section 2. Officers of the Trust. The officers of the Trust shall be Chairman and Vice-Chairman. Officers shall be elected by the Trustees annually from the members of the Board of Trustees. The term of officers shall begin on January 1 of each year and terminate on the following December 31. An officer's term shall also cease upon their termination as a board member. Ex-officio members of the Board of Trustees are ineligible to hold the office of Chairman and Vice-Chairman.

Section 3. Appointment of Successor Trustees. Upon the death, resignation, or removal of a Trustee or upon the Trustee becoming ineligible to serve, the Board of Trustees shall appoint a new Trustee to serve the remainder of the term. Trustees and all officers of the Trust shall continue to serve until their successors are selected except for Trustees who are removed or resign. A Trustee appointed to fill a vacancy shall serve until the expiration of the term of his/her predecessor.

Section 4. Vacancy of Officers. Upon the death, resignation, or removal of the Chairman, the Vice-Chairman will automatically assume the office of Chairman, and a new Vice-Chairman shall be elected at the next meeting of the Trust. If the vacancy is for the office of Vice-Chairman, a new Vice-Chairman shall be elected at the next meeting of the Trust.

ARTICLE II—GENERAL TRUST PROVISIONS

Section 1. Amendments. These Bylaws may be amended by a vote of the majority of the Trustees present at any meeting of the Trust, provided that notice of such proposed amendment shall be given in writing ten (10) days in advance to all Trustees. The Administrator shall notify the participating members of any and all amendments adopted.

The Trustees will review these Bylaws annually to ensure its continued relevance and to make changes as new conditions dictate.

Section 2. Conflicts. In the event of any conflict between any provision of these Bylaws and any provision of any applicable law, these Bylaws shall be deemed modified to the extent necessary to comply with such law.

ARTICLE III—MEETINGS OF TRUSTEES

Section 1. Regular Meetings. The Board of Trustees shall meet biannually. Any item of business may be considered at a regular meeting. The time, date, and location of meetings of the Board shall be determined by the Board. No proxy votes shall be permitted.

Section 2. Special Meetings. A special meeting may be called at any time by the Chairman or by any four (4) of the Trustees. An emergency meeting may be called with less than ten (10) days written notice provided that all Trustees agree to such a meeting. An agenda specifying the subject of any special meeting shall accompany such notice, and only business included on that agenda may be transacted.

Section 3. Notice of Meetings. All meetings of the Board shall be conducted in a manner required by law. The Administrator shall publish any schedule or notice of meeting of the Board. Such publication requirement shall be deemed met by announcement on the TSBA website.

ARTICLE IV—NATURE AND USE OF FUNDS

Section 1. Member Fund Withdrawal. The Trust is specifically authorized to make payments of legitimate reimbursements to member systems requesting their other post-employment benefits (OPEB) obligations. No other withdrawals may be made by member systems.

Section 2. Investment of Funds. The Trust may invest such portions of the Trust reserve in any manner that is both prudent and permissible under state and federal law. The Trustees shall develop and adopt an investment policy.

Section 3. Investment Manager Selection. Investment managers shall be subject to all restrictions and investment guidelines within these Bylaws and the investment policy maintained by the Trustees.

Section 4. Fees. The Trust Administrator shall be paid a fee per the following schedule on total assets under management and an administrative fee for the biennial OPEB valuations.

Amount	Fee
0-25MM	0.25%
25MM-50MM	0.15%
50MM-75MM	0.10%
75MM +	0.05%

The Trustees are permitted to compensate the investment managers and/or consultants with such fees as may be reasonable and competitive and are not excessive and detrimental to the Trust's long-term viability. It shall be incumbent upon the investment managers and/or consultants to fully represent all costs and fees associated with the management of the Trust.

Section 5. Asset Manager Performance Review. The Trustees will monitor performance of the portfolio using the quarterly statements provided by the Trust's investment consultants. The investment consultants shall provide the Trustees with manager performance numbers and appropriate benchmark data with which to evaluate the managers' performance. While mindful of the specific goals of the Trust, the investment consultants shall provide data on a benchmark comprised of an appropriate mix of indices and such other benchmark data as may be requested or relevant.

A file of the written confirmations of every transaction and the quarterly statements documenting total assets, including gains and/or losses in each security since original purchase date, will be maintained by the Trust Administrator.

The Trustees will continually review the liquidity needs of the Trust and will notify the investment consultants as soon as possible of any significant changes in anticipated needs.

Section 6. Financial Institution. All funds received by the Trust shall be deposited in such financial institutions as the Trust may designate for that purpose.

Section 7. Withdrawals. All withdrawals of funds from such financial institutions shall be made only by electronic transfer or by check signed by the Treasurer of the Trust or his/her designee.

Section 8. Bonding. Any person, other than third parties retained to invest funds on behalf of the Trust, who is authorized to sign or who may be engaged in handling funds or securities held by the Trust shall be bonded at the expense of the Trust by a duly authorized surety company in such amount or amounts as may from time to time be required by the Trustees.

Adopted 4/16/09
Article VI, Section 5 revised 7/16/09
Article VI, Section 1 revised 11/15/10
Article I, Sections 1, 4, 5, 6, 7, 8, & 9 revised 09/28/12
Article II, Sections 1 & 2 revised 09/28/12
Article V, Section 1 revised 09/28/12
Article VI, Sections 2 & 6 revised 09/28/12
Article I, Sections 1, 2, 3, 5, 6 & 7 revised 11/05/12
Article II, Section 1 revised 11/05/12
Article III, Sections 1 & 2 revised 11/05/12
Article V, Sections 1 & 3 revised 11/05/12
Article VI, Sections 2 & 9 revised 11/05/12
Article I, Section 1 revised 11/10/13
Article IV, Section 4 revised 4/20/16
Article I, Section 1 added 02/20/17
Article I, Sections 2 & 3 revised 10/21/20
Article II, Section 1 revised 10/21/20
Article II, Section 2 added 10/21/20
Article III, Sections 1, 2, & 3 revised 10/21/20
Article IV, Sections 1, 2, 3, 5, 6, 7, & 8 revised 10/21/20



TSBA OPEB Trust

*Communication with
Board of Trustees*

September 7, 2021





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September 7, 2021

To the Board of Trustees
of the TSBA OPEB Trust

Dear Trustees:

We are pleased to present our Report to the Board of Trustees on the results of our audit of the financial statements of the TSBA OPEB Trust (the "Trust") for the year ended June 30, 2021.

A direct line of communication between our Firm and the Board of Trustees is essential to the proper exercise of our respective responsibilities. Our appointment involves the responsibility on our part to call to your attention any significant matters which we believe require your consideration, either at a regularly scheduled meeting or on a more timely basis, if warranted.

The accompanying report is intended solely for the use of the Board of Trustees and Trust management, and is not intended to be or should not be used by anyone other than these specified parties. It also presents information regarding our audit and certain other information which we believe will be of assistance to you. We appreciate this opportunity to discuss the contents of this report with you and any other matters you wish to address.

We would like to take this opportunity to express our appreciation for the assistance and courtesy extended to us by your employees. We appreciate working with you, and we look forward to a continued relationship with the TSBA OPEB Trust.

Very truly yours,

CROSSLIN, PLLC

A handwritten signature in black ink that reads "Erica D. Saeger". The signature is written in a cursive, flowing style.

Erica D. Saeger
Audit Principal



Report on Results of the June 30, 2021 Audit

We have audited the financial statements of the TSBA OPEB Trust (the “Trust”) as of and for the year ended June 30, 2021, and we have issued an unmodified opinion dated September 7, 2021.

The following discussion contains information related to our audit that is required by professional standards and certain other information which will be of assistance to you.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements, prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

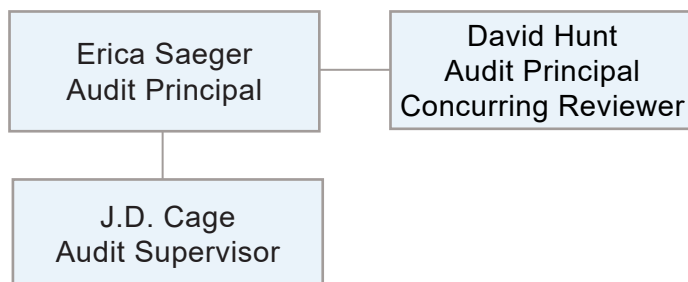
Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Trust. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement and in conformity with *Government Auditing Standards*, we performed tests of the Trust’s compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.



Customer Service Team



Areas of Audit Significance

During the audit, we focused on the following account balances and related transaction streams:

- Investments
- Investment income and expenses
- Employer contributions
- Financial reporting

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you.

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Trust is included in Note B to the financial statements. There have been no material changes in significant accounting policies or their application during fiscal year 2021. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. We believe the Trust's accounting policies are appropriate and comprehensive under accounting principles generally accepted in the United States of America.



Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were management's estimate of the fair value of investments. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There was one significant adjusting entry made during the course of the audit. The entry was the following:

- One adjusting entry related to investments and unrealized gains to match the June 2021 settlement dates.

Additionally, there were no unrecorded entries.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during the course of our audits.



Management Representations

We requested certain representations from management that are included in the management representation letter. This letter has been included for informational purposes as Appendix A.

Fraud and Illegal Acts

We did not identify any material fraudulent or illegal acts during the course of our audit, nor were any disclosed to us by management or the Board.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion.” If a consultation involves application of an accounting principle to the entity’s financial statements or a determination of the type of auditors’ opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Our Selection as Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Trust’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Independence

We are not aware of any relationships between Crosslin, PLLC, and the Trust that, in our professional judgment, may reasonably be thought to bear on our independence that have occurred during the period from July 1, 2020, through the date of this letter.

We confirm that we are independent with respect to the Trust within the meaning of Rule 101 of the Code of Professional Conduct of the American Institute of Certified Public Accountants and under *Government Audit Standards*.



Changes in Auditing and Accounting Standards

The government and standard-setting bodies are issuing guidance at an unprecedented pace. Crosslin, PLLC is constantly receiving, reviewing, and searching for the latest authoritative literature, in part through its involvement with the AICPA's Government Audit Quality Center and the Government Finance Officers Association ("GFOA"), including GFOA's Special Review Committee. We routinely interface with our customers to ensure proper understanding and application of pronouncements, standards, interpretations, and addenda that arise. In addition, we expect to join the Trust personnel in relevant discussions to implement all new standards as they arise.

Recent accounting pronouncements including the following. We will analyze these Statements with Trust management to ensure appropriate implementation, as applicable.

- **GASB Statement No. 84, Fiduciary Activities**
Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.
- **GASB Statement No. 87, Leases**
Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.
- **GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period**
Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.
- **GASB Statement No. 90, Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61**
Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.
- **GASB Statement No. 91, Conduit Debt Obligations**
Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.



Changes in Auditing and Accounting Standards - Continued

- **The GASB issued Statement No. 92, Omnibus 2021**, which is effective as follows:
 - The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
 - The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
 - The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
 - The requirements related to the measurement of liabilities (and assets, if any) associated with asset retirement obligations in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.
- **GASB Statement No. 93, Replacement of Interbank Offered Rates** Effective Date: The requirements of this Statement, except for paragraphs 11b, 13, and 14 are effective for reporting periods beginning after June 15, 2021. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years periods beginning after June 15, 2021, and all reporting periods thereafter. Earlier application is encouraged.
- **GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements** Effective Date: The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- **GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance** Effective Date: The requirements of this Statement are effective immediately.
- **GASB Statement No. 96, Subscription-Based Information Technology Arrangements** Effective Date: The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.



Changes in Auditing and Accounting Standards

- **GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32** Effective Date: The requirements of this Statement are effective as follows:
 - The requirements in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately.
 - Paragraphs 6–9 of this Statement and the supersession of the remaining requirements of Statement 32 (as detailed in paragraph 3 of this Statement), are effective for fiscal years beginning after June 15, 2021.
 - All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.



September 7, 2021

Crosslin, PLLC
 The Astoria
 3803 Bedford Avenue, Suite 103
 Nashville, TN 37215

This representation letter is provided in connection with your audit of the financial statements of the TSBA OPEB Trust (the "Trust"), which comprise the statement of net position as of June 30, 2021, and the respective statement of changes in net position for the year then ended, and the disclosures (collectively, the "financial statements"), for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of September 7, 2021, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated February 1, 2019, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the required supplementary information and other information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- 3) We acknowledge our responsibility 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

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Assisting school boards in effectively governing school districts

- 7) No events, except as made known to you, including instances of noncompliance, have occurred subsequent to the date of the statement of net position and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
- 8) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted external counsel for any material litigation, claims, or assessments through the date of this letter.
- 9) Guarantees, whether written or oral, under which the Trust is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

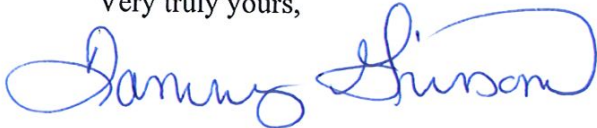
- 10) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the Trust from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the Board of Trustees or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 11) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 12) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 13) We have no knowledge of any fraud or suspected fraud that affects the Trust and involves:
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
- 14) We have no knowledge of any allegations of fraud or suspected fraud affecting the Trust's financial statements communicated by employees, former employees, regulators, or others.
- 15) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 16) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted external counsel for any material litigation, claims, or assessments through the date of this letter.
- 17) We have disclosed to you the names of the Trust's related parties and all the related party relationships and transactions, including any side agreements.

Government-specific

- 18) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 19) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 20) The Trust has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net position.
- 21) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 22) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 23) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 24) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 25) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 26) As part of your audit, you assisted with preparation of the financial statements and disclosures. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and disclosures.
- 27) The Trust has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 28) The Trust has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 29) The financial statements properly disclose all joint ventures and other related organizations, if any.
- 30) Components of net position (restricted for other postemployment benefits) are properly classified and, if applicable, approved.
- 31) Investments are properly valued.
- 32) Expenses have been appropriately classified in the statement of changes in net position.
- 33) Revenues are appropriately classified in the statement of changes in net position.

- 34) Interfund balances have been appropriately classified and reported.
- 35) Deposits and investment securities are properly classified as to risk and are properly disclosed.
- 36) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 37) We have obtained a copy of the relevant SSAE 18 SOC 1 report that covers the year under audit, related to significant processes and transactions that have been outsourced to those service organizations. In connection with the SSAE 18 SOC 1 report, we have read the report, evaluated the impact of the exceptions to relevant tests, identified the complementary controls listed under the user controls section of the report, and have determined that those user controls have been designed appropriately and have been implemented.

Very truly yours,



Dr. Tammy Grissom
Trust Administrator



TSBA OPEB TRUST
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2021

TSBA OPEB TRUST

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TSBA OPEB TRUST

LETTER OF INTRODUCTION

The TSBA OPEB Trust (the “Trust”) is pleased to present its Annual Financial Report for the year ended June 30, 2021.

Responsibility and Controls

The Trust is responsible for the financial statements and related information included in this report. A system of internal accounting controls is maintained to provide reasonable assurance that assets are safeguarded and that the books and records reflect only authorized transactions. Limitations exist in any system of internal controls. However, based on recognition that the cost of the system should not exceed its benefits, management believes its system of internal accounting controls maintains an appropriate cost/benefit relationship.

Management believes that its policies and procedures provide guidance and reasonable assurance that the Trust’s operations are conducted according to management’s intentions and to a high standard of business ethics. In management’s opinion, the financial statements present fairly, in all material respects, the net position of the Trust as of June 30, 2021, and the changes in its net position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Audit Assurance

The unmodified opinion of our independent external auditors, Crosslin, PLLC, is included in this report.

**TSBA OPEB TRUST
BOARD OF TRUSTEES**

Dr. Dale Viox, Chairman

Dr. Tammy Grissom, Trust Administrator

A.J. Massey

Brett Henley

Kevin Long

Kevin Woods

Wright Cox



Independent Auditor's Report

Board of Trustees
TSBA OPEB Trust
Nashville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the TSBA OPEB Trust (the "Trust") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of June 30, 2021, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Trust's basic financial statements. The introductory section as required by the State of Tennessee, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2021, on our consideration of the 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 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 Trust's internal control over financial reporting and compliance.

Crosslin, PLLC

Nashville, Tennessee
September 7, 2021

TSBA OPEB TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS

Management offers the following discussion and analysis as a narrative introduction to the basic financial statements and an analytical overview of the Trust's financial activities for the fiscal year ended June 30, 2021. This narrative is intended as a supplement and should be read in conjunction with the financial statements.

Overview of the Financial Statements

The Trust's financial statements include the following components:

- Statement of Net Position
- Statement of Changes in Net Position
- Notes to Financial Statements

The *Statement of Net Position* presents the Trust's assets, liabilities, and the resulting net position, which are held in trust for the other postemployment benefits of contributing members. This statement reflects a year-end snapshot of the Trust's investments, at fair value, along with cash.

The *Statement of Changes in Net Position* presents information showing how the Trust's net position held in trust for other postemployment benefits changed during the period. This statement includes additions for contributions by employers and investment earnings and deductions for administrative expenses.

The *Notes to Financial Statements* are an integral part of the financial statements and provide additional information that is necessary in order to gain a comprehensive understanding of data reported in the financial statements.

Financial Highlights

- Net position is restricted for future benefit payments of participating members. Net position at June 30, 2021 totaled approximately \$137.8 million.
- Employer contributions comprised approximately \$6.4 million of the net increase in net position of approximately \$35.5 million during the year.

Condensed Financial Information

In order to ensure the participating employers' ability to properly fund the payment of other postemployment benefits to their employees in future years, it is advisable for employers to accumulate funds on a regular and systematic basis. The principal sources from which the Trust derives additions are employer contributions and earnings on investments.

TSBA OPEB TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS

Comparative summary financial statements of the Trust are presented as follows:

**NET POSITION
JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 5,653	\$ 5,652
Due to	-	200,000
Investments	<u>137,756,193</u>	<u>102,218,950</u>
Total assets	<u>137,761,846</u>	<u>102,424,602</u>
LIABILITIES		
Due from	<u>-</u>	<u>200,000</u>
Total liabilities	<u>-</u>	<u>200,000</u>
NET POSITION RESTRICTED FOR OPEB	<u>\$137,761,846</u>	<u>\$102,224,602</u>

**CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
ADDITIONS		
Employer contributions	\$ 6,371,354	\$ 6,441,354
Net investment return	<u>29,397,706</u>	<u>3,545,167</u>
Total additions	<u>35,769,060</u>	<u>9,986,521</u>
DEDUCTIONS		
Administrative expenses	174,404	156,839
Withdrawals	<u>57,412</u>	<u>-</u>
Total deductions	<u>231,816</u>	<u>156,839</u>
NET CHANGE	<u>35,537,244</u>	<u>9,829,682</u>
NET POSITION RESTRICTED FOR OPEB		
Beginning of year	<u>102,224,602</u>	<u>92,394,920</u>
End of year	<u>\$137,761,846</u>	<u>\$102,224,602</u>

TSBA OPEB TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS

Due To/From Other Plans

On June 3, 2020, a \$200,000 contribution to the Arlington Community Schools Plan was erroneously deposited into the Collierville Schools Plan investment account by the investment custodian. As of June 30, 2020, the error had not been corrected. Accordingly, the \$200,000 is presented as a due from Collierville Schools Plan and due to Arlington Community Schools Plan in the statement of net position as of June 30, 2020.

On August 5, 2020, the investment custodian corrected the deposit amount and subsequent investment purchases in the investment accounts for the Arlington Community Schools Plan and Collierville Schools Plan.

Analysis of Financial Position and Results of Operations

The Trust's net position was approximately \$137.8 million at June 30, 2021. During fiscal year 2021, contributions were made to six of the nine active participant accounts.

Current Trust participants and the fiscal year in which they joined the Trust are as follows:

Hickman County Board of Education (Active)	2008 - 2009
Johnson County Board of Education (Active)	2008 - 2009
Shelby County Board of Education (Active)	2008 - 2009
Claiborne County Board of Education (Non-active)	2009 - 2010
Jackson/Madison County Board of Education (Active)	2012 - 2013
Arlington Community Schools Board of Education (Active)	2014 - 2015
Bartlett City Schools Board of Education (Active)	2014 - 2015
Collierville Schools Board of Education (Active)	2014 - 2015
Lakeland City Board of Education (Active)	2014 - 2015
Millington Municipal Schools Board of Education (Active)	2015 - 2016

Requests for Information

This financial report is designed to provide a general overview of the Trust's finances. If you have any questions concerning any of the information provided in this report or would like to request additional financial information, contact the Tennessee School Boards Association's Finance Department at 525 Brick Church Park Drive, Nashville, Tennessee 37207.

TSBA OPEB TRUST
STATEMENT OF NET POSITION
JUNE 30, 2021

	Arlington Community Schools Plan	Bartlett City Schools Plan	Collierville Schools Plan	Hickman County Schools Plan	Jackson- Madison Schools Plan	Johnson County Schools Plan	Lakeland Schools System Plan	Millington Municipal Schools Plan	Shelby County Schools Plan	TSBA OPEB Trust Account	Total
ASSETS											
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,653	\$ 5,653
Investments, at fair value	4,085,798	4,948,318	2,120,747	2,825,905	513,594	1,398,126	2,204,357	390,145	119,269,203	-	137,756,193
Total assets	4,085,798	4,948,318	2,120,747	2,825,905	513,594	1,398,126	2,204,357	390,145	119,269,203	5,653	137,761,846
NET POSITION											
RESTRICTED FOR OTHER											
POSTEMPLOYMENT											
BENEFITS											
	<u>\$4,085,798</u>	<u>\$4,948,318</u>	<u>\$2,120,747</u>	<u>\$2,825,905</u>	<u>\$ 513,594</u>	<u>\$1,398,126</u>	<u>\$2,204,357</u>	<u>\$ 390,145</u>	<u>\$119,269,203</u>	<u>\$ 5,653</u>	<u>\$137,761,846</u>

See accompanying notes to financial statements.

TSBA OPEB TRUST
STATEMENT OF CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2021

	Arlington Community Schools Plan	Bartlett City Schools Plan	Collierville Schools Plan	Hickman County Schools Plan	Jackson- Madison Schools Plan	Johnson County Schools Plan	Lakeland Schools System Plan	Millington Municipal Schools Plan	Shelby County Schools Plan	TSBA OPEB Trust Account	Total
ADDITIONS											
Employer contributions	\$ 500,000	\$ 500,000	\$ 125,000	\$ -	\$ 5,000	\$ -	\$ 150,000	\$ -	\$ 5,091,354	\$ -	\$ 6,371,354
Net investment return:											
Net appreciation fair value of investments	718,068	897,403	423,903	574,123	103,403	282,577	420,068	78,921	23,055,887	-	26,554,353
Interest and dividends	83,355	103,295	48,459	65,078	11,840	32,218	48,619	8,993	2,635,272	1	3,037,130
Less investment expenses	(5,245)	(6,604)	(3,126)	(4,146)	(753)	(2,052)	(3,128)	(573)	(168,150)	-	(193,777)
Net investment return	796,178	994,094	469,236	635,055	114,490	312,743	465,559	87,341	25,523,009	1	29,397,706
Total additions, net	1,296,178	1,494,094	594,236	635,055	119,490	312,743	615,559	87,341	30,614,363	1	35,769,060
DEDUCTIONS											
Administrative expenses	7,768	9,632	4,439	6,152	1,109	3,027	4,524	844	136,909	-	174,404
Withdrawals	-	-	-	57,412	-	-	-	-	-	-	57,412
Total deductions	7,768	9,632	4,439	63,564	1,109	3,027	4,524	844	136,909	-	231,816
NET INCREASE IN NET POSITION	1,288,410	1,484,462	589,797	571,491	118,381	309,716	611,035	86,497	30,477,454	1	35,537,244
NET POSITION RESTRICTED FOR OTHER POSTEMPLOYMENT BENEFITS:											
BEGINNING OF YEAR	2,797,388	3,463,856	1,530,950	2,254,414	395,213	1,088,410	1,593,322	303,648	88,791,749	5,652	102,224,602
END OF YEAR	\$ 4,085,798	\$ 4,948,318	\$ 2,120,747	\$ 2,825,905	\$ 513,594	\$ 1,398,126	\$ 2,204,357	\$ 390,145	\$ 119,269,203	\$ 5,653	\$ 137,761,846

See accompanying notes to financial statements.

TSBA OPEB TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

A. DESCRIPTION OF THE TRUST

The TSBA GASB 45 Trust was established on April 16, 2009 pursuant to the provisions of the Tennessee Interlocal Cooperation Act (Tenn. Code Ann. § 12-9-101, et seq.) and the policies and bylaws from time to time promulgated by the Board of Trustees (the “Board”). Effective February 15, 2016, the name of the Trust was changed to the TSBA OPEB Trust (the “Trust”). Membership in the Trust shall be open to all members of the Tennessee School Boards Association. Non-members and other governmental entities will be considered by the Trustees on a case by case basis. The purpose of the Trust is to establish a fund through the Trust, which will allow members to pre-fund the liability associated with other postemployment benefits other than pensions. The Trust is not a component unit of another governmental entity.

The Trust’s Board of Trustees has fiduciary responsibility for the investment of monies and administration of the Trust pursuant to the Trust Agreement. The Board of Trustees is currently composed of seven members. Five of the Trustees are appointed from the governing boards of the participating members of the Trust for three-year terms and they may be reappointed. Additionally, the Executive Director and President of the Tennessee School Boards Association (“TSBA”) are ex-officio members of the Board of Trustees. All seven Trustees are voting members.

For the year ended June 30, 2021, the Trust administered Plan assets for nine defined benefit postemployment plans - Arlington Community Schools Plan, Bartlett City Schools Plan, Collierville Schools Plan, Hickman County Schools Plan, Jackson- Madison Schools Plan, Johnson County Schools Plan, Lakeland Schools Systems Plan, Millington Municipal Schools Plan, and Shelby County Schools Plan, (collectively the “Plans”). Although the assets of the Plans are commingled for investment purposes, each of the Plan’s assets are held in an irrevocable trust and may be used only for the payment of benefits to the members of the respective Plan in accordance with the terms of the Plans. The TSBA OPEB Trust Account reflects the activity related to the administration of the Trust.

The Trust does not purport to present the financial status of each of the participating employer’s postemployment benefit plans, nor do these statements contain information on accumulated plan benefits and other disclosures necessary for a fair presentation of the individual plans in accordance with accounting principles generally accepted in the United States of America.

Measurement Focus and Basis of Accounting

The financial statements of the Trust are presented as a fiduciary fund type. The economic resources measurement focus and the accrual basis of accounting are used in the preparation of the financial statements. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each employer’s Plan.

TSBA OPEB TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments

Investments are reported at fair value. Net investment return consists of realized and unrealized appreciation in the fair value of investments, interest and dividends earned, and investment expenses. In order to account for each participating member's activities, separate accounts are maintained by the Trust.

Fair Value of Financial Instruments

Assets and liabilities recorded at fair value in the statement of financial position are categorized based on the level of judgment associated with the inputs used to measure their fair value. Level inputs, are as follows:

Level 1 - Values are unadjusted quoted prices for identical assets in active markets accessible at the measurement date.

Level 2 - Inputs include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The Trust's financial instruments consist of cash and investments. Cash is recorded at fair value using Level 1 inputs. Investments are recorded at fair value using Level 1 and Level 3 inputs. See Note D.

Administrative Expenses

Each Plan is responsible for its administrative expenses.

Withdrawals

The Trust is specifically authorized to make payments of legitimate reimbursements to member systems requesting their other post-employment benefit ("OPEB") assets. No other withdrawals may be made by member systems.

Taxes

The Trust is exempt from taxation under Section 115 of the Internal Revenue Code. Accordingly, the accompanying financial statements do not include a provision for federal or state income taxes.

TSBA OPEB TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates

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

C. INVESTMENTS

The Trust's investments, at June 30, 2021, consist of the following:

	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>
Cash and cash equivalents	\$ 4,691,311	\$ 4,691,310
Exchange-traded and closed-end funds	32,053,915	23,327,936
Mutual funds	99,829,072	83,544,531
Structured investments	<u>1,181,895</u>	<u>1,131,000</u>
Total	<u>\$137,756,193</u>	<u>\$112,694,777</u>

D. FAIR VALUE MEASUREMENTS

The Trust categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Trust has the following recurring fair value measurements as of June 30, 2021:

	Measured at Fair Value	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Investments:				
Cash and cash equivalents	\$ 4,691,311	\$ 4,691,311	\$ -	\$ -
Exchange-traded and closed-end funds	32,053,915	32,053,915	-	-
Mutual funds	99,829,072	99,829,072	-	-
Structured investments	<u>1,181,895</u>	<u>-</u>	<u>-</u>	<u>1,181,895</u>
	<u>\$137,756,193</u>	<u>\$136,574,298</u>	<u>\$ -</u>	<u>\$1,181,895</u>

TSBA OPEB TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

D. FAIR VALUE MEASUREMENTS - Continued

In determining fair value, the Trust uses various valuation approaches. The following is a description of the valuation methodologies used for instruments measured at fair value and their classification within the valuation hierarchy:

Cash and Cash Equivalents

Cash and cash equivalents are in active markets and classified within Level 1 of the valuation hierarchy.

Exchange-Traded and Closed-End Funds

Investments in exchange-traded and closed-end funds represent securities which are traded on national markets or exchanges. These investments are classified within Level 1 of the valuation hierarchy.

Mutual Funds

Investments in mutual funds represent fixed income mutual funds which are listed on national markets or exchanges. These investments are classified within Level 1 of the valuation hierarchy.

Structured Investments

Structured investments may be linked to a wide variety of underlying asset classes including equities, interest rates, commodities, and currencies. Each underlying asset will have its own unique set of risks and uncertainties. These structured investments are valued by the custodian using a proprietary pricing model and are classified within Level 3 of the valuation hierarchy.

E. RISKS AND UNCERTAINTIES

The Trust's investments include various types of investment funds, which in turn invest in any combination of stock, bonds and other investments exposed to various risks, such as interest rate, credit, and market risk. 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 Trust's financial statements.

TSBA OPEB TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

F. RELATED PARTY TRANSACTIONS

The Trust is administered by the Tennessee School Boards Association (“TSBA”). TSBA receives a quarterly administrative fee calculated individually for each participant on a sliding scale as a percentage of invested assets. The fee covers all administrative costs including personnel, office expense, legal, accounting, and promotion. The quarterly administrative fee during fiscal year 2021 totaled \$174,404.

G. COVID-19 PANDEMIC

During March 2020, a global pandemic was declared related to the rapidly growing outbreak of a novel strain of coronavirus (“COVID-19”). The pandemic has significantly impacted the economic conditions across the nation as federal, state, and local governments react to the public health crisis, creating significant uncertainties in the economy. This situation is rapidly changing, and additional impacts may arise. While the disruptions are currently expected to be temporary, there is uncertainty around its duration. The ultimate future impact, if any, of the pandemic on the Trust’s results of operations, financial position, liquidity or capital resources cannot be reasonably estimated at this time.

H. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 7, 2021, the date the financial statements were available for issuance, and has determined there were no subsequent events requiring disclosure.



INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
TSBA OPEB Trust
Nashville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the TSBA OPEB Trust (the “Trust”) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Trust’s basic financial statements, as listed in the table of contents, and have issued our report thereon dated September 7, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Trust’s internal control over financial reporting (internal control) as a basis for designing 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 Trust’s internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trust's financial statements are free from 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 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 Trust's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crosslin, PLLC

Nashville, Tennessee
September 7, 2021

TSBA OPEB TRUST
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2021

The Trust had no prior audit findings.



September 1, 2021

The Board of Trustees and
Ms. Tammy Grissom
TSBA OPEB Trust
525 Brick Church Park Drive
Nashville, Tennessee 37207

Dear Trustees and Ms. Grissom:

We are pleased to confirm our understanding of the services we are to provide the Tennessee School Boards Association OPEB Trust (the "Trust") for the years ended June 30, 2022, 2023, and 2024. We will audit the financial statements, including the related notes to the financial statements, which collectively comprise the basic financial statements of the Trust as of and for the years ended June 30, 2022, 2023, and 2024. Accounting standards generally accepted in the United States of America provide for certain required supplementary information ("RSI"), such as management's discussion and analysis ("MD&A"), to supplement the Trust's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the Trust's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding 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 will 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. The following RSI is required by U.S. generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis.

The following other information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditor's report will not provide an opinion or any assurance on that other information.

- 1) Introductory Section



Audit Objectives

The objective of our audits is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audits will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of the Trust and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audits of the Trust's financial statements. Our report will be addressed to the Board of Trustees of the Trust. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audits or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or may withdraw from these engagements.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The paragraph will also state that the report is not suitable for any other purpose. If during our audits we become aware that the Trust is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audits will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government.



Because the determination of waste and abuse is subjective, *Government Auditing Standards* do not expect auditors to perform specific procedures to detect waste or abuse in financial audits nor do they expect auditors to provide reasonable assurance of detecting waste or abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, an unavoidable risk exists that some material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audits and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagements, and they may bill you for responding to these inquiries. At the conclusion of our audits, we will require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

Audit Procedures—Internal Control

Our audits will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.



Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Trust’s compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audits will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

Other Services

We are always available to meet with you and/or other executives at various times throughout the year to discuss current business, operational, accounting, and auditing matters affecting the Trust. Whenever you feel such meetings are desirable, please let us know. We are also prepared to provide services to assist you in any of these areas.

We will also assist in preparing the financial statements and related notes of the Trust for the years ending June 30, 2022, 2023, and 2024 in conformity with U.S. generally accepted accounting principles based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

Management Responsibilities

Management is responsible for designing, implementing, establishing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements and all accompanying information in conformity with U.S. generally accepted accounting principles, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, including identification of all related parties and all related-party relationships and transactions, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.



Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements of each opinion unit taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, or contracts or grant agreements that we report.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

You agree to assume all management responsibilities relating to the financial statements and related notes and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and related notes and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

E-mail Communication

In connection with these engagements, we may communicate with you or others via e-mail. As e-mails can be intercepted, disclosed, used, and/or otherwise communicated by an unintended third party, or may not be delivered to each of the parties to whom they are directed, we cannot ensure that e-mails from us will be properly delivered and read only by the addressee. Therefore, we disclaim and waive any liability for interception or unintentional disclosure of e-mail transmissions, or for the unauthorized use or failed delivered of e-mails transmitted by us in connection with the performance of these engagements.



Ownership of Working Papers

The working papers prepared in conjunction with our audits are the property of our Firm, constitute confidential information, and will be retained by us in accordance with our Firm's policies and procedures.

Reproduction of Audit Report

Under professional audit standards, if the Trust plans any reproduction or publication of our report, or any portion of it, copies of masters' or printers' proofs of the entire document, or if there is no proof, a copy of the entire document in its final form, should be submitted to us in sufficient time for our review and written approval before printing.

Posting of Audit Report and Financial Statements on Your Web Site

You agree that, if you plan to post an electronic version of the financial statements and audit report on your website, you will ensure that there are no differences in content between the electronic version of the financial statements and audit report on your website and the signed version of the financial statements and audit report provided to management by Crosslin, PLLC ("Crosslin"). You confirm that there will be no differences between the electronic and signed versions.

Management Representations and Indemnification

As required by auditing standards generally accepted in the United State of America, we will request certain written representations from management at the close of our audits to confirm oral representations given to us and to indicate and document the continuing appropriateness of such representations and reduce the possibility of misunderstanding concerning matters that are the subject of the representations. Because of the importance of management's representations to an effective audit, the Trust agrees that there will be no knowing misrepresentations by management in connection with any services rendered under this Agreement.

Availability of Records and Personnel

You agree that all records, documentation, and information we request in connection with our audits will be made available to us (including those pertaining to related parties), that all material information will be disclosed to us, and that we will have full cooperation of, and unrestricted access to, your personnel during the course of the engagement. You also agree to use our document management system, Suralink, to provide requested documents.

You also agree to ensure that any third party valuation reports that you provide to us to support amounts or disclosures in the financial statements a) indicate the purpose for which they were intended, which is consistent with your actual use of such reports; and b) do not contain any restrictive language that would preclude us from using such reports as audit evidence.



Assistance by Your Personnel and Internet Access

We also ask that your personnel prepare various schedules and analyses for our staff. However, except as otherwise noted by us, no personal information other than names related to the Trust employees and/or customers should be provided to us. In addition, we ask that you provide high-speed internet access to our engagement team, if practicable, while working on the Trust's premises. This assistance will service to facilitate the progress of our work and minimize costs to you.

Independence

Professional and certain regulatory standards require us to be independent, in both fact and appearance, with respect to the Trust in the performance of our services. Any discussions that you have with personnel of our Firm regarding employment could pose a threat to our independence. Therefore, we request that you inform us immediately prior to any such discussions so that we can implement appropriate safeguards to maintain our independence.

In order for us to remain independent, professional and regulatory standards require us to maintain certain respective roles and relationships with you with respect to the non-attest services described in other services above. Prior to performing such services in conjunction with our audits, management must acknowledge its acceptance of certain responsibilities.

We will not perform management functions or make management decision on behalf of the Trust. However, we will provide advice and recommendations to assist management of the Trust in performing its functions and fulfilling its responsibilities.

The Trust agrees to perform the following functions in connection with our performance of the non-attest services:

- a. Make all management decision and perform all management functions with respect to the non-attest services provided by us.
- b. Assign personnel with suitable skill, knowledge, and/or experience to oversee the non-attest services and evaluate the adequacy and results of the services.
- c. Accept responsibility for the results of non-attest services.
- d. Establish and maintain internal controls over the non-attest services.

The services are limited to those outlined above. We, in our professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as making management decisions or performing management functions. The Trust must make all decisions with regard to our recommendations. By signing this Agreement, you acknowledge your acceptance of these responsibilities.



Dispute Resolution Procedure

If any dispute, controversy, or claim arises in connection with the performance or breach of this agreement (including disputes regarding the validity or enforceability of this agreement), either party may, upon written notice to the other party, request facilitated negotiations. Such negotiations shall be assisted by a neutral facilitator acceptable to both parties and shall require the best efforts of the parties to discuss with each other in good faith their respective positions and, respecting their different interests, to finally resolve such dispute.

Each party may disclose any facts to the other party or to the facilitator that it, in good faith, considers necessary to resolve the dispute. However, all such disclosures will be deemed in furtherance of settlement efforts and will not be admissible in any subsequent litigation against the disclosing party. Except as agreed by both parties, the facilitator shall keep confidential all information disclosed during negotiations. The facilitator shall not act as a witness for either party in any subsequent arbitration between the parties.

Such facilitated negotiations shall conclude within sixty days from receipt of the written notice unless extended by mutual consent. The parties may also agree at any time to terminate or waive facilitated negotiations. The costs incurred by each party in such negotiations will be borne by it; the fees and expenses of the facilitator, if any, shall be borne equally by the parties.

If any dispute, controversy, or claim arises in connection with the performance or breach of this agreement (including disputes regarding the validity or enforceability of this agreement) and cannot be resolved by facilitated negotiations (or the parties agree to waive that process), then such dispute, controversy, or claim shall be settled by arbitration. The arbitration proceeding shall take place in Nashville, Tennessee unless the parties agree to a different locale. The proceeding shall be governed by the provisions of the Federal Arbitration Act (FAA) or, if a court of competent jurisdiction determines the FAA inapplicable, by the laws of the state in which the proceeding is to take place. In any arbitration instituted hereunder, the proceedings shall proceed in accordance with the then current Arbitration Rules for Professional Accounting and Related Disputes of the American Arbitration Association (AAA), except that no pre-hearing discovery shall be permitted unless specifically authorized by the arbitration panel.

Such arbitration shall be conducted before a panel of three persons, one chosen by each party and the third selected by the two party-selected arbitrators. The arbitration panel shall have no authority to award non-monetary or equitable relief, and any monetary award shall not include punitive damages. The confidentiality provisions applicable to facilitated negotiation shall also apply to arbitration. The award issued by the arbitration panel may be confirmed in a judgment by any federal or state court of competent jurisdiction.



Engagement Administration and Fees

We understand that your employees will prepare all cash, investment, and other confirmations we request and will locate any documents selected by us for testing.

Erica Saeger is the engagement principal and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

Our fees are based upon the time required by the individuals assigned to the engagements. Our practice is to render progress billings at two-to-four week intervals and a final billing at the conclusion of the engagement. Billings are due upon submission. Our fees for the engagement will be as follows:

<u>Year Ending</u>	<u>Audit Fees</u>
June 30, 2022	\$6,700
June 30, 2023	\$6,750
June 30, 2024	\$6,800

The above mentioned fees are fixed unless the Trust's activities result in changes which increase the scope of our audits. In those circumstances, we would review the complexities and scope of the change. At this time, we do not expect any changes from the above fixed fees unless new member systems become funding members of the Trust.

The fee estimates are based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audits. If significant additional time is necessary, we will bill the additional cost separately as part of a change order or as separate services at our reduced standard hourly rates as discussed in the original proposal. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

Fees for other services that the Trust might desire for us to perform would be based on our reduced standard hourly rates as discussed in the original proposal and fees for projects of any significance would be discussed and approved by you in advance. In the event we are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as witnesses with respect to our engagements for the Trust, the Trust will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

It is agreed by the Trust and Crosslin or any successors in interest that no claim arising out of services rendered pursuant to this agreement by or on behalf of either party shall be asserted more than three years after the date of the audit reports or one year after the date of termination of Crosslin's services, whichever date occurs first.



This letter constitutes the complete and exclusive statement of agreement between Crosslin and the Trust, superseding all proposals, oral or written, and all other communication, with respect to the terms of the engagement between the parties.

Miscellaneous

This Agreement is only intended to cover the services specified herein, although we look forward to many more years of pleasant association with the Trust. This engagement is a separate and discrete event and any future services will be covered by a separate agreement to provide services. Many banks have engaged a third party to electronically process cash or debt audit confirmation requests, and a few of those banks have mandated the use of these services. To the extent applicable, the Trust hereby authorizes Crosslin to participate in this electronic confirmation process through the third party's website (e.g., by entering the Trust's bank account information to initiate the process and then accessing the bank's confirmation response) and agrees that Crosslin shall have no liability in connection therewith.

Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable laws, regulations, or published interpretations, but if any provision of this Agreement shall be deemed prohibited, invalid, or otherwise unenforceable for any reason under such applicable laws, regulations, or published interpretations, such provisions shall be ineffective only to the extent of such prohibition, invalidity, or unenforceability and such revised provision shall be made a part of this Agreement as if it was specifically set forth herein. Furthermore, the provisions of the foregoing sentence shall not invalidate the remainder of such provision or the provisions of this Agreement.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Thank you again for the opportunity to provide auditing services to the Trust. We appreciate your business and look forward to working with you.

Very truly yours,

Erica D. Saeger
Audit Principal

ACCEPTED:

TENNESSEE SCHOOL BOARDS ASSOCIATION OPEB TRUST

By: _____

Custom Report

Prepared on November 03, 2021 for:
TSBA OPEB TRUST

TAMMY GRISSOM TTEE
TSBA OPEB TRUST U/T/A DTD
11/05/2012
525 BRICK CHURCH PARK DRIVE
NASHVILLE TN 37207-3219

The Cap IV Group

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Your Branch:

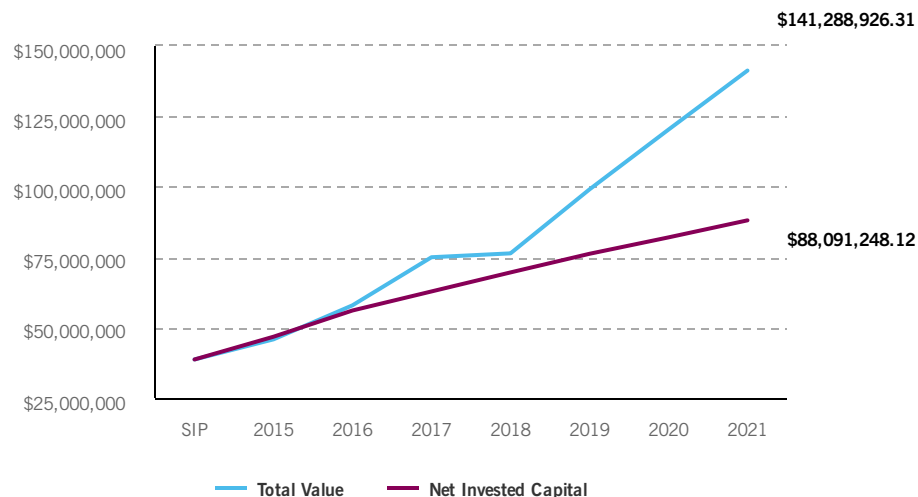
3102 WEST END AVE STE 200
NASHVILLE, TN 37203

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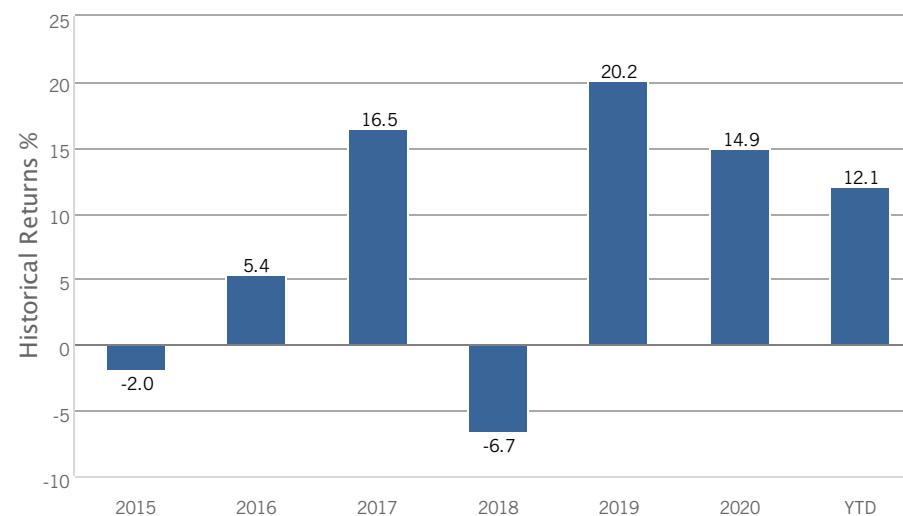
Please review the disclosures and definitions throughout this Document.
Various sub-sections of this Document may not contain information on all accounts/positions covered in this Document.

TOTAL VALUE VS. NET INVESTED CAPITAL



Does not include Performance Ineligible Assets.

DOLLAR-WEIGHTED PERIOD RETURN % (NET OF FEES)

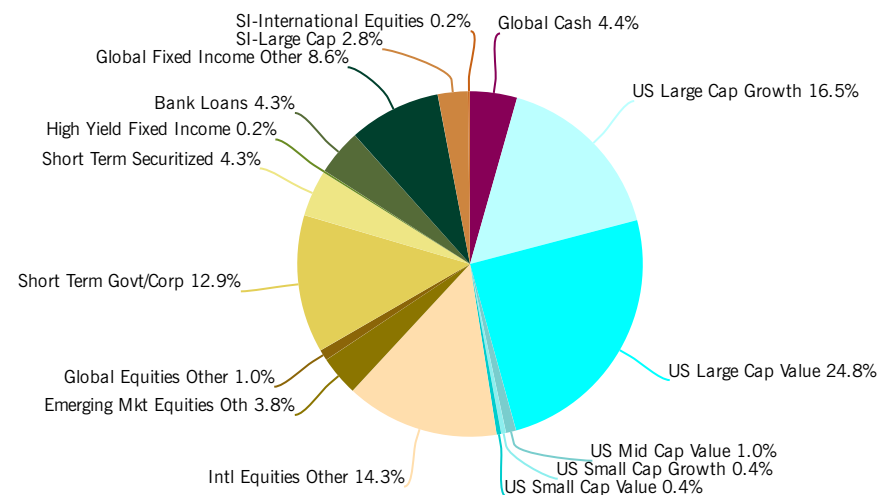


Does not include Performance Ineligible Assets.

DOLLAR-WEIGHTED RETURN % (NET OF FEES)

	Year to Date (\$) 12/31/20-11/02/21	Previous Year (\$) 12/31/19-12/31/20	Performance Inception (\$) 06/09/15-11/02/21
Beginning Total Value	120,311,869	99,077,485	38,680,482
Net Contributions/Withdrawals	6,054,330	5,826,586	49,410,766
Investment Earnings	14,922,727	15,407,799	53,197,678
Ending Total Value	141,288,926	120,311,869	141,288,926
DOLLAR WEIGHTED RATE OF RETURN (%) (Annualized for periods over 12 months)			
Return % (Net of Fees)	12.13	14.98	9.79
90-Day T-Bills	0.04	0.58	0.91

ASSET ALLOCATION



The investment returns shown on this page are dollar-weighted measurements which are affected by the timing and amount of your contributions and withdrawals.

Investment Policy Range

General Policy: The Trust's investment philosophy is that assets should be allocated with the goal of producing the highest total return consistent with prudent financial management. Unless otherwise specified by individual fund objectives, this philosophy should be adhered to within the constraints of the following asset allocation ranges:

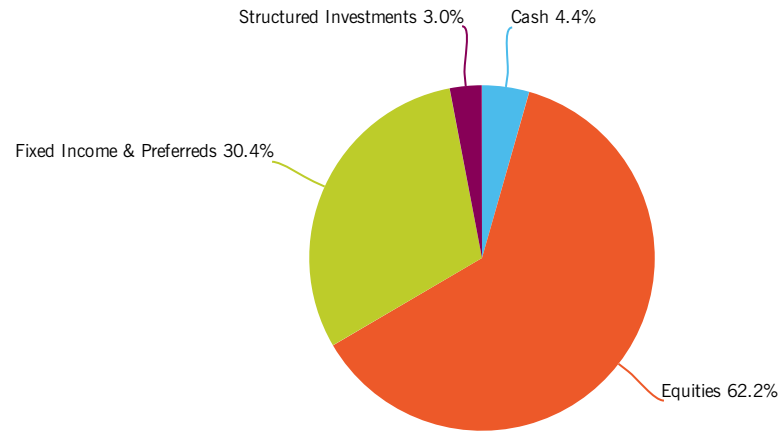
	<u>Maximum Allocation</u>	<u>Minimum Allocation</u>
Equity Investments	70%	35%
Fixed Income Investments	65%	20%
Cash & Equivalents	35%	0%
Alternative Investments – 40 Act Funds	15%	0%
Hedging Strategies		
Commodities ETF's		
Managed Futures Funds		

Exceptions for Individual Funds: In cases where individual fund objectives require an exception to the above asset allocation ranges, written statements detailing the policy for each specific fund will be provided as Supplements to this Investment Policy.

Asset Allocation Targets: From time to time the Finance Committee will determine specific asset allocation targets that it feels are best suited for accomplishing the above total return objective. These specific asset allocation targets will be communicated to individual investment managers in writing, and within a reasonable time frame, managers are expected to reallocate assets in order to comply with the target ranges established by the Committee. In the absence of specific asset allocation targets from the Trust, individual managers will have the direct responsibility for setting and maintaining an asset mix that they feel will best accomplish the Trust's total return objective. At all times, and in all cases, however, the above maximum and minimum limits, or where applicable, specific individual fund maximum and minimum limits, are to be adhered to.

The information in this report is based on data supplied by you and is intended to be used as a guide for your financial strategy. The information and data were obtained from sources deemed reliable. Their accuracy or completeness is not guaranteed and is subject to change with current market conditions. There is no guarantee that the figures presented will be attainable in the future. Morgan Stanley Smith Barney LLC, its affiliates and Morgan Stanley Financial Advisors or Private Wealth Advisors do not offer tax advice. Individuals should consult their personal tax advisor before many any tax-related investment decisions.

ASSET ALLOCATION - ASSET CLASS



ASSET ALLOCATION

	Total Value (\$) 10/31/2021	% of Portfolio 10/31/2021
Cash	6,214,122.89	4.4
Equities	87,383,755.29	62.2
Fixed Income & Preferreds	42,782,042.03	30.4
Structured Investments	4,221,212.24	3.0
TOTAL PORTFOLIO	140,601,132.45	100.0

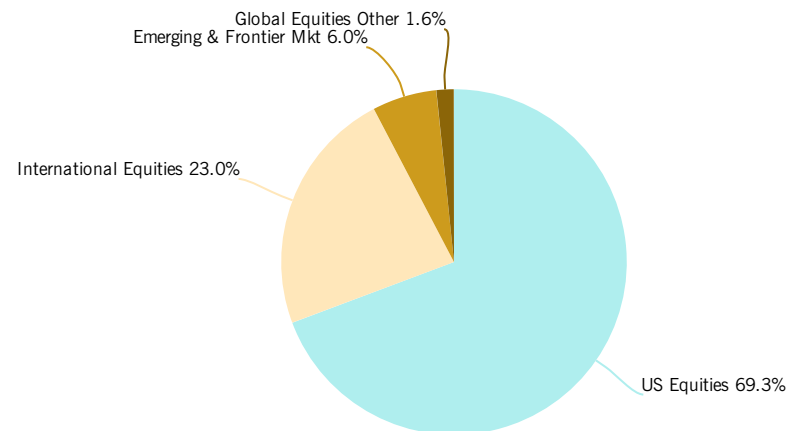
TSBA OPEB TRUST

As of November 02, 2021 | Reporting Currency: USD

TOP EQUITY POSITIONS BASED ON TOTAL VALUE

SECURITY DESCRIPTION	Total Value (\$) 11/02/2021	% of Equities 11/02/2021
PGIM JENNISON GROWTH Z	10,981,250.61	12.5
ISHARES CORE S&P U.S. GROWTH	9,625,161.60	10.9
ISHARES CORE MSCI EAFE ETF	8,157,592.29	9.3
ISHARES CORE S&P U.S. VALUE	8,144,289.80	9.3
BLACKROCK HIGH EQ INCOME INST	8,071,087.09	9.2
JOHN HANCOCK DISPLND VAL INST	8,042,394.09	9.1
OAKMARK FUND INSTITUTIONAL	8,030,262.49	9.1
AMERICAN EUROPACIFIC GRW F2	6,735,048.89	7.7
VANGUARD INDEX FDS S&P 500 ETF	5,466,184.99	6.2
THORNBURG INTL GROWTH I	5,378,926.07	6.1
Top Equity Positions	78,632,197.92	89.4
Other Equity Positions	9,348,256.08	10.6
Total Equities	87,980,454.00	100.0

ASSET ALLOCATION - EQUITIES



ASSET ALLOCATION - EQUITIES

	% of Equities 11/02/2021	Total Value (\$) 11/02/2021	% of Portfolio 11/02/2021
US Equities	69.3	60,958,271.90	43.1
US Large Cap Growth	26.5	23,339,504.71	16.5
US Large Cap Value	39.8	35,021,125.97	24.8
US Mid Cap Value	1.5	1,349,391.81	1.0
US Small Cap Growth	0.7	624,124.71	0.4
US Small Cap Value	0.7	624,124.71	0.4
International Equities	23.0	20,271,567.25	14.3
Intl Equities Other	23.0	20,271,567.25	14.3
Emerging & Frontier Mkt	6.0	5,312,754.37	3.8
Emerging Mkt Equities Oth	6.0	5,312,754.37	3.8
Global Equities Other	1.6	1,437,860.48	1.0
Global Equities Other	1.6	1,437,860.48	1.0

TSBA OPEB TRUST

As of November 02, 2021 | Reporting Currency: USD

ASSET ALLOCATION - EQUITIES (Continued)

	% of Equities 11/02/2021	Total Value (\$) 11/02/2021	% of Portfolio 11/02/2021
TOTAL EQUITIES	100.0	87,980,454.00	62.3

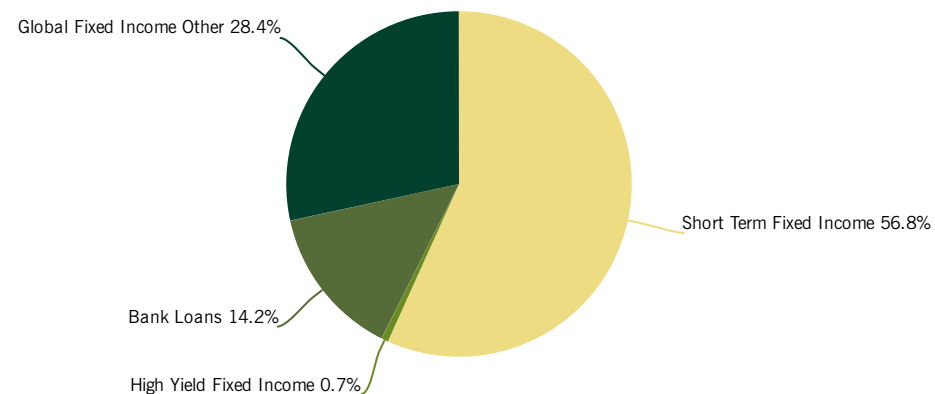
TSBA OPEB TRUST

As of November 02, 2021 | Reporting Currency: USD

TOP FIXED INCOME & PREFERRED POSITIONS BASED ON TOTAL VALUE

SECURITY DESCRIPTION	Total Value (\$) 11/02/2021	% of Fixed Income & Preferreds 11/02/2021
PGIM SHORT-TERM CORP BOND Z	24,328,021.20	56.8
PERFORMANCE TRUST STRAT BD I	12,176,158.83	28.4
PUTNAM FLOATING RATE INC Y	6,083,048.47	14.2
PGIM SHORT DUR HIGH YLD OPP FD	280,743.40	0.7
Top Fixed Income & Preferred Positions	42,867,971.90	100.0
Other Fixed Income & Preferred Positions	-	-
Total Fixed Income & Preferred	42,867,971.90	100.0

ASSET ALLOCATION - FIXED INCOME & PREFERRED



ASSET ALLOCATION - FIXED INCOME & PREFERREDS

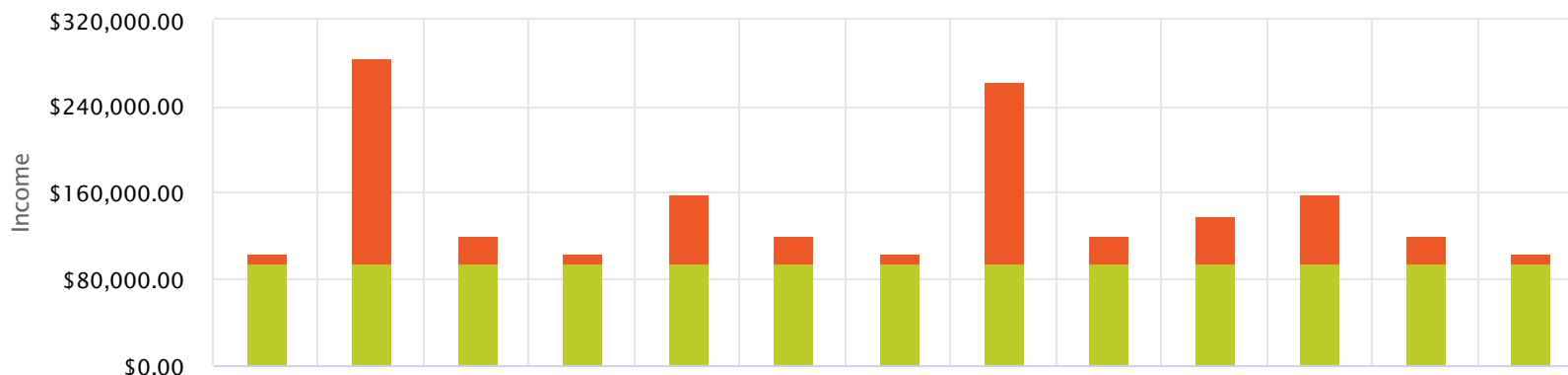
	% of Fixed Income & Preferreds 11/02/2021	Total Value (\$) 11/02/2021	% of Portfolio 11/02/2021
Short Term Fixed Income	56.8	24,328,021.20	17.2
High Yield Fixed Income	0.7	280,743.40	0.2
Bank Loans	14.2	6,083,048.47	4.3
Global Fixed Income Other	28.4	12,176,158.83	8.6
TOTAL FIXED INCOME & PREFERREDS	100.0	42,867,971.90	30.3

PROJECTED 12 MONTH INCOME SUMMARY

TSBA OPEB TRUST

As of November 02, 2021 | Reporting Currency: USD

12 MONTH INCOME SUMMARY



Asset Class	Total Value (\$) 11/02/2021	11/03/21 to 11/30/21 (\$)	Projected Income (\$) (12/01/21 - 11/30/22)												% Yield		
			Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov		Total	
Cash	6,214,127	64	64	64	64	64	64	64	64	64	64	64	64	64	64	767	0.01
Equities	87,980,454	7,389	189,696	24,401	7,389	62,379	24,401	7,389	167,115	24,401	43,579	62,379	24,401	7,389	1,245,977	1.42	
Fixed Income & Preferreds	42,867,972	95,968	95,968	95,968	95,968	95,968	95,968	95,968	95,968	95,968	95,968	95,968	95,968	95,968	95,968	1,151,616	2.69
Structured Investments	4,226,377	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	141,288,930	103,421	285,728	120,433	103,421	158,411	120,433	103,421	263,147	120,433	139,611	158,411	120,433	103,421	2,398,360	1.70	

Projected Income is calculated only for holdings where data is available.

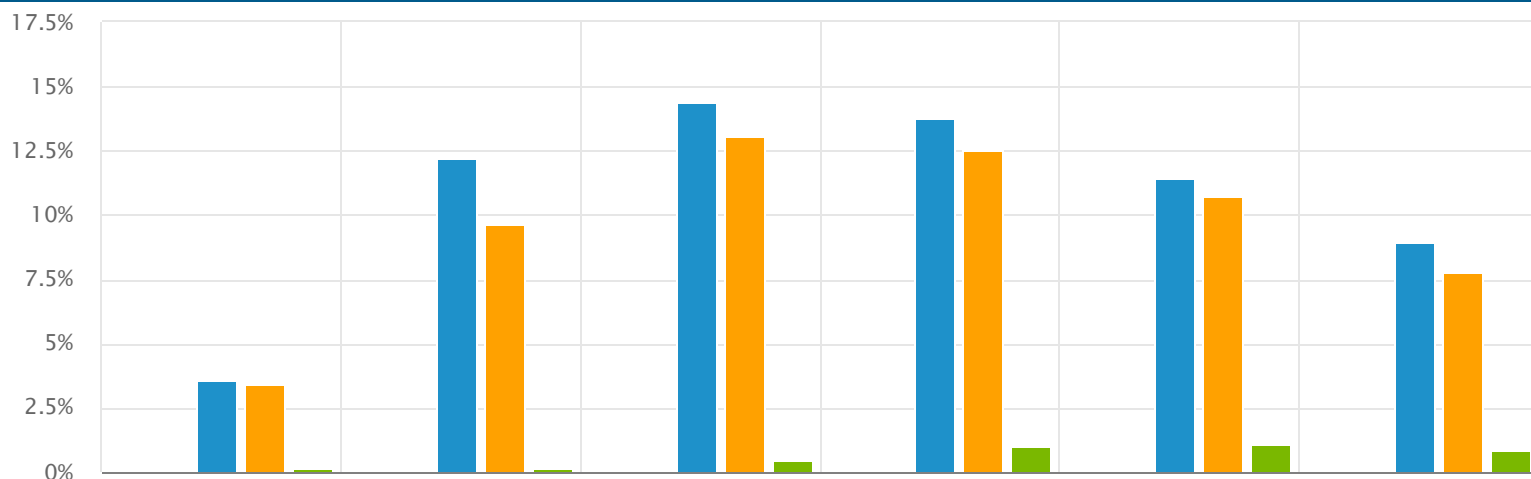
In instances whereby payment frequency and/or last payment date is not available, income is based on the current dividend or coupon rate, and will be displayed in the Total column only.

TIME WEIGHTED PERFORMANCE SUMMARY

TSBA OPEB TRUST

As of November 02, 2021 | Reporting Currency: USD

RETURN % (NET OF FEES) VS. BENCHMARKS (ANNUALIZED)



	Quarter to Date 09/30/21 - 11/02/21	Year to Date 12/31/20 - 11/02/21	Previous Year 12/31/19 - 12/31/20	Last 3 Years 11/30/18 - 11/02/21	Last 5 Years 11/30/16 - 11/02/21	Performance Inception 06/09/15 - 11/02/21
Beginning Total Value (\$)	136,479,124.47	120,311,869.44	99,077,485.02	80,635,223.13	57,350,790.56	38,680,482.15
Net Contributions/Withdrawals (\$)	-48,027.75	6,054,329.97	5,826,585.68	18,866,698.32	32,014,542.05	49,410,765.97
Investment Earnings (\$)	4,857,829.59	14,922,726.90	15,407,798.74	41,787,004.87	51,923,593.70	53,197,678.19
Ending Total Value (\$)	141,288,926.31	141,288,926.31	120,311,869.44	141,288,926.31	141,288,926.31	141,288,926.31
Return % (Net of Fees)	3.56	12.23	14.38	13.77	11.41	8.95
TN TSBA Composite (%)	3.42	9.65	13.06	12.51	10.72	7.78
FTSE T-Bills 30 Day (%)	0.00	0.03	0.45	0.98	1.08	0.86

The investment returns shown on this page are time-weighted measurements which exclude the effect of the timing and amount of your contributions and withdrawals.

POSITIONS TIME WEIGHTED PERFORMANCE DETAIL

TSBA OPEB TRUST

As of November 02, 2021 | Reporting Currency: USD

RETURN % (GROSS OF FEES) VS. BENCHMARK (ANNUALIZED)

Asset Class/ Benchmark/ Security Description ▲	Account Number	Performance Inception Date	Ending Total Value (\$)	Year to Date (%) 12/31/20 - 11/02/21	Previous Year (%) 12/31/19 - 12/31/20	Last 3 Years (%) 11/30/18 - 11/02/21	Since Inception (%)	% of Portfolio
Total Portfolio (Gross of Fees)		06/09/2015	141,288,926.31	12.39	14.57	13.96	9.13	100.00
<i>TN TSBA Composite</i>				9.65	13.06	12.51	7.78	
Equities		06/09/2015	87,980,454.01	19.11	18.52	18.65	12.47	62.27
<i>MSCI AC World IMI Net</i>				17.65	16.25	17.55	11.12	
AMERICAN EUROPACIFIC GRW F2(AEPFX)	Multiple	07/14/2015	6,735,048.89	6.71	24.60	17.62	9.17	4.77
BLACKROCK HIGH EQ INCOME INST(BMCIX)	Multiple	09/02/2015	8,071,087.10	21.14	1.77	11.97	9.66	5.71
DWS SMALL CAP CORE S(SSLCX)	Multiple	02/20/2018	1,248,249.41	40.41	14.60	19.95	15.93	0.88
ISHARES CORE MSCI EAFE ETF(IEFA)	Multiple	11/28/2018	8,157,592.29	13.01	8.07	12.65	12.87	5.77
ISHARES CORE S&P U.S. GROWTH(IUSG)	Multiple	11/28/2018	9,625,161.60	27.03	31.80	26.75	27.90	6.81
ISHARES CORE S&P U.S. VALUE(IUSV)	Multiple	11/28/2018	8,144,289.80	22.04	1.33	14.10	14.70	5.76
JOHN HANCOCK DISPLND VAL INST(JVLIX)	Multiple	07/24/2018	8,042,394.08	25.65	0.58	11.87	10.07	5.69
LAZARD EMERG MKTS CORE EQ I(ECEIX)	Multiple	07/07/2021	5,312,754.37	-7.42	-	-	-7.42	3.76
NEUBERGER BERMAN NEXT GEN FUND(NBXG)	Multiple	05/26/2021	1,437,860.48	-1.12	-	-	-1.12	1.02
OAKMARK FUND INSTITUTIONAL(OANMX)	Multiple	07/12/2021	8,030,262.50	7.30	-	-	7.30	5.68
PGIM JENNISON GROWTH Z(PJFZX)	Multiple	09/02/2015	10,981,250.62	20.53	52.82	32.34	22.42	7.77
THORNBURG INTL GROWTH I(TINGX)	Multiple	09/02/2015	5,378,926.09	1.04	33.95	16.93	11.25	3.81
VANGUARD INDEX FDS S&P 500 ETF(VOO)	Multiple	02/22/2016	5,466,184.99	24.84	17.38	21.24	18.47	3.87
VICTORY RS VALUE Y(RSVYX)	Multiple	09/02/2015	1,349,391.80	25.66	-3.15	13.35	10.38	0.96
Fixed Income & Preferreds		06/09/2015	42,867,971.92	0.29	5.25	4.83	2.87	30.34
<i>Barclays Aggregate</i>				-1.51	7.51	5.60	3.33	
PERFORMANCE TRUST STRAT BD I(PTIAX)	Multiple	01/26/2021	12,176,158.84	1.03	-	-	1.03	8.62
PGIM SHORT DUR HIG YLD OPP FD(SDHY)	Multiple	11/25/2020	280,743.40	-3.44	-	-	-1.17	0.20

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POSITIONS TIME WEIGHTED PERFORMANCE DETAIL

TSBA OPEB TRUST

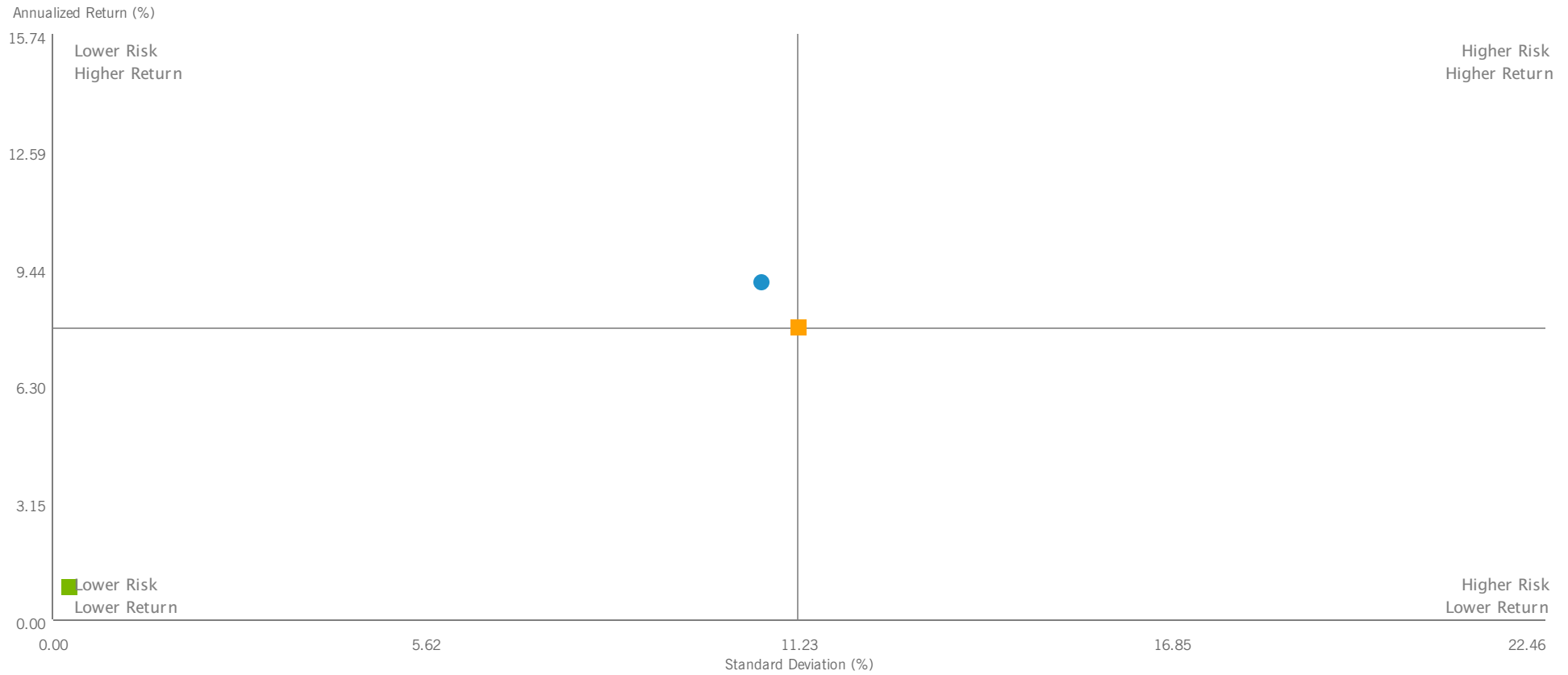
As of November 02, 2021 | Reporting Currency: USD

RETURN % (GROSS OF FEES) VS. BENCHMARK (ANNUALIZED) (Continued)

Asset Class/ Benchmark/ Security Description ▲	Account Number	Performance Inception Date	Ending Total Value (\$)	Year to Date (%) 12/31/20 - 11/02/21	Previous Year (%) 12/31/19 - 12/31/20	Last 3 Years (%) 11/30/18 - 11/02/21	Since Inception (%)	% of Portfolio
PGIM SHORT-TERM CORP BOND Z(PIFZX)	Multiple	09/02/2015	24,328,021.21	-0.17	5.40	4.31	2.80	17.22
PUTNAM FLOATING RATE INC Y(PFRYX)	Multiple	05/03/2017	6,083,048.47	2.76	0.91	3.15	3.06	4.31
Structured Investments		02/28/2020	4,226,377.50	7.11	-	-	8.28	2.99
S&P 500 Total Return				24.73	-	-	32.13	
BCS PLUS SPX 23JN05(SQDNQ)	Multiple	11/30/2020	1,204,515.00	9.01	-	-	6.50	0.85
CS JUMP UKX 26JL23(SQFDE)	Multiple	07/20/2021	266,263.02	-1.90	-	-	-1.90	0.19
GS PLUS SPX 24FB05(SQFDJ)	Multiple	07/30/2021	1,303,549.48	-1.02	-	-	-1.02	0.92
GS PLUS SPX 24MY03(SQFSK)	Multiple	10/29/2021	1,452,050.00	0.00	-	-	0.00	1.03
Cash		06/09/2015	6,214,122.89	-	-	-	-	4.40
FTSE Treasury Bill 3 Month				-	-	-	-	
BANK DEPOSIT PROGRAM(BDPS)	Multiple	06/18/2015	7,666,172.89	-	-	-	-	5.43
Cash(0000MONEY)	Multiple	06/17/2015	-1,452,050.00	-	-	-	-	-1.03

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RETURN % (NET OF FEES) AND VOLATILITY VS. BENCHMARKS



	Return % (Net of Fees) 06/30/15-10/31/21	Standard Deviation (%) 06/30/15-10/31/21
● Portfolio	9.06	10.67
■ TN TSBA Composite	7.87	11.23
■ FTSE T-Bills 30 Day	0.87	0.25

The investment returns shown on this page are time-weighted measurements which exclude the effect of the timing and amount of your contributions and withdrawals.

Pent-up Demand or Payback? Early to Mid-Cycle Transition Ends with Correction

As of September 8, 2021

- **Mid-Cycle Transition Ends with Correction:** Just like bear markets have ended with a recession, the mid-cycle transition is ending with a correction. Peak rate of change in policy and economic/earnings growth has typically coincided with more conservative investment and has ended with a broader equity market correction. This is the classic mid-cycle transition that accompanies recoveries from recession. Think 1994, 2004, 2011. So far, we have experienced a rolling correction across many asset categories, and the breadth of the equity market remains weak. We expect the next and final stage of this rolling correction to end with 10%-15% correction in the S&P 500 and Nasdaq.
- **Peaking Rates of Change Matter.** The peak rate of change in fiscal policy, Fed balance sheet, M2, economic and earnings growth we expected has definitively arrived. Such peaks have often coincided with setbacks in equity markets and this time should be no different. As usual, the lower quality and more speculative parts of the financial markets have led the correction with many down 20%-30%.
- **Peak Rate of Change Is Now the Consensus.** The consensus has now adopted our view on the peak rate of change in growth and policy. However, there is still a lot of pushback that the typical 10%-20% correction in the S&P 500 will happen this time. We continue to believe 2H21 will likely provide the data to decide if a broader correction is necessary or if we can simply consolidate the past year's gains with more rotations. So far, the data is supportive of a bigger deceleration than what most investors expect, and that is the catalyst.
- **Upgrade to Quality with a More Defensive Skew.** Along with the mid-cycle transition comes a shift in equity market leadership. Higher-quality stocks tend to perform better. We downgraded small caps and early-cycle sectors (Retail, Transports, Semis, Homebuilders) in March while upgrading Staples in April to reflect this view. We then downgraded Materials in May while upgrading Utilities and downgrading Energy in July. These trades have all played out in accordance with the mid-cycle transition, which has not yet completed.
- **Inflation Is the Key to the Secular Bull Market for Stocks and Secular Bear Market for Bonds.** The shift in policy from monetary to fiscal dominance is a significant change that has big implications for our asset allocation recommendations. A US recession was always a necessary condition for this outcome and the health-crisis nature of this event further supports this regime shift. Finally, don't forget the other inflationary trends that were well established before this recession began—populism, nationalism, de-globalization, and a sign that the US dollar may either lose or have to share its reserve currency status.
- **We Lowered Our Equity Allocations and Raised Our Bond Allocations in May.** As both monetary and fiscal policy normalizes, we expect a broader equity market correction due to either higher interest rates, i.e., "fire," or due to a more significant growth disappointment, i.e., "ice." Despite this risk for a near-term pullback in equities, we are still overweight on a 12-month basis. We also recommend owning some commodities and real estate as an inflation hedge. Avoid profitless growth stocks as valuations remain at risk from higher interest rates in the future in either the fire or ice outcome. Be patient here with new investments and use pullbacks around peaking rates of change as buying opportunities for cyclicals, growth at a reasonable price, and international stocks.

Source: Morgan Stanley & Co. Research. M2 is a measure of the money supply that includes all elements of M1 as well as "near money." M1 includes cash and checking deposits, while near money refers to savings deposits, money market securities, mutual funds and other time deposits.

Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Please refer to important information, disclosures and qualifications at the end of this material.

ACCOUNT(S) INCLUDED IN THIS REPORT

TSBA OPEB TRUST

Reporting Currency: USD

MORGAN STANLEY WEALTH MANAGEMENT

Account Name and Address	Account Type/ Manager Name	Advisory/ Brokerage	Account Number	Date Opened	Date Closed	Performance (%) Inception - 11/02/21	Total Value (\$) 11/02/21	% of Portfolio 11/02/21
ARLINGTON CITY - Alternative Investment 525 BRICK CHURCH PARK DR NASHVILLE	AAA	Brokerage	471-XXX385	02/18/20	-	6.03	206,142.65	0.15
ARLINGTON CITY BOE 525 BRICK CHURCH PARK DRIVE NASHVILLE	Consulting Group Advisor	Advisory	471-XXX901	06/17/15	-	9.15	3,984,056.33	2.82
BARTLETT CITY - Alternative Investment 525 BRICK CHURCH PARK DR NASHVILLE	AAA	Brokerage	471-XXX383	02/18/20	-	6.23	254,854.16	0.18
BARTLETT CITY BOE 525 BRICK CHURCH PARK DRIVE NASHVILLE	Consulting Group Advisor	Advisory	471-XXX902	06/17/15	-	9.23	4,819,615.14	3.41
Collierville City - Alternative Invest. 525 BRICK CHURCH PARK DR NASHVILLE	AAA	Brokerage	471-XXX396	02/18/20	-	6.39	116,601.92	0.08
COLLIERVILLE CITY BOE 525 BRICK CHURCH PARK DRIVE NASHVILLE	Consulting Group Advisor	Advisory	471-XXX903	06/17/15	-	9.03	2,058,022.57	1.46
HICKMAN CO. 525 BRICK CHURCH PARK DRIVE NASHVILLE	Consulting Group Advisor	Advisory	471-XXX866	06/03/15	-	9.18	2,742,935.82	1.94
Hickman Co. - Alternative Investment 525 BRICK CHURCH PARK DR NASHVILLE	AAA	Brokerage	471-XXX388	02/18/20	-	6.47	155,054.19	0.11
JACKSON-MADISON 525 BRICK CHURCH PARK DRIVE NASHVILLE	Consulting Group Advisor	Advisory	471-XXX864	06/03/15	-	9.17	499,049.50	0.35
JACKSON-MADISON - Alternative Investment 525 BRICK CHURCH PARK DR NASHVILLE	AAA	Brokerage	471-XXX403	02/18/20	-	6.31	27,624.36	0.02

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ACCOUNT(S) INCLUDED IN THIS REPORT

TSBA OPEB TRUST

Reporting Currency: USD

MORGAN STANLEY WEALTH MANAGEMENT (Continued)

Account Name and Address	Account Type/ Manager Name	Advisory/ Brokerage	Account Number	Date Opened	Date Closed	Performance (%) Inception - 11/02/21	Total Value (\$) 11/02/21	% of Portfolio 11/02/21
JOHNSON CO. 525 BRICK CHURCH PARK DRIVE NASHVILLE	Consulting Group Advisor	Advisory	471-XXX869	06/03/15	-	9.17	1,357,390.06	0.96
JOHNSON CO. - Alternative Investment 525 BRICK CHURCH PARK DR NASHVILLE	AAA	Brokerage	471-XXX398	02/18/20	-	6.46	76,366.94	0.05
Lakeland City - Alternative Investment 525 BRICK CHURCH PARK DR NASHVILLE	AAA	Brokerage	471-XXX393	02/18/20	-	6.44	115,335.51	0.08
LAKELAND CITY BOE 525 BRICK CHURCH PARK DRIVE NASHVILLE	Consulting Group Advisor	Advisory	471-XXX900	06/17/15	-	9.00	2,144,973.99	1.52
MILLINGTON 525 BRICK CHURCH PARK DRIVE NASHVILLE	Consulting Group Advisor	Advisory	471-XXX583	07/05/16	-	11.01	379,186.85	0.27
MILLINGTON - Alternative Investment 525 BRICK CHURCH PARK DR NASHVILLE	AAA	Brokerage	471-XXX409	02/18/20	-	6.35	20,946.61	0.02
SHELBY CO. 525 BRICK CHURCH PARK DRIVE NASHVILLE	Consulting Group Advisor	Advisory	471-XXX863	06/03/15	-	9.13	118,620,361.01	83.96
SHELBY CO. - Alternative Investment 525 BRICK CHURCH PARK DR NASHVILLE	AAA	Brokerage	471-XXX380	02/18/20	-	6.46	3,710,412.84	2.63
TSBA GASB 45 TRUST 525 BRICK CHURCH PARK DRIVE NASHVILLE	AAA	Brokerage	471-XXX865	06/03/15	07/20/15	-	0.00	0.00
TSBA GASB 45 TRUST 525 BRICK CHURCH PARK DRIVE NASHVILLE	AAA	Brokerage	471-XXX925	06/23/15	07/20/15	-	0.00	0.00

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ACCOUNT(S) INCLUDED IN THIS REPORT

TSBA OPEB TRUST

Reporting Currency: USD

MORGAN STANLEY WEALTH MANAGEMENT (Continued)

Account Name and Address	Account Type/ Manager Name	Advisory/ Brokerage	Account Number	Date Opened	Date Closed	Performance (%) Inception - 11/02/21	Total Value (\$) 11/02/21	% of Portfolio 11/02/21
Morgan Stanley Wealth Management Total							141,288,930.45	100.00
Total Portfolio							141,288,930.45	100.00

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DISCLOSURES

Explanatory Notes and Disclosures: This document is designed to assist you and your Financial Advisor in understanding portfolio positions, composition and subsets thereof. It is designed solely for your individual use, is for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security. Do not take action relying on this information without confirming its accuracy and completeness. Please read carefully all accompanying notes and disclosures provided in this Document.

For convenience purposes, your Financial Advisor may have assigned a designated name for this Document. The list of the accounts covered in this document is noted herein and may not include all of your accounts with us or external custodians. Furthermore, the information included in this document may not include all asset classes/securities/liabilities held by you at the firm or external custodians. Please review this document carefully and discuss any questions you may have with your Financial Advisor. If you do not understand an entry, suspect an error, or want more details on current values or other information, contact your Financial Advisor. This document is based upon your Morgan Stanley account holdings and may include other holdings/information that you or a third party provided about assets custodied elsewhere. Morgan Stanley will not verify any other holdings/information. If any information reflects assets held away from Morgan Stanley that will be indicated. The information contained in this document is subject to, and does not supersede the confirmations and account statements you receive from us. Values shown in your official account statement may differ from the values shown in this document due to, among other things, different reporting methods, delays, market conditions and interruptions. If there are discrepancies between your official account statement and this document, rely on your official account statement.

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This information is provided for informational purposes only and should not be used for tax preparation. The information reported on your Form(s) 1099 supersedes the information provided in this report and should be exclusively relied upon for tax preparation. Morgan Stanley, its affiliates and its employees are not in the business of providing tax or legal advice. Clients should seek advice based on their particular circumstances from an independent tax and legal advisor. Morgan Stanley Smith Barney LLC is a registered Broker/Dealer, Member SIPC, and not a bank. Where appropriate, Morgan Stanley Smith Barney LLC has entered into arrangements with banks and other third parties to assist in offering certain banking related products and services. SIPC insurance does not apply to precious metals, other commodities, or traditional alternative investments.

Investment, insurance and annuity products offered through Morgan Stanley Smith Barney LLC are: NOT FDIC INSURED | MAY LOSE VALUE | NOT BANK GUARANTEED | NOT A BANK DEPOSIT | NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY

Important Regulation Best Interest Information: This report is being provided as a courtesy. By providing this report, we do not represent or agree that we will monitor the investments in your brokerage account(s) or deliver future reports.

Additional information about your Floating Rate Notes: For floating rate securities, the estimated accrued interest and estimated annual income are based on the current floating coupon rate and may not reflect historic rates within the accrual period.

Important Information About Auction Rate Securities: For certain Auction Rate Securities there is no or limited liquidity. Therefore, the price(s) for these Auction Rate Securities are indicated as not available by a dash "-". There can be no assurance that a successful auction will occur or that a secondary market exists or will develop for a particular security.

Important Pricing Information: Prices of securities not actively traded may not be available, and are indicated by a dash "-". Account values are based on the most recent security pricing available and may be prior to the date of this material.

Asset Classification: We classify assets based on general characteristics such as: income generation, underlying capital structure, or exposure to certain market sectors. As many assets contain characteristics of more than one asset class, allocations may be under or over inclusive. These classifications do not constitute a recommendation and may differ from the classification of instruments for regulatory or tax purposes. In addition, the Other asset class contains securities that are not included in the various asset class classifications. This can include, but is not limited to, non-traditional investments such as some Equity Unit Trusts, Index Options and Structured Investments issued outside of Morgan Stanley. Additionally, investments for which we are unable to procure market data to properly classify them will appear in the Other category.

Morgan Stanley Wealth Management: Morgan Stanley Wealth Management (custodian type "Morgan Stanley Wealth Management") is a registered trade name of Morgan Stanley Smith Barney LLC.

Additional information about your Structured Products: Structured Investments are complex products and may be subject to special risks, which may include, but are not limited to: loss of initial investment; issuer credit risk and price volatility resulting from any actual or anticipated changes to issuer's and/or guarantor's credit ratings or credit spreads; limited or no appreciation and limits on participation in any appreciation of underlying asset(s); risks associated with the underlying reference asset(s); no periodic payments; call prior to maturity; early redemption fees for market linked deposits; lower interest rates and/or yield compared to conventional debt with comparable maturity; unique tax implications; limited or no secondary market; and conflicts of interest due to affiliation,

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compensation or other factors which could adversely affect market value or payout to investors. Investors also should consider the concentration risk of owning the related security and their total exposure to any underlying asset.

Morgan Stanley & Co.: Morgan Stanley & Co. LLC ("Morgan Stanley & Co.") is an affiliate of Morgan Stanley Smith Barney LLC ("Morgan Stanley Wealth Management") and both are subsidiaries of Morgan Stanley, the financial holding company. Morgan Stanley & Co. values shown on your Morgan Stanley Wealth Management statement may differ from the values shown in your official Morgan Stanley & Co. statement due to, among other things, different reporting methods, delays, market conditions and interruptions. The information shown is approximate and subject to updating, correction and other changes. Information being reported by Morgan Stanley Wealth Management on assets held by other custodians, which are related to Income, Performance, Tax Lots, Total Cost, Target Asset Allocation, Asset Classification and Gain/Loss may differ from that information provided by the custodian. In performance calculations, the inception date will align with the first date on which Morgan Stanley Wealth Management received account information from the custodian. If there are discrepancies between your official Morgan Stanley & Co. account statement and your Morgan Stanley Wealth Management supplemental client report, rely on the official Morgan Stanley & Co. account statement.

External Accounts: "External" generally refers to accounts, assets, and/or liabilities that you hold with other financial institutions and/or which may be custodied outside of Morgan Stanley (whose subsidiaries include Morgan Stanley Smith Barney LLC and Morgan Stanley & Co.) ("External Accounts"). External Accounts are not under administration or management at Morgan Stanley and are not reflected in your Morgan Stanley account statements. Information related to External Accounts is provided solely as a service to you and your Financial Advisor/Private Wealth Advisor. The information reference is based upon information provided by external sources which we believe to be reliable. However, we do not independently verify this information. As such, we do not warrant or guarantee that such information is accurate or timely, and any such information may be incomplete or condensed.

Information related to Income, Performance, Tax Lots, Total Cost, Target Asset Allocation, Asset Classification and Gain/Loss may differ from the information provided by your custodian. External information presented herein is subject to, and does not supersede, the confirmations and account statements provided by your custodian. Values shown in an account statement from your custodian may differ from the values shown here due to, among other things, different reporting methods, delays, market conditions and interruptions. If there are discrepancies between your custodian's official account statement and this material, rely on the custodian's official account statement. We are not obligated to notify you or your Financial Advisor/Private Wealth Advisor if information changes. In performance calculations, the inception date referenced will reflect the first date on which Morgan Stanley received account information from the custodian. If information on an External Account cannot be reported, it will be noted.

Assets not custodied with Morgan Stanley are not covered by SIPC protection at Morgan Stanley or by additional protection under Morgan Stanley's excess insurance coverage plans. However, these assets may be subject to SIPC coverage at the entity at which they are custodied.

Timing of Feeds: Account and Position data for Morgan Stanley & Co. and External Accounts is obtained from sources that we believe to be reliable. However, Morgan Stanley Wealth management does not guarantee its accuracy or timeliness as such information may be incomplete, condensed, or based on differing points of time. Please refer to the "Last Update Date" for information regarding when the data was last refreshed. You should not take any action relying upon this information without confirming its accuracy and completeness.

Manually Added assets: "Manually Added" generally refers to accounts, assets, and/or liabilities, as applicable, that you hold with other financial institutions and/or which may be custodied outside of Morgan Stanley (whose subsidiaries include Morgan Stanley Smith Barney LLC and Morgan Stanley & Co.) ("Manually Added External Accounts"). The Manually Added External Accounts referenced are generally not held with Morgan Stanley and are not under administration or management at Morgan Stanley. Information about such Manually Added External Accounts is manually inputted, updated and maintained solely by you and/or your Financial Advisor/Private Wealth Advisor. Morgan Stanley may include information about these Manually Added External Accounts solely as a service to you and your Financial Advisor/Private Wealth Advisor. We do not independently verify any information related to your Manually Added External Accounts. As such, we do not warrant or guarantee that such information is accurate or timely, and any such information may be incomplete or condensed. Valuations and other information about these assets may be provided by you and/or your Financial Advisor/Private Wealth Advisor and are generally based upon estimates. The information is used for position, asset allocation, and product allocation reporting purposes but is not, however, reflected in your Morgan Stanley account statements. Income values, including Estimated Annual Income and Projected Income, are not calculated for Manually Added External Accounts. The information being reported by Morgan Stanley on Manually Added External Accounts related to Performance, Tax Lots, Total Cost, Target Asset Allocation, Asset Classification and Gain/Loss may differ from the information provided to you by the custodian of those assets. If there are discrepancies between your custodian's official account statement and this material, rely on the custodian's official account statement. The inception date referenced in this view will reflect the date on which information about the Manually Added External Accounts was input by you and/or your Financial Advisor/Private Wealth Advisor. If information on a Manually Added asset cannot be reported, it will be noted.

Assets not custodied with Morgan Stanley are not covered by SIPC protection at Morgan Stanley or by additional protection under Morgan Stanley's excess insurance coverage plans. However, these assets may be subject to SIPC coverage at the entity at which they are custodied.

Performance: Performance results are annualized for time periods greater than one year and include all cash and cash equivalents, realized and unrealized capital gains and losses, dividends, interest and income. Depending on the opening or closing date of the account or position, the performance referenced may be for a portion of the time period identified. The investment results depicted herein represent historical performance. As a result of recent market activity, current performance may vary from the figures shown. Please contact your Financial Advisor for up-to-date performance information. Past

performance is not a guarantee of future results. Quotations of performance appearing in this report may include performance experienced in legacy accounts which have been closed and purged, and as such are not included on the Accounts Included in This Report page.

Market values used for performance calculation do not include Performance Ineligible Assets and thus may differ from asset allocation market values. Common examples of Performance Ineligible Assets include life insurance and annuities as well as Manually Added and External accounts, assets and liabilities.

Unless otherwise indicated, performance is an aggregated composite calculation of the entire portfolio and may include brokerage and investment advisory accounts as well as assets for different accounts included in this report. The accounts included in the composite may have (or have had) different investment objectives and strategies, been subject to different restrictions, and incurred different types of fees, markups, commissions and other charges. Accordingly, performance results may blend the performance of assets and strategies that may not have been available in all of the accounts at all times during the reporting period. In addition, accounts in the composite may have changed from brokerage to advisory or vice versa. Accounts may also have moved from one advisory program to another (including from a discretionary program to a non-discretionary program).

For Morgan Stanley Smith Barney LLC accounts, performance information may cover the full history of the account(s) or just the performance of an account(s) since the inception of the current program(s). Performance results on individual accounts will vary and may differ from the composite returns. Your Financial Advisor can provide you with individual account portfolio composition and performance information. For investment advisory accounts, please see the Morgan Stanley Smith Barney LLC Form ADV Part 2 or applicable disclosure brochure and any applicable brokerage commission and/or fee schedule for a full disclosure of fees and expenses. Your Financial Advisor will provide those documents to you upon request. For brokerage accounts, please speak to your Financial Advisor for more information on commissions and other account fees and expenses.

Performance inception date does not necessarily correspond to the account opening date. Where multiple accounts are included in performance calculations, the inception date is the oldest performance inception. Performance data may not be available for all periods as some accounts included in performance may have more recent performance inception dates. Consequently, the actual performance for a group of accounts may differ from reported performance. Please ask your Financial Advisor for the performance inception date for each account.

Sub Account and Security Level Performance: The performance return methodology described above and in the TWR and IRR definitions applies to both Account Level and Sub-Account (e.g. Asset Class or Security level) performance returns. The inputs consist of market values and net flows.

For example, TWR is calculated by taking the Change in Market Value (Ending MV – Beginning MV) less any net flows, divided by the beginning MV. $TWR = (Ending\ MV - Beginning\ MV - Net\ Flows) / Beginning\ MV$

The difference lies in what is or is not included in the Market Values and Flows. For account level performance, the total account market values and all flows within the account are taken into account. For sub-account level performance, only those market values and flows associated with the specific securities included are taken into account.

Flows that are not security specific typically include account advisory fees, cash contributions or withdrawals, and any other flows that are not attributed to a specific security.

Flows that are security specific including purchases, sales, dividends, interest, partnership distributions, return of capital, fund sales charges, security transaction fees, and ongoing fund expenses are typically reflected in the security level returns.

Gross of Fees: The impact of program fees can be material. These program fees are deducted based on your billing cycle and may have a compounding effect on performance. As fees are deducted periodically throughout the year, the compounding effect may increase the impact of the fees by an amount directly related to the gross account performance.

Indices: Benchmark indices and blends included in this material are for informational purposes only, are provided solely as a comparison tool and may not reflect the underlying composition and/or investment objective(s) associated with the account(s). In some circumstances, the benchmark index may not be an appropriate benchmark for use with the specific composite portfolio. For instance, an index may not take into consideration certain changes that may have occurred in the portfolio since the inception of the account(s), (e.g., changes from a brokerage to an advisory account or from one advisory program to another, asset class changes, or index changes for individual managers). The volatility of the index used for comparison may be materially different from that of the performance shown. Indices are unmanaged and not available for direct investment. Index returns do not take into account fees or other charges. Such fees and charges would reduce performance. Please see the Benchmark Definitions section of this material for additional information on the indices used for comparison.

Performance Inception Month End: Performance Inception Month End refers to performance calculated from the end of the month in which the accounts became eligible for performance. Calculating performance from the Performance Inception Month End allows for a comparison to be made to appropriate benchmarks. Performance Inception Month End does not necessarily correspond to the account opening date.

Projected 12 Month: Projected 12 Month Income is based upon cash income from interest, cash dividends, and partnership distributions. It is a hypothetical projection calculated using current yields. The projected income referenced is based upon certain market projections effective as at today's date only and can change at any time. Such projected income is hypothetical, do not reflect actual investment results, and is not a guarantee of future results. The projected income is referenced for illustrative purposes only. Morgan Stanley does not represent or guarantee that the projected income referenced will or can be attained. The actual income may be lower or higher than the projections based upon a variety of factors and assumptions. The projected income shown may under or over compensate for the

impact of actual market conditions and other factors. We make no representation or warranty as to the reasonableness of the assumptions made, or that all assumptions used to construct this projected income information have been stated or fully considered. To the extent that the assumptions made do not reflect actual conditions, the illustrative value of the hypothetical projected income will decrease. The projected income referenced may include income from Morgan Stanley & Co. and External Accounts, where data is available. Such information was obtained from third party sources which Morgan Stanley believes to be reliable. However, we make no representation or guarantee that the information is accurate or complete. You should not rely upon this information to make any investment decision. Please refer to the official account statements and performance reports you received from your custodian and/or financial institution for information about projected income in your External Accounts. The projected income referenced does not include income from assets in Manually Added External Accounts.

Morgan Stanley Wealth Management is the trade name of Morgan Stanley Smith Barney LLC, a registered broker-dealer in the United States.

The sole purpose of this material is to inform, and it in no way is intended to be an offer or solicitation to purchase or sell any security, other investment or service, or to attract any funds or deposits. Investments mentioned may not be appropriate for all clients. Any product discussed herein may be purchased only after a client has carefully reviewed the offering memorandum and executed the subscription documents. Morgan Stanley Wealth Management has not considered the actual or desired investment objectives, goals, strategies, guidelines, or factual circumstances of any investor in any fund(s). Before making any investment, each investor should carefully consider the risks associated with the investment, as discussed in the applicable offering memorandum, and make a determination based upon their own particular circumstances, that the investment is consistent with their investment objectives and risk tolerance. Morgan Stanley Smith Barney LLC offers investment program services through a variety of investment programs, which are opened pursuant to written client agreements. Each program offers investment managers, funds and features that are not available in other programs; conversely, some investment managers, funds or investment strategies may be available in more than one program.

Morgan Stanley's investment advisory programs may require a minimum asset level and, depending on your specific investment objectives and financial position, may not be appropriate for you. Please see the Morgan Stanley Smith Barney LLC program disclosure brochure (the "Morgan Stanley ADV") for more information in the investment advisory programs available. The Morgan Stanley ADV is available at www.morganstanley.com/ADV. **Sources of Data.** Information in this material in this report has been obtained from sources that we believe to be reliable, but we do not guarantee its accuracy, completeness or timeliness. Third-party data providers make no warranties or representations relating to the accuracy, completeness or timeliness of the data they provide and are not liable for any damages relating to this data. All opinions included in this material constitute the Firm's judgment as of the date of this material and are subject to change without notice. This material was not prepared by the research departments of Morgan Stanley & Co. LLC or Morgan Stanley Smith Barney LLC. Some historical figures may be revised due to newly identified programs, firm restatements, etc.

Global Investment Manager Analysis (GIMA) Focus List, Approved List and Tactical Opportunities List; Watch Policy. GIMA uses two methods to evaluate investment products in applicable advisory programs: **Focus** (and investment products meeting this standard are described as being on the Focus List) and **Approved** (and investment products meeting this standard are described as being on the Approved List). In general, Focus entails a more thorough evaluation of an investment product than Approved. Sometimes an investment product may be evaluated using the Focus List process but then placed on the Approved List instead of the Focus List. Investment products may move from the Focus List to the Approved List, or vice versa. GIMA may also determine that an investment product no longer meets the criteria under either process and will no longer be recommended in investment advisory programs (in which case the investment product is given a "Not Approved" status). GIMA has a **"Watch"** policy and may describe a Focus List or Approved List investment product as being on "Watch" if GIMA identifies specific areas that (a) merit further evaluation by GIMA and (b) may, but are not certain to, result in the investment product becoming "Not Approved." The Watch period depends on the length of time needed for GIMA to conduct its evaluation and for the investment manager or fund to address any concerns. Certain investment products on either the Focus List or Approved List may also be recommended for the **Tactical Opportunities List** based in part on tactical opportunities existing at a given time. The investment products on the Tactical Opportunities List change over time. For more information on the Focus List, Approved List, Tactical Opportunities List and Watch processes, please see the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management. Your Financial Advisor or Private Wealth Advisor can also provide upon request a copy of a publication entitled "Manager Selection Process."

The **Global Investment Committee** is a group of seasoned investment professionals who meet regularly to discuss the global economy and markets. The committee determines the investment outlook that guides our advice to clients. They continually monitor developing economic and market conditions, review tactical outlooks and recommend model portfolio weightings, as well as produce a suite of strategy, analysis, commentary, portfolio positioning suggestions and other reports and broadcasts.

The GIC Asset Allocation Models are not available to be directly implemented as part of an investment advisory service and should not be regarded as a recommendation of any Morgan Stanley investment advisory service. The GIC Asset Allocation Models do not represent actual trading or any type of account or any type of investment strategies and none of the fees or other expenses (e.g. commissions, mark-ups, mark-downs, advisory fees, fund expenses) associated with actual trading or accounts are reflected in the GIC Asset Allocation Models which, when compounded over a period of years, would decrease returns.

Adverse Active AlphaSM 2.0 is a patented screening and scoring process designed to help identify high-quality equity and fixed income managers with characteristics that may lead to future outperformance relative to index and peers. While highly ranked managers performed well as a group in our Adverse Active Alpha model back tests, not all of the managers will outperform. Please note that this data may be derived from back-testing, which has the benefit of hindsight. In addition, highly ranked managers can have differing risk profiles that might not be appropriate for all investors.

Our view is that Adverse Active Alpha is a good starting point and should be used in conjunction with other information. Morgan Stanley Wealth Management's qualitative and quantitative investment manager due diligence process are equally important factors for investors when considering managers for use through an investment advisory program. Factors including, but not limited to, manager turnover and changes to investment process can partially or fully negate a positive Adverse Active Alpha ranking. Additionally, highly ranked managers can have differing risk profiles that might not be appropriate for all investors.

The proprietary **Value Score** methodology considers an active investment strategies' value proposition relative to its costs. From a historical quantitative study of several quantitative markers, Value Score measures perceived forward-looking benefit and computes (1) "fair value" expense ratios for most traditional investment managers across 40 categories and (2) managers' perceived "excess value" by comparing the fair value expense ratios to actual expense ratios. Managers are then ranked within each category by their excess value to assign a Value Score. Our analysis suggests that greater levels of excess value have historically corresponded to attractive subsequent performance.

For more information on the ranking models, please see *Adverse Active AlphaSM 2.0: Scoring Active Managers According to Potential Alpha* and *Value Score: Scoring Fee Efficiency by Comparing Managers' Fair Value" and Actual Expense Ratios*. The whitepapers are available from your Financial Advisor or Private Wealth Advisor. ADVERSE ACTIVE ALPHA is a registered service mark of Morgan Stanley and/or its affiliates. U.S. Pat. No. 8,756,098 applies to the Adverse Active Alpha system and/or methodology.

Additionally, highly ranked managers can have differing risk profiles that might not be appropriate for all investors. For more information on AAA, please see the Adverse Active Alpha Ranking Model and Selecting Managers with Adverse Active Alpha whitepapers. The whitepaper are available from your Financial Advisor or Private Wealth Advisor. ADVERSE ACTIVE ALPHA is a registered service mark of Morgan Stanley and/or its affiliates. U.S. Pat. No. 8,756,098 applies to the Adverse Active Alpha system and/or methodology.

The Global Investment Manager Analysis (GIMA) Services Only Apply to Certain Investment Advisory Programs GIMA evaluates certain investment products for the purposes of some – but not all – of Morgan Stanley Smith Barney LLC's investment advisory programs (as described in more detail in the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management). If you do not invest through one of these investment advisory programs, Morgan Stanley Wealth Management is not obligated to provide you notice of any GIMA Status changes even though it may give notice to clients in other programs.

Strategy May Be Available as a Separately Managed Account or Mutual Fund Strategies are sometimes available in Morgan Stanley Wealth Management investment advisory programs both in the form of a separately managed account ("SMA") and a mutual fund. These may have different expenses and investment minimums. Your Financial Advisor or Private Wealth Advisor can provide more information on whether any particular strategy is available in more than one form in a particular investment advisory program. Generally, investment advisory accounts are subject to an annual asset-based fee which is payable monthly in advance (some account types may be billed differently). (The "Fee"). In general, the Fee covers Morgan Stanley investment advisory services, custody of securities with Morgan Stanley, trade execution with or through Morgan Stanley or its affiliates, as well as compensation to any Morgan Stanley Financial Advisor.

In addition, each account that is invested in a program that is eligible to purchase certain investment products, such as mutual funds, will also pay a Platform Fee (which is subject to a Platform Fee offset) as described in the applicable ADV brochure. Accounts invested in the Select UMA program will also pay a separate Morgan Stanley Overlay Manager Fee and any applicable Sub-Manager fees. If your account is invested in mutual funds or exchange traded funds (collectively "funds"), you will pay the fees and expenses of any funds in which your account is invested. Fees and expenses are charged directly to the pool of assets the fund invests in and are reflected in each fund's share price. These fees and expenses are an additional cost to you and would not be included in the Fee amount in your account statements. Overlay Managers or Executing Sub-Managers ("managers") in some of Morgan Stanley's Separately Managed Account ("SMA") programs may affect transactions through broker-dealers other than Morgan Stanley or our affiliates. If your manager trades with another firm, you may be assessed costs by the other firm in addition to Morgan Stanley's fees. Those costs will be included in the net price of the security, not separately reported on trade confirmations or account statements. Certain managers have historically directed most, if not all, of their trades to outside firms. Information provided by managers concerning trade execution away from Morgan Stanley is summarized at: www.morganstanley.com/wealth/investmentsolutions/pdfs/adv/sotresponse.pdf. For more information, please refer to the ADV Brochure for your program(s), available at www.morganstanley.com/ADV or contact your Financial Advisor/Private Wealth Advisor. For example, on an advisory account with a 2.5% annual fee, if the gross annual performance is 6.00%, the compounding effect of the fees will result in a net performance of approximately 3.38% after one year, 10.50% after three years, and 18.10% after five years. **Conflicts of Interest:** GIMA's goal is to provide professional, objective evaluations in support of the Morgan Stanley Wealth Management investment advisory programs. We have policies

and procedures to help us meet this goal. However, our business is subject to various conflicts of interest. For example, ideas and suggestions for which investment products should be evaluated by GIMA come from a variety of sources, including our Morgan Stanley Wealth Management Financial Advisors and their direct or indirect managers, and other business persons within Morgan Stanley Wealth Management or its affiliates. Such persons may have an ongoing business relationship with certain investment managers or mutual fund companies whereby they, Morgan Stanley Wealth Management or its affiliates receive compensation from, or otherwise related to, those investment managers or mutual funds. For example, a Financial Advisor may suggest that GIMA evaluates an investment manager or fund in which a portion of his or her clients' assets are already invested. While such a recommendation is permissible, GIMA is responsible for the opinions expressed by GIMA. See the conflicts of interest section in the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management for a discussion of other types of conflicts that may be relevant to GIMA's evaluation of managers and funds. In addition, Morgan Stanley Wealth Management, MS & Co., managers and their affiliates provide a variety of services (including research, brokerage, asset management, trading, lending and investment banking services) for each other and for various clients, including issuers of securities that may be recommended for purchase or sale by clients or are otherwise held in client accounts, and managers in various advisory programs. Morgan Stanley Wealth Management, managers, MS & Co., and their affiliates receive compensation and fees in connection with these services. Morgan Stanley Wealth Management believes that the nature and range of clients to which such services are rendered is such that it would be inadvisable to exclude categorically all of these companies from an account.

Morgan Stanley charges each fund family we offer a mutual fund support fee, also called a "revenue-sharing payment," on client account holdings in fund families according to a tiered rate that increases along with the management fee of the fund so that lower management fee funds pay lower rates than those with higher management fees.

Consider Your Own Investment Needs: The model portfolios and strategies discussed in the material are formulated based on general client characteristics including risk tolerance. This material is not intended to be an analysis of whether particular investments or strategies are appropriate for you or a recommendation, or an offer to participate in any investment. Therefore, clients should not use this material as the sole basis for investment decisions. They should consider all relevant information, including their existing portfolio, investment objectives, risk tolerance, liquidity needs and investment time horizon. Such a determination may lead to asset allocation results that are materially different from the asset allocation shown in this profile. Talk to your Financial Advisor about what would be an appropriate asset allocation for you, whether CGCM is an appropriate program for you.

No obligation to notify – Morgan Stanley Wealth Management has no obligation to notify you when the model portfolios, strategies, or any other information, in this material changes.

Please consider the investment objectives, risks, fees, and charges and expenses of mutual funds, ETFs, closed end funds, unit investment trusts, and variable insurance products carefully before investing. The prospectus contains this and other information about each fund. To obtain a prospectus, contact your Financial Advisor or Private Wealth Advisor or visit the Morgan Stanley website at www.morganstanley.com. Please read it carefully before investing.

An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the fund.

The type of mutual funds and ETFs discussed in this presentation utilizes nontraditional or complex investment strategies and/or derivatives. Examples of these types of funds include those that utilize one or more of the below noted investment strategies or categories or which seek exposure to the following markets: (1) commodities (e.g., agricultural, energy and metals), currency, precious metals;(2) managed futures; (3) leveraged, inverse or inverse leveraged; (4) bear market, hedging, long-short equity, market neutral; (5) real estate; (6) volatility (seeking exposure to the CBOE VIX Index). Investors should keep in mind that while mutual funds and ETFs may, at times, utilize nontraditional investment options and strategies, they should not be equated with unregistered privately offered alternative investments. Because of regulatory limitations, mutual funds and ETFs that seek alternative-like investment exposure must utilize a more limited investment universe. As a result, investment returns and portfolio characteristics of alternative mutual funds and ETFs may vary from traditional hedge funds pursuing similar investment objectives. Moreover, traditional hedge funds have limited liquidity with long "lock-up" periods allowing them to pursue investment strategies without having to factor in the need to meet client redemptions and ETFs trade on an exchange. On the other hand, mutual funds typically must meet daily client redemptions. This differing liquidity profile can have a material impact on the investment returns generated by a mutual fund or ETF pursuing an alternative investing strategy compared with a traditional hedge fund pursuing the same strategy.

Nontraditional investment options and strategies are often employed by a portfolio manager to further a fund's investment objective and to help offset market risks. However, these features may be complex, making it more difficult to understand the fund's essential characteristics and risks, and how it will perform in different market environments and over various periods of time. They may also expose the fund to increased volatility and unanticipated risks particularly when used in complex combinations and/or accompanied by the use of borrowing or "leverage."

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Information related to your external accounts is provided for informational purposes only. It is provided by third parties, including the financial institutions where your external accounts are held. Morgan Stanley does not verify that the information is accurate and makes no representation or warranty as to its accuracy, timeliness, or completeness. Additional information about the features and services offered through Total Wealth View are available on the Total Wealth View site on Morgan Stanley Online and also in the Total Wealth View Terms and Conditions of Use.

Mobile check deposits are subject to certain terms and conditions. Checks must be drawn on a U.S. Bank.

Send Money with Zelle[®] is available on the Morgan Stanley Mobile App for iPhone and Android and on Morgan Stanley Online. Enrollment is required and dollar and frequency limits may apply. Domestic fund transfers must be made from an eligible account at Morgan Stanley Smith Barney LLC (Morgan Stanley) to a US-based account at another financial institution. Morgan Stanley maintains arrangements with JP Morgan Chase Bank, N.A. and UMB Bank, N.A. as NACHA-participating depository financial institutions for the processing of transfers on Zelle[®]. Data connection required, and message and data rates may apply, including those from your communications service provider. Must have an eligible account in the U.S. to use Zelle[®]. Transactions typically occur in minutes when the recipient's email address or U.S. mobile number is already enrolled with Zelle. See the Morgan Stanley Send Money with Zelle[®] terms for details.

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Electronic payments arrive to the payee within 1-2 business days, check payments arrive to the payee within 5 business days. Same-day and overnight payments are available for an additional fee within the available payment timeframes.

KEY ASSET CLASS CONSIDERATIONS AND OTHER RISKS

Investing in the markets entails the risk of market volatility. The value of all types of investments, including stocks, mutual funds, exchange-traded funds ("ETFs"), closed-end funds, and unit investment trusts, may increase or decrease over varying time periods. To the extent the investments depicted herein represent **international securities**, you should be aware that there may be additional risks associated with international investing, including foreign economic, political, monetary and/or legal factors, changing currency exchange rates, foreign taxes, and differences in financial and accounting standards. These risks may be magnified in **emerging markets and frontier markets**. **Small- and mid-capitalization companies** may lack the financial resources, product diversification and competitive strengths of larger companies. In addition, the securities of small- and mid-capitalization companies may not trade as readily as, and be subject to higher volatility than, those of larger, more established companies. The value of **fixed income securities** will fluctuate and, upon a sale, may be worth more or less than their original cost or maturity value. Bonds are subject to interest rate risk, call risk, reinvestment risk, liquidity risk, and credit risk of the issuer. **High yield bonds** are subject to additional risks such as increased risk of default and greater volatility because of the lower credit quality of the issues. In the case of **municipal bonds**, income is generally exempt from federal income taxes. Some income may be subject to state and local taxes and to the federal alternative minimum tax. Capital gains, if any, are subject to tax. **Treasury Inflation Protection Securities' (TIPS)** coupon payments and underlying principal are automatically increased to compensate for inflation by tracking the consumer price index (CPI). While the real rate of return is guaranteed, TIPS tend to offer a low return. Because the return of TIPS is linked to inflation, TIPS may significantly underperform versus conventional U.S. Treasuries in times of low inflation. There is no guarantee that investors will receive par if TIPS are sold prior to maturity. The returns on a portfolio consisting primarily of **environmental, social, and governance-aware investments ("ESG")** may be lower or higher than a portfolio that is more diversified or where decisions are based solely on investment considerations. Because ESG criteria exclude some investments, investors may not be able to take advantage of the same opportunities or market trends as investors that do not use such criteria. The companies identified and investment examples are for illustrative purposes only and should not be deemed a recommendation to purchase, hold or sell any securities or investment products. They are intended to demonstrate the approaches taken by managers who focus on ESG criteria in their investment strategy. There can be no guarantee that a client's account will be managed as described herein. **Options** and margin trading involve substantial risk and are not appropriate for all investors. Besides the general investment risk of holding securities that may decline in value and the possible loss of principal invested, **closed-end funds** may have additional risks related to declining market prices relative to net asset values (NAVs), active manager underperformance and potential leverage. Closed-end funds, unlike open-end funds, are not continuously offered. There is a one-time public offering and once issued, shares of closed-end funds are sold in the open market through a stock exchange. Shares of closed-end funds frequently trade at a discount from their NAV which may increase investors' risk of loss. The risk of loss due to this discount may be greater for investors expecting to sell their shares in a relatively short

period after completion of the public offering. This characteristic is a risk separate and distinct from the risk that a closed-end fund's net asset value may decrease as a result of investment activities. NAV is total assets less total liabilities divided by the number of shares outstanding. At the time an investor purchases or sells shares of a closed-end fund, shares may have a market price that is above or below NAV. Portfolios that invest a large percentage of assets in only one industry **sector** (or in only a few sectors) are more vulnerable to price fluctuation than those that diversify among a broad range of sectors.

Alternative investments often are speculative and include a high degree of risk. Investors could lose all or a substantial amount of their investment. Alternative investments are appropriate only for eligible, long-term investors who are willing to forgo liquidity and put capital at risk for an indefinite period of time. They may be highly illiquid and can engage in leverage and other speculative practices that may increase the volatility and risk of loss. Alternative Investments typically have higher fees than traditional investments. Investors should carefully review and consider potential risks before investing. Certain of these risks may include but are not limited to: Loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative practices; Lack of liquidity in that there may be no secondary market for a fund; Volatility of returns; Restrictions on transferring interests in a fund; Potential lack of diversification and resulting higher risk due to concentration of trading authority when a single advisor is utilized; Absence of information regarding valuations and pricing; Complex tax structures and delays in tax reporting; Less regulation and higher fees than mutual funds; Risks associated with the operations, personnel, and processes of the manager; and Risks associated with cybersecurity. As a diversified global financial services firm, Morgan Stanley Wealth Management engages in a broad spectrum of activities including financial advisory services, investment management activities, sponsoring and managing private investment funds, engaging in broker-dealer transactions and principal securities, commodities and foreign exchange transactions, research publication, and other activities. In the ordinary course of its business, Morgan Stanley Wealth Management therefore engages in activities where Morgan Stanley Wealth Management's interests may conflict with the interests of its clients, including the private investment funds it manages. Morgan Stanley Wealth Management can give no assurance that conflicts of interest will be resolved in favor of its clients or any such fund. All expressions of opinion are subject to change without notice and are not intended to be a forecast of future events or results. Further, opinions expressed herein may differ from the opinions expressed by Morgan Stanley Wealth Management and/or other businesses/affiliates of Morgan Stanley Wealth Management. This is not a "research report" as defined by FINRA Rule 2241 or a "debt research report" as defined by FINRA Rule 2242 and was not prepared by the Research Departments of Morgan Stanley Smith Barney LLC or Morgan Stanley & Co. LLC or its affiliates. Certain information contained herein may constitute forward-looking statements. Due to various risks and uncertainties, actual events, results or the performance of a fund may differ materially from those reflected or contemplated in such forward-looking statements. Clients should carefully consider the investment objectives, risks, charges, and expenses of a fund before investing. While the HFRI indices are frequently used, they have limitations (some of which are typical of other widely used indices). These limitations include survivorship bias (the returns of the indices may not be representative of all the hedge funds in the universe because of the tendency of lower performing funds to leave the index); heterogeneity (not all hedge funds are alike or comparable to one another, and the index may not accurately reflect the performance of a described style); and limited data (many hedge funds do not report to indices, and the index may omit funds, the inclusion of which might significantly affect the performance shown. The HFRI indices are based on information self-reported by hedge fund managers that decide on their own, at any time, whether or not they want to provide, or continue to provide, information to HFR Asset Management, L.L.C. Results for funds that go out of business are included in the index until the date that they cease operations. Therefore, these indices may not be complete or accurate representations of the hedge fund universe, and may be biased in several ways. Composite index results are shown for illustrative purposes and do not represent the performance of a specific investment. Individual funds have specific tax risks related to their investment programs that will vary from fund to fund. Clients should consult their own tax and legal advisors as Morgan Stanley Wealth Management does not provide tax or legal advice. Interests in alternative investment products are offered pursuant to the terms of the applicable offering memorandum, are distributed by Morgan Stanley Wealth Management and certain of its affiliates, and (1) are not FDIC-insured, (2) are not deposits or other obligations of Morgan Stanley Wealth Management or any of its affiliates, (3) are not guaranteed by Morgan Stanley Wealth Management and its affiliates, and (4) involve investment risks, including possible loss of principal. Morgan Stanley Wealth Management is a registered broker-dealer, not a bank. 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Investment products in this category may employ various investment strategies and techniques for both hedging and more speculative purposes such as short-selling, leverage, derivatives and options, which can increase volatility and the risk of investment loss. Alternative investments are not appropriate for all investors. As a diversified global financial services firm, Morgan Stanley Wealth Management engages in a broad spectrum of activities including financial advisory services, investment management activities, sponsoring and managing private investment funds, engaging in broker-dealer transactions and principal securities, commodities and foreign exchange transactions, research publication, and other activities. In the ordinary course of its business, Morgan Stanley Wealth Management therefore engages in activities where Morgan Stanley Wealth Management's interests may conflict with the interests of its clients, including the private investment funds it manages. Morgan Stanley Wealth Management can give no assurance that conflicts of interest will be resolved in favor of its clients or any such fund. Alternative investments involve complex tax structures, tax inefficient investing, and delays in distributing important tax information. Individual funds have specific risks related to their investment programs that will vary from fund to fund.

Clients should consult their own tax and legal advisors as Morgan Stanley Wealth Management does not provide tax or legal advice.

A majority of Alternative Investment managers reviewed and selected by GIMA pay or cause to be paid an ongoing fee for distribution from their management fees to Morgan Stanley Wealth Management in connection with Morgan Stanley Wealth Management clients that purchase an interest in an Alternative Investment and in some instances pay these fees on the investments held by investments held by brokerage clients. Morgan Stanley Wealth Management has a conflict of interest in offering alternative investments because Morgan Stanley Wealth Management or our affiliates, in most instances, earn more money in your account from your investments in alternative investments than from other investment options.

It should be noted that the majority of hedge fund indexes are comprised of hedge fund manager returns. This is in contrast to traditional indexes, which are comprised of individual securities in the various market segments they represent and offer complete transparency as to membership and construction methodology. As such, some believe that hedge fund index returns have certain biases that are not present in traditional indexes. Some of these biases inflate index performance, while others may skew performance negatively. However, many studies indicate that overall hedge fund index performance has been biased to the upside. Some studies suggest performance has been inflated by up to 260 basis points or more annually depending on the types of biases included and the time period studied. Although there are numerous potential biases that could affect hedge fund returns, we identify some of the more common ones throughout this paper.

Self-selection bias results when certain manager returns are not included in the index returns and may result in performance being skewed up or down. Because hedge funds are private placements, hedge fund managers are able to decide which fund returns they want to report and are able to opt out of reporting to the various databases. Certain hedge fund managers may choose only to report returns for funds with strong returns and opt out of reporting returns for weak performers. Other hedge funds that close may decide to stop reporting in order to retain secrecy, which may cause a downward bias in returns.

Survivorship bias results when certain constituents are removed from an index. This often results from the closure of funds due to poor performance, "blow ups," or other such events. As such, this bias typically results in performance being skewed higher. As noted, hedge fund index performance biases can result in positive or negative skew. However, it would appear that the skew is more often positive. While it is difficult to quantify the effects precisely, investors should be aware that idiosyncratic factors may be giving hedge fund index returns an artificial "lift" or upwards bias.

Hedge Funds of Funds and many funds of funds are private investment vehicles restricted to certain qualified private and institutional investors. They are often speculative and include a high degree of risk. Investors can lose all or a substantial amount of their investment. They may be highly illiquid, can engage in leverage and other speculative practices that may increase volatility and the risk of loss, and may be subject to large investment minimums and initial lockups. They involve complex tax structures, tax-inefficient investing and delays in distributing important tax information. Categorically, hedge funds and funds of funds have higher fees and expenses than traditional investments, and such fees and expenses can lower the returns achieved by investors. Funds of funds have an additional layer of fees over and above hedge fund fees that will offset returns. An investment in an **exchange-traded fund** involves risks similar to those of investing in a broadly based portfolio of equity securities traded on an exchange in the relevant securities market, such as market fluctuations caused by such factors as economic and political developments, changes in interest rates and perceived trends in stock and bond prices. An investment in a **target date portfolio** is subject to the risks attendant to the underlying funds in which it invests, in these portfolios the funds are the Consulting Group Capital Market funds. A target date portfolio is geared to investors who will retire and/or require income at an approximate year. The portfolio is managed to meet the investor's goals by the pre-established year or "target date." A target date portfolio will transition its invested assets from a more aggressive portfolio to a more conservative portfolio as the target date draws closer. An investment in the target date portfolio is not guaranteed at any time, including, before or after the target date is reached. **Managed futures** investments are speculative, involve a high degree of risk, use significant leverage, are generally illiquid, have substantial charges, subject investors to conflicts of interest, and are appropriate only for the risk capital portion of an investor's portfolio. Managed futures investments do not replace equities or bonds but rather may act as a complement in a well diversified portfolio. Managed Futures are complex and not appropriate for all investors. **Rebalancing** does not protect against a loss in declining financial markets. There may be a potential tax implication with a rebalancing strategy.

Buying, selling, and transacting in Bitcoin or other digital assets, and related funds and products, is highly speculative and may result in a loss of the entire investment. Risks and considerations include but are not limited to:

- Bitcoin and other digital assets have only been in existence for a short period of time and historical trading prices for Bitcoin and other digital assets have been highly volatile. The price of Bitcoin and other digital assets could decline rapidly, and ***investors could lose their entire investment.***

- Certain digital asset funds and products, including Bitcoin funds and products, allow investors to invest on a more frequent basis than investors may withdraw from the fund or product, and interests in such funds or products are generally not freely transferrable. This means that, particularly given the volatility of digital assets, including Bitcoin, an investor will have to bear any losses with respect to its investment for an extended period of time and will not be able to react to changes in the price of the digital asset once invested (for example, by seeking to withdraw) as quickly as when making the decision

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to invest. Such digital asset funds and products, including Bitcoin funds and products, are intended only for persons who are able to bear the economic risk of investment and who do not need liquidity with respect to their investments.

- Given the volatility in the price of Bitcoin and other digital assets, the net asset value of a fund or product that invests in such assets at the time an investor's subscription for interests in the fund or product is accepted may be significantly below or above the net asset value of the product or fund at the time the investor submitted subscription materials.

- Certain digital assets, apart from Bitcoin, are not intended to function as currencies but are intended to have other use cases. These other digital assets may be subject to some or all of the risks and considerations set forth herein, as well as additional risks applicable to such other digital assets. Buyers, sellers and users of such other digital assets should thoroughly familiarize themselves with such risks and considerations before transacting in such other digital assets.

- The value of Bitcoin and other digital assets may be negatively impacted by future legal and regulatory developments, including but not limited to increased regulation of Bitcoin or such other digital assets. Any such developments may make Bitcoin or such other digital assets less valuable, impose additional burdens and expenses on a fund or product investing in such assets or impact the ability of such a fund or product to continue to operate, which may materially decrease the value of an investment therein.

- Due to the new and evolving nature of digital currencies and the absence of comprehensive guidance, many significant aspects of the tax treatment of digital assets including Bitcoin are uncertain. Prospective investors should consult their own tax advisors concerning the tax consequences to them of the purchase, ownership and disposition of Bitcoin and other digital assets, directly or indirectly through a fund or product, under U.S. federal income tax law, as well as the tax law of any relevant state, local or other jurisdiction.

- Over the past several years, certain Bitcoin exchanges have experienced failures or interruptions in service due to fraud, security breaches, operational problems or business failure. Such events in the future could impact any fund's or product's ability to transact in Bitcoin if the fund or product relies on an impacted exchange and may also materially decrease the price of Bitcoin, thereby impacting the value of your investment, regardless of whether the fund or product relies on such an impacted exchange.

- Although any digital asset product, including a Bitcoin-related product, and its service providers have in place significant safeguards against loss, theft, destruction and inaccessibility, there is nonetheless a risk that some or all of a product's digital asset, including Bitcoin, could be permanently lost, stolen, destroyed or inaccessible by virtue of, among other things, the loss or theft of the "private keys" necessary to access a product's digital asset, including Bitcoin.

- Investors in funds or products investing or transacting in Bitcoin and/or other digital assets may not benefit to the same extent (or at all) from "airdrops" with respect to, or "forks" in, the Bitcoin (or other relevant digital asset's) blockchain, compared to investors who hold Bitcoin (or such other relevant digital asset) directly instead of through a fund or product. Additionally, a "fork" in the Bitcoin blockchain could materially decrease the price of Bitcoin.

- Digital assets such as Bitcoin or other digital asset product is/are not legal tender, and is not backed by any government, corporation or other identified body, other than with respect to certain digital currencies that certain governments are or may be developing now or in the future (of which Bitcoin is *not* one). No law requires companies or individuals to accept digital currency as a form of payment (except, potentially, with respect to digital currencies developed by certain governments where such acceptance may be mandated). Instead, other than as described in the preceding sentences, Bitcoin's and other digital asset products' use is limited to businesses and individuals that are willing to accept them. If no one were to accept digital currencies, Bitcoin and other virtual currency products would very likely become worthless.

- Platforms that buy and sell Bitcoin or other digital assets can be hacked, and some have failed. In addition, like the platforms themselves, digital wallets can be hacked, and are subject to theft and fraud. As a result, like other investors have, you can lose some or all of your holdings of digital assets, including Bitcoin.

- Unlike US banks and credit unions that provide certain guarantees of safety to depositors, there are no such safeguards provided to digital assets, such as Bitcoin, held in digital wallets by their providers or by regulators.

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- Due to the anonymity Bitcoin and other digital assets offer, it has known use in illegal activity, including drug dealing, money laundering, human trafficking, sanction evasion and other forms of illegal commerce. Abuses could impact legitimate consumers and speculators; for instance, law enforcement agencies could shut down or restrict the use of platforms and exchanges, limiting or shutting off entirely the ability to use or trade Bitcoin or other digital asset products.
- Bitcoin and other digital assets may not have an established track record of credibility and trust. Further, any performance data relating to Bitcoin, Bitcoin-related products or other digital asset products may not be verifiable as pricing models are not uniform.
- Investors should be aware of the potentially increased risks of transacting in digital assets, including Bitcoin, relating to the risks and considerations, including fraud, theft, and lack of legitimacy, and other aspects and qualities of digital assets, before transacting in such assets.
- The exchange rate of Bitcoin or other virtual currency products versus the USD historically has been very volatile and the exchange rate could drastically decline. For example, the exchange rate of Bitcoin versus the USD has in the past dropped more than 50% in a single day. Bitcoin may be affected by such volatility as well.
- Digital asset exchanges have limited operating and performance histories and are not regulated with the same controls or customer protections available to more traditional exchanges transacting equity, debt, and other assets and securities. There is no assurance that a person/exchange who currently accepts a digital asset as payment will continue to do so in the future.
- The regulatory framework of digital assets is evolving, and in some cases uncertain, and digital assets themselves may not be governed and protected by applicable securities regulators and securities laws, including, but not limited to, Securities Investor Protection Corporation coverage, or other regulatory regimes.
- Morgan Stanley Smith Barney LLC or its affiliates (collectively, "Morgan Stanley") may currently, or in the future, offer or invest in digital asset products, services or platforms. The proprietary interests of Morgan Stanley may conflict with your interests.
- The foregoing list of considerations and risks are not and do not purport to be a complete enumeration or explanation of the risks involved in an investment in the any product or fund investing or trading in Bitcoin and/or other digital assets.

Asset allocation and diversification do not assure a profit or protect against loss in declining financial markets. Past performance is no guarantee of future results. Actual results may vary.

Tax laws are complex and subject to change. Morgan Stanley Smith Barney LLC ("Morgan Stanley"), its affiliates and Morgan Stanley Financial Advisors and Private Wealth Advisors do not provide tax or legal advice and are not "fiduciaries" (under ERISA, the Internal Revenue Code or otherwise) with respect to the services or activities described herein except as otherwise provided in writing by Morgan Stanley and/or as described at www.morganstanley.com/disclosures/do. Individuals are encouraged to consult their tax and legal advisors (a) before establishing a retirement plan or account, and (b) regarding any potential tax, ERISA and related consequences of any investments made under such plan or account.

Annuities and insurance products are offered in conjunction with Morgan Stanley Smith Barney LLC's licensed insurance agency affiliates.

Indices are unmanaged and investors cannot directly invest in them. They are not subject to expenses or fees and are often comprised of securities and other investment instruments the liquidity of which is not restricted. A particular investment product may consist of securities significantly different than those in any index referred to herein. Composite index results are shown for illustrative purposes only, generally do not represent the performance of a specific investment, may not, for a variety of reasons, be an appropriate comparison or benchmark for a particular investment and may not necessarily reflect the actual investment strategy or objective of a particular investment. Consequently, comparing an investment to a particular index may be of limited use.

This material is not a financial plan and does not create an investment advisory relationship between you and your Morgan Stanley Financial Advisor. We are not your fiduciary either under the Employee Retirement Income Security Act of 1974 (ERISA) or the Internal Revenue Code of 1986, and any information in this report is not intended to form the primary basis for any investment decision by you, or an investment advice or recommendation for either ERISA or Internal Revenue Code purposes. Morgan Stanley Private Wealth Management will only prepare a financial plan at your specific request using Private Wealth Management approved financial planning signature.

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For index, indicator and survey definitions referenced in this report please visit the following: <https://www.morganstanley.com/wealth-investmentsolutions/wmir-definitions>

GLOBAL INVESTMENT COMMITTEE (GIC) ASSET ALLOCATION MODELS: The Asset Allocation Models are created by Morgan Stanley Wealth Management's GIC.

HYPOTHETICAL MODEL PERFORMANCE (GROSS): Hypothetical model performance results do not reflect the investment or performance of an actual portfolio following a GIC Strategy, but simply reflect actual historical performance of selected indices on a real-time basis over the specified period of time representing the GIC's strategic and tactical allocations as of the date of this report. The past performance shown here is simulated performance based on benchmark indices, not investment results from an actual portfolio or actual trading. There can be large differences between hypothetical and actual performance results achieved by a particular asset allocation or trading strategy. Hypothetical performance results do not represent actual trading and are generally designed with the benefit of hindsight. Actual performance results of accounts vary due to, for example, market factors (such as liquidity) and client-specific factors (such as investment vehicle selection, timing of contributions and withdrawals, restrictions and rebalancing schedules). Clients would not necessarily have obtained the performance results shown here if they had invested in accordance with any GIC Asset Allocation Model for the periods indicated. Despite the limitations of hypothetical performance, these hypothetical performance results allow clients and Financial Advisors to obtain a sense of the risk/return trade-off of different asset allocation constructs. The hypothetical performance results in this report are calculated using the returns of benchmark indices for the asset classes, and not the returns of securities, fund or other investment products. Models may contain allocations to Hedge Funds, Private Equity and Private Real Estate. The benchmark indices for these asset classes are not issued on a daily basis. When calculating model performance on a day for which no benchmark index data is issued, we have assumed straight line growth between the index levels issued before and after that date.

FEES REDUCE THE PERFORMANCE OF ACTUAL ACCOUNTS: None of the fees or other expenses (e.g. commissions, mark-ups, mark-downs, fees) associated with actual trading or accounts are reflected in the GIC Asset Allocation Models. The GIC Asset Allocation Models and any model performance included in this presentation are intended as educational materials. Were a client to use these models in connection with investing, any investment decisions made would be subject to transaction and other costs which, when compounded over a period of years, would decrease returns. Information regarding Morgan Stanley's standard advisory fees is available in the Form ADV Part 2, which is available at www.morganstanley.com/adv. The following hypothetical illustrates the compound effect fees have on investment returns: For example, if a portfolio's annual rate of return is 15% for 5 years and the account pays 50 basis points in fees per annum, the gross cumulative five-year return would be 101.1% and the five-year return net of fees would be 96.8%. Fees and/or expenses would apply to clients who invest in investments in an account based on these asset allocations, and would reduce clients' returns. The impact of fees and/or expenses can be material.

Variable annuities are long-term investments designed for retirement purposes and may be subject to market fluctuations, investment risk, and possible loss of principal. All guarantees, including optional benefits, are based on the financial strength and claims-paying ability of the issuing insurance company and do not apply to the underlying investment options. Optional riders may not be able to be purchased in combination and are available at an additional cost. Some optional riders must be elected at time of purchase. Optional riders may be subject to specific limitations, restrictions, holding periods, costs, and expenses as specified by the insurance company in the annuity contract. If you are investing in a **variable annuity** through a tax-advantaged retirement plan such as an IRA, you will get no additional tax advantage from the variable annuity. Under these circumstances, you should only consider buying a variable annuity because of its other features, such as lifetime income payments and death benefits protection. Taxable distributions (and certain deemed distributions) are subject to ordinary income tax and, if taken prior to age 59½, may be subject to a 10% federal income tax penalty. Early withdrawals will reduce the death benefit and cash surrender value.

Equity securities may fluctuate in response to news on companies, industries, market conditions and general economic environment. **Ultrashort-term fixed income** asset class is comprised of fixed income securities with high quality, very short maturities. They are therefore subject to the risks associated with debt securities such as credit and interest rate risk.

Master Limited Partnerships (MLPs) are limited partnerships or limited liability companies that are taxed as partnerships and whose interests (limited partnership units or limited liability company units) are traded on securities exchanges like shares of common stock. Currently, most MLPs operate in the energy, natural resources or real estate sectors. Investments in MLP interests are subject to the risks generally applicable to companies in the energy and natural resources sectors, including commodity pricing risk, supply and demand risk, depletion risk and exploration risk. Individual MLPs are publicly traded partnerships that have unique risks related to their structure. These include, but are not limited to, their reliance on the capital markets to fund growth, adverse ruling on the current tax treatment of distributions (typically mostly tax deferred), and commodity volume risk. The potential tax benefits from investing in MLPs depend on their being treated as partnerships for federal income tax purposes and, if the MLP is deemed to be a corporation, then its income would be subject to federal taxation at the entity level, reducing the amount of cash available for distribution to the fund which could result in a

reduction of the fund's value. MLPs carry interest rate risk and may underperform in a rising interest rate environment. MLP funds accrue deferred income taxes for future tax liabilities associated with the portion of MLP distributions considered to be a tax-deferred return of capital and for any net operating gains as well as capital appreciation of its investments; this deferred tax liability is reflected in the daily NAV, and, as a result, the MLP fund's after-tax performance could differ significantly from the underlying assets even if the pre-tax performance is closely tracked.

Investing in commodities entails significant risks. Commodity prices may be affected by a variety of factors at any time, including but not limited to, (i) changes in supply and demand relationships, (ii) governmental programs and policies, (iii) national and international political and economic events, war and terrorist events, (iv) changes in interest and exchange rates, (v) trading activities in commodities and related contracts, (vi) pestilence, technological change and weather, and (vii) the price volatility of a commodity. In addition, the commodities markets are subject to temporary distortions or other disruptions due to various factors, including lack of liquidity, participation of speculators and government intervention. **Physical precious metals** are non-regulated products. Precious metals are speculative investments, which may experience short-term and long term price volatility. The value of precious metals investments may fluctuate and may appreciate or decline, depending on market conditions. Unlike bonds and stocks, precious metals do not make interest or dividend payments. Therefore, precious metals may not be appropriate for investors who require current income. Precious metals are commodities that should be safely stored, which may impose additional costs on the investor.

REITs investing risks are similar to those associated with direct investments in real estate: property value fluctuations, lack of liquidity, limited diversification and sensitivity to economic factors such as interest rate changes and market recessions. Risks of **private real estate** include: illiquidity; a long-term investment horizon with a limited or nonexistent secondary market; lack of transparency; volatility (risk of loss); and leverage. Principal is returned on a monthly basis over the life of a **mortgage-backed security**. Principal prepayment can significantly affect the monthly income stream and the maturity of any type of MBS, including standard MBS, CMOs and Lottery Bonds. **Asset-backed securities** generally decrease in value as a result of interest rate increases, but may benefit less than other fixed-income securities from declining interest rates, principally because of prepayments.

Yields are subject to change with economic conditions. Yield is only one factor that should be considered when making an investment decision. **Credit ratings** are subject to change. **Duration**, the most commonly used measure of bond risk, quantifies the effect of changes in interest rates on the price of a bond or bond portfolio. The longer the duration, the more sensitive the bond or portfolio would be to changes in interest rates. The majority of \$25 and \$1000 par **preferred securities** are "callable" meaning that the issuer may retire the securities at specific prices and dates prior to maturity. Interest/dividend payments on certain preferred issues may be deferred by the issuer for periods of up to 5 to 10 years, depending on the particular issue. The investor would still have income tax liability even though payments would not have been received. Price quoted is per \$25 or \$1,000 share, unless otherwise specified. Current yield is calculated by multiplying the coupon by par value divided by the market price. The initial interest rate on a **floating-rate security** may be lower than that of a fixed-rate security of the same maturity because investors expect to receive additional income due to future increases in the floating security's underlying reference rate. The reference rate could be an index or an interest rate. However, there can be no assurance that the reference rate will increase. Some floating-rate securities may be subject to call risk. The market value of **convertible bonds** and the underlying common stock(s) will fluctuate and after purchase may be worth more or less than original cost. If sold prior to maturity, investors may receive more or less than their original purchase price or maturity value, depending on market conditions. Callable bonds may be redeemed by the issuer prior to maturity. Additional call features may exist that could affect yield. Some \$25 or \$1000 par **preferred securities** are QDI (Qualified Dividend Income) eligible. Information on QDI eligibility is obtained from third party sources. The dividend income on QDI eligible preferreds qualifies for a reduced tax rate. Many traditional 'dividend paying' perpetual preferred securities (traditional preferreds with no maturity date) are QDI eligible. In order to qualify for the preferential tax treatment all qualifying preferred securities must be held by investors for a minimum period – 91 days during a 180 day window period, beginning 90 days before the ex-dividend date.

Companies paying **dividends** can reduce or cut payouts at any time.

Nondiversification: For a portfolio that holds a concentrated or limited number of securities, a decline in the value of these investments would cause the portfolio's overall value to decline to a greater degree than a less concentrated portfolio. The **indices selected by Morgan Stanley Wealth Management** to measure performance are representative of broad asset classes. Morgan Stanley Wealth Management retains the right to change representative indices at any time. Because of their narrow focus, **sector investments** tend to be more volatile than investments that diversify across many sectors and companies.

Growth investing does not guarantee a profit or eliminate risk. The stocks of these companies can have relatively high valuations. Because of these high valuations, an investment in a growth stock can be more risky than an investment in a company with more modest growth expectations. **Value investing** does not guarantee a profit or eliminate risk. Not all companies whose stocks are considered to be value stocks are able to turn their business around or successfully employ corrective strategies which would result in stock prices that do not rise as initially expected.

Any type of **continuous or periodic investment plan** does not assure a profit and does not protect against loss in declining markets. Since such a plan involves continuous investment in securities regardless of fluctuating price levels of such securities, the investor should consider his financial ability to continue his purchases through periods of low price levels.

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TSBA OPEB TRUST

Prepared on November 03, 2021 | Reporting Currency: USD

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GENERAL DEFINITIONS

Annualized Standard Deviation: A statistical calculation that measures the volatility of returns over time; the larger the standard deviation, the greater the volatility.

Dollar-Weighted Return (Internal Rate of Return): A return calculation that measures the actual performance of a portfolio over the reporting period. Since dollar weighted returns include the impact of client contributions and withdrawals, they should not be compared to market indices or used to evaluate the performance of a manager, but can be used to evaluate progress toward investment goals.

Gross of Fees: Performance results depicted as "gross" of fees do not reflect the deduction of any wrap fee, investment management fee, trade commissions, and/or other account fees. Your actual returns are lower after deducting these expenses. Please see the Morgan Stanley Smith Barney LLC Form ADV Part 2 Brochure for advisory accounts and/or any applicable brokerage account trade confirmation statements for a full disclosure of the applicable charges, fees and expenses. Your Financial Advisor will provide those documents to you upon request.

Investment Earnings: A combination of the income received and total portfolio value increase or decrease, excluding net contributions and withdrawals, over the reporting period.

Net Contributions/Withdrawals: The net value of cash and securities contributed to or withdrawn from the account(s) during the reporting period. Net contributions and withdrawals may include advisory fees for advisory accounts.

Net of Fees: Performance results depicted as "net" of fees shall mean that any wrap fee, investment management fees, trade commissions, and/or other account fees have been deducted. Any other fees or expenses associated with the account, such as third party custodian fees, may not have been deducted. Please see the Morgan Stanley Smith Barney LLC Form ADV Part 2 Brochure for advisory accounts and/or any applicable brokerage account trade confirmation statements for a full disclosure of the applicable charges, fees and expenses. Your Financial Advisor will provide those documents to you upon request.

Performance ineligible assets: Performance returns are not calculated for certain assets because accurate valuations and transactions for these assets are not processed or maintained by Morgan Stanley Smith Barney LLC. Common examples include life insurance and annuities as well as Manually Added and External accounts, assets and liabilities.

Tax-Qualified Account(s): Accounts that qualify for favorable tax treatment under US federal tax law and may benefit from favorable tax treatment under applicable state tax law. Typically, these accounts benefit from tax deferred growth potential, meaning investment earnings (such as capital gains, dividends, and interest) are generally not subject to federal income tax while the earnings remain in the account. Capital gains rates generally do not apply. Distributions of taxable amounts are generally subject to ordinary income tax and, if made before age 59 1/2, may be subject to a 10% (25% for certain SIMPLE IRA distributions) penalty tax. Some tax-qualified accounts, such as traditional Individual Retirement Accounts ("IRA") and employer sponsored retirement plan accounts, may allow tax deductible and/or pre-tax contributions (subject to certain limitations and restrictions). Other tax-qualified accounts, such as Roth IRAs and Coverdell Education Savings Accounts, may allow income tax free distributions, but only if certain conditions are satisfied.

Taxable Account(s): Accounts that are not Tax-Qualified Account(s), meaning investment earnings (such as capital gains, dividends, and interest) are generally subject to current US federal income taxation when held by US taxable investors. Note, however, that this category may include specific assets that are generally not subject to US federal income tax such as municipal bonds.

Time-Weighted Return: A return calculation that measures the investment performance of a portfolio over the reporting period. Time weighted returns do not include the impact of client contributions and withdrawals and therefore, may not reflect the actual rate of return the client received. Time weighted returns isolate investment actions and can be compared to benchmarks and used to evaluate the performance of a manager.

Total Value: "Total Value" represents the Market Value of the portfolio or Asset Class referenced and includes the accrual of interest and dividends. Total Value in the Asset Allocation view prior to January 2014 does not reflect the accrual of interest and dividends. Total Value for Morgan Stanley & Co. and External accounts also does not include accrued interest and dividends.

BENCHMARK DEFINITIONS

60 S&P 500 40 BC AGG: The current allocation is comprised of 40.00% Barclays Aggregate, 60.00% S&P 500 Total Return.

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TN TSBA Composite: The current allocation is comprised of 50.00% MSCI AC World Net, 15.00% MSCI EAFE Net, 25.00% BC Global Agg 1-3 YR, 10.00% MSCI EM Net.

FTSE T-Bills 30 Day: A measure of monthly returns equivalent of yield averages that are not marked to market. A measure of short term rates.

MSCI AC World Net: The MSCI ACWI Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 46 country indexes comprising 23 developed and 23 emerging market country indexes. The developed market country indexes included are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. The emerging market country indexes included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey, and United Arab Emirates (as of June 2014). Net total return indices reinvest dividends after the deduction of withholding taxes, using (for international indices) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

FTSE Treasury Bill 3 Month: Equal dollar amounts of three-month Treasury bills are purchased at the beginning of each of three consecutive months. As each bill matures, all proceeds are rolled over or reinvested in a new three-month bill. The income used to calculate the monthly return is derived by subtracting the original amount invested from the maturity value. The yield curve average is the basis for calculating the return on the index. The index is rebalanced monthly by market capitalization. The 90-Day Treasury Bill is a short-term obligation issued by the United States government. T-bills are purchased at a discount to the full face value, and the investor receives the full value when they mature. The difference of discount is the interest earned. T-bills are issued in denominations of \$10,000 auction and \$1,000 increments thereafter.

MSCI EAFE Net: The MSCI EAFE Index -Europe, Australasia, Far East - is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US and Canada. The MSCI EAFE Index consists of the following 21 developed market country indexes: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom (as of June 2014). Net total return indices reinvest dividends after the deduction of withholding taxes, using (for international indices) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

MSCI EM Net: The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. The MSCI Emerging Markets Index consists of the following 23 emerging market country indexes: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey, and United Arab Emirates (as of June 2014). Net total return indices reinvest dividends after the deduction of withholding taxes, using (for international indices) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

S&P 500 Total Return: The S&P 500 has been widely regarded as the best single gauge of the large cap U.S. equities market since the index was first published in 1957. The index has over \$5.58 trillion benchmarked, with index assets comprising approximately \$1.31 trillion of this total. The index includes 500 leading companies in leading industries of the U.S. economy, capturing 75% coverage of U.S. equities. This index includes dividend reinvestment.

90-Day T-Bills: Equal dollar amounts of three-month Treasury bills are purchased at the beginning of each of three consecutive months. As each bill matures, all proceeds are rolled over or reinvested in a new three-month bill. The income used to calculate the monthly return is derived by subtracting the original amount invested from the maturity value. The yield curve average is the basis for calculating the return on the index. The index is rebalanced monthly by market capitalization. The 90-Day Treasury Bill is a short-term obligation issued by the United States government. T-bills are purchased at a discount to the full face value, and the investor receives the full value when they mature. The difference of discount is the interest earned. T-bills are issued in denominations of \$10,000 auction and \$1,000 increments thereafter.

MSCI AC World IMI Net: The MSCI AC World IMI NT tracks the total return performance of the Investable Markets in the MS All Country World Index. The index is made up of 22 developed and 23 emerging markets as of 1/1/2015. This subset is calculated on a net dividend basis.

BC Global Agg 1-3 YR: The Barclays Global Aggregate Index provides a broad-based measure of the global investment-grade fixed income markets. The three major components of this index are the U.S. Aggregate, the Pan-European Aggregate, and the Asian-Pacific Aggregate Indices. The index also includes Eurodollar and Euro-Yen corporate bonds, Canadian government, agency and corporate securities, and USD investment grade 144A securities. This index is the 1-3 Yr component of the Global Aggregate index.

HFRI Fund Weighted Comp: HFRI Fund Weighted Composite Index: Hedge Fund Research (HFR) Fund Weighted Composite Index is an equally-weighted composite index including both domestic and offshore funds, with no Fund of Funds. The index includes over 2000 constituent funds. All funds report assets in USD and all funds report Net of All Fees returns on a monthly basis. Fund must have a least \$50 Million under management or have been actively trading for at least twelve(12) months.

Barclays Aggregate: The Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency).



OPEB Trust Meeting
Gaylord Opryland Resort and Convention Center
Magnolia Boardroom A
November 20, 2021

AGENDA

11:45 a.m.	Lunch	
12:15 p.m.	Call to Order	Dr. Dale Viox, Chairman
12:16 p.m.	Approval of Agenda	
12:17 p.m.	Approval of February 23, 2021 Minutes	
12:18 p.m.	Acceptance of 3-month Financial Statements – September 30, 2021	Dr. Tammy Grissom, Trust Administrator
12:19 p.m.	Report of Activities and Fiscal Condition of the Trust	Dr. Tammy Grissom
12:21 p.m.	Review OPEB Trust Bylaws	Emily Warren, TSBA Staff Attorney
12:25 p.m.	Approval of June 30, 2021 Audit	Erica Saeger, Audit Director Crosslin CPA
12:35 p.m.	Approval of Auditing Firm for 2022, 2023, and 2024	Dr. Tammy Grissom
12:37 p.m.	Investment Report	Chris Sigmund, Morgan Stanley
12:50 p.m.	Approval of Trustee Appointments Term: 01/01/22 – 12/31/24	Dr. Dale Viox
	<ul style="list-style-type: none">• Dr. Dale Viox, Arlington• Kevin Long, Johnson County• Kevin Woods, Shelby County• A.J. Massey, Jackson-Madison County• Wright Cox, Collierville	
12:55 p.m.	Election of 2022 Trust Officers (Chairman and Vice-Chairman)	Dr. Dale Viox
12:58 p.m.	Other Business	
1:00 p.m.	Adjourn	

**Tennessee School Boards Association
OPEB Trust Meeting
February 23, 2021**

The TSBA OPEB Trustees met electronically on Tuesday, February 23, 2021. The following members were present: **Dale Viox**, Arlington; **Kevin Long**, Johnson County; **Wright Cox**, Collierville; **Kevin Woods**, Shelby County; **Brett Henley**, Coffee County; and **Tammy Grissom**, Trust Administrator. Absent was **A.J. Massey**, Jackson-Madison County. TSBA staff member present was **Emily Warren**. **Chris Sigmund** with Morgan Stanley was also in attendance.

Dale Viox called the meeting to order at 8:30 a.m. and welcomed everyone. It was stated that, in order to protect the health, safety, and welfare of Tennesseans in light of the COVID-19 outbreak, the determination was made to hold the meeting electronically in accordance with Governor Lee's Executive Order 71.

HENLEY/GRISSOM: Motion to approve the determination to conduct the meeting electronically.

MOTION CARRIED WITH **VIOX, LONG, COX, WOODS, HENLEY, AND GRISSOM** VOTING IN FAVOR.

COX/GRISSOM: Motion to approve the agenda.

MOTION CARRIED WITH **VIOX, LONG, COX, WOODS, HENLEY, AND GRISSOM** VOTING IN FAVOR.

HENLEY/LONG: Motion to approve October 21, 2020 Minutes.

MOTION CARRIED WITH **VIOX, LONG, COX, WOODS, HENLEY, AND GRISSOM** VOTING IN FAVOR.

COX/LONG: Motion to accept the 6-month Financial Statements (December 31, 2020).

MOTION CARRIED WITH **VIOX, LONG, COX, WOODS, HENLEY, AND GRISSOM** VOTING IN FAVOR.

Tammy Grissom, the Trust Administrator, reported on the activities and fiscal condition of the Trust. She noted that no new members had joined the OPEB Trust and listed each school district that currently is a member of the Trust. She reminded everyone that an audit of the Trust was conducted annually by our auditors. There was no discussion as to the report.

Discussion was held as to whether any changes needed to be made to Investment policy 3060. Tammy noted that the policy is reviewed annually in consultation with Chris Sigmund with Morgan Stanley to ensure it aligns with the practices of the OPEB Trust. No changes were recommended.

Sigmund reported on the financial stability of the OPEB Trust and the performance of the Trust's investments in the current economy. He highlighted the Trust's growth during the pandemic and noted

that the investments were continuing to grow. He went into detail as to how the economy is remaining bullish and the effects this would have on future investments.

WOODS/GRISSOM: Motion for meeting to adjourn.

MOTION CARRIED WITH **VIOX, LONG, COX, WOODS, HENLEY, AND GRISSOM** VOTING IN FAVOR.

The meeting adjourned at 8:56 a.m.

Respectfully submitted,

Dale Viox, Chairman

Tammy Grissom, OPEB Trust Administrator

TSBA OPEB Trust
Balance Sheet
As of September 30, 2021

	Sep 30, 21
ASSETS	
Current Assets	
Checking/Savings	
1000-00 · Suntrust Operating Account	5,653.12
Total Checking/Savings	5,653.12
Other Current Assets	
1300-00 · Investments	
1300-10 · Hickman County Investments	2,797,493.30
1300-20 · Johnson County Investments	1,384,066.32
1300-30 · Shelby County Investments	118,089,970.83
1300-50 · Jackson-Madison Investments	508,424.57
1300-60 · Arlington Investments	4,044,995.58
1300-70 · Bartlett Investments	4,898,746.52
1300-80 · Collierville Investments	2,099,355.45
1300-90 · Lakeland Investments	2,182,127.69
1300-91 · Millington Investments	386,249.97
Total 1300-00 · Investments	136,391,430.23
Total Other Current Assets	136,391,430.23
Total Current Assets	136,397,083.35
TOTAL ASSETS	136,397,083.35
LIABILITIES & EQUITY	
Equity	
3200-00 · Unrestricted Net Assets	137,761,847.40
Net Income	-1,364,764.05
Total Equity	136,397,083.35
TOTAL LIABILITIES & EQUITY	136,397,083.35

TSBA OPEB Trust
Profit & Loss
 July through September 2021

	Jul - Sep 21
Income	
4400-00 · Unrealized Gain/Loss	
4400-10 · Unrealized Gain/Loss - Hickman	-35,821.53
4400-20 · Unrealized Gain/Loss - Johnson	-17,724.36
4400-30 · Unrealized Gain/Loss - Shelby	-1,526,747.63
4400-50 · Unrealized Gain/Loss - JMadison	-6,518.28
4400-60 · Unrealized Gain/Loss - Arlingto	-51,262.86
4400-70 · Unrealized Gain/Loss - Bartlett	-62,312.55
4400-80 · Unrealized Gain/Loss - Collierv	-26,972.86
4400-90 · Unrealized Gain/Loss - Lakeland	-28,009.50
4400-91 · Unrealized Gain/Loss - Millingt	-4,918.40
	-1,760,287.97
Total 4400-00 · Unrealized Gain/Loss	-1,760,287.97
4500-00 · Interest, Dividends&Capital Gn	
4500-10 · Interest, Div., & CG - Hickman	10,389.96
4500-20 · Interest, Div., & CG - Johnson	5,139.85
4500-30 · Interest, Div., & CG - Shelby	435,809.61
4500-50 · Interest, Div., & CG - JMadison	1,891.12
4500-60 · Interest, Div., & CG - Arlingto	14,789.38
4500-70 · Interest, Div., & CG - Bartlett	17,981.16
4500-80 · Interest, Div., & CG - Collierv	7,820.95
4500-90 · Interest, Div., & CG - Lakeland	8,114.50
4500-91 · Interest, Div., & CG - Millingt	1,434.85
	503,371.38
Total 4500-00 · Interest, Dividends&Capital Gn	503,371.38
4800-00 · Interest Income	0.10
	0.10
Total Income	-1,256,916.49
Expense	
6400-00 · Administrative Fee	
6400-10 · Administrative Fee - Hickman	1,764.89
6400-20 · Administrative Fee - Johnson	873.18
6400-30 · Administrative Fee - Shelby	36,772.93
6400-50 · Administrative Fee - J. Madison	320.76
6400-60 · Administrative Fee - Arlington	2,551.82
6400-70 · Administrative Fee - Bartlett	3,090.50
6400-80 · Administrative Fee - Colliervil	1,324.48
6400-90 · Administrative Fee - Lakeland	1,376.69
6400-91 · Administrative Fee - Millington	243.66
	48,318.91
Total 6400-00 · Administrative Fee	48,318.91
6500-00 · Investment Advisor Fees	
6500-10 · Investment Advisor Fees - Hickm	1,215.62
6500-20 · Investment Advisor Fees - Johns	602.29
6500-30 · Investment Advisor Fees - Shelb	51,521.30
6500-50 · Investment Advisor Fees - JMadi	221.63
6500-60 · Investment Advisor Fees - Arlin	1,777.35
6500-70 · Investment Advisor Fees - Bartl	2,149.76
6500-80 · Investment Advisor Fees - Colli	915.05
6500-90 · Investment Advisor Fees - Lakel	957.56
6500-91 · Investment Advisor Fees - Milli	168.09
	59,528.65
Total 6500-00 · Investment Advisor Fees	59,528.65
Total Expense	107,847.56
Net Income	-1,364,764.05

Tennessee School Boards Association

OPEB Trust

Bylaws

ARTICLE I—TRUSTEES

Section 1. Appointment of Trustees. There shall be seven (7) Trustees. The Executive Director and President of the Tennessee School Boards Association will be voting ex-officio members of the Board of Trustees and shall remain as Trustees so long as they hold their respective positions. The remaining five (5) Trustees shall be from the governing boards of the participating members of the Trust and appointed by the TSBA OPEB Trustees. The term of these five (5) Trustees shall be three (3) years, and they may be reappointed.

Section 2. Officers of the Trust. The officers of the Trust shall be Chairman and Vice-Chairman. Officers shall be elected by the Trustees annually from the members of the Board of Trustees. The term of officers shall begin on January 1 of each year and terminate on the following December 31. An officer's term shall also cease upon their termination as a board member. Ex-officio members of the Board of Trustees are ineligible to hold the office of Chairman and Vice-Chairman.

Section 3. Appointment of Successor Trustees. Upon the death, resignation, or removal of a Trustee or upon the Trustee becoming ineligible to serve, the Board of Trustees shall appoint a new Trustee to serve the remainder of the term. Trustees and all officers of the Trust shall continue to serve until their successors are selected except for Trustees who are removed or resign. A Trustee appointed to fill a vacancy shall serve until the expiration of the term of his/her predecessor.

Section 4. Vacancy of Officers. Upon the death, resignation, or removal of the Chairman, the Vice-Chairman will automatically assume the office of Chairman, and a new Vice-Chairman shall be elected at the next meeting of the Trust. If the vacancy is for the office of Vice-Chairman, a new Vice-Chairman shall be elected at the next meeting of the Trust.

ARTICLE II—GENERAL TRUST PROVISIONS

Section 1. Amendments. These Bylaws may be amended by a vote of the majority of the Trustees present at any meeting of the Trust, provided that notice of such proposed amendment shall be given in writing ten (10) days in advance to all Trustees. The Administrator shall notify the participating members of any and all amendments adopted.

The Trustees will review these Bylaws annually to ensure its continued relevance and to make changes as new conditions dictate.

Section 2. Conflicts. In the event of any conflict between any provision of these Bylaws and any provision of any applicable law, these Bylaws shall be deemed modified to the extent necessary to comply with such law.

ARTICLE III—MEETINGS OF TRUSTEES

Section 1. Regular Meetings. The Board of Trustees shall meet biannually. Any item of business may be considered at a regular meeting. The time, date, and location of meetings of the Board shall be determined by the Board. No proxy votes shall be permitted.

Section 2. Special Meetings. A special meeting may be called at any time by the Chairman or by any four (4) of the Trustees. An emergency meeting may be called with less than ten (10) days written notice provided that all Trustees agree to such a meeting. An agenda specifying the subject of any special meeting shall accompany such notice, and only business included on that agenda may be transacted.

Section 3. Notice of Meetings. All meetings of the Board shall be conducted in a manner required by law. The Administrator shall publish any schedule or notice of meeting of the Board. Such publication requirement shall be deemed met by announcement on the TSBA website.

ARTICLE IV—NATURE AND USE OF FUNDS

Section 1. Member Fund Withdrawal. The Trust is specifically authorized to make payments of legitimate reimbursements to member systems requesting their other post-employment benefits (OPEB) obligations. No other withdrawals may be made by member systems.

Section 2. Investment of Funds. The Trust may invest such portions of the Trust reserve in any manner that is both prudent and permissible under state and federal law. The Trustees shall develop and adopt an investment policy.

Section 3. Investment Manager Selection. Investment managers shall be subject to all restrictions and investment guidelines within these Bylaws and the investment policy maintained by the Trustees.

Section 4. Fees. The Trust Administrator shall be paid a fee per the following schedule on total assets under management and an administrative fee for the biennial OPEB valuations.

Amount	Fee
0-25MM	0.25%
25MM-50MM	0.15%
50MM-75MM	0.10%
75MM +	0.05%

The Trustees are permitted to compensate the investment managers and/or consultants with such fees as may be reasonable and competitive and are not excessive and detrimental to the Trust's long-term viability. It shall be incumbent upon the investment managers and/or consultants to fully represent all costs and fees associated with the management of the Trust.

Section 5. Asset Manager Performance Review. The Trustees will monitor performance of the portfolio using the quarterly statements provided by the Trust's investment consultants. The investment consultants shall provide the Trustees with manager performance numbers and appropriate benchmark data with which to evaluate the managers' performance. While mindful of the specific goals of the Trust, the investment consultants shall provide data on a benchmark comprised of an appropriate mix of indices and such other benchmark data as may be requested or relevant.

A file of the written confirmations of every transaction and the quarterly statements documenting total assets, including gains and/or losses in each security since original purchase date, will be maintained by the Trust Administrator.

The Trustees will continually review the liquidity needs of the Trust and will notify the investment consultants as soon as possible of any significant changes in anticipated needs.

Section 6. Financial Institution. All funds received by the Trust shall be deposited in such financial institutions as the Trust may designate for that purpose.

Section 7. Withdrawals. All withdrawals of funds from such financial institutions shall be made only by electronic transfer or by check signed by the Treasurer of the Trust or his/her designee.

Section 8. Bonding. Any person, other than third parties retained to invest funds on behalf of the Trust, who is authorized to sign or who may be engaged in handling funds or securities held by the Trust shall be bonded at the expense of the Trust by a duly authorized surety company in such amount or amounts as may from time to time be required by the Trustees.

Adopted 4/16/09
Article VI, Section 5 revised 7/16/09
Article VI, Section 1 revised 11/15/10
Article I, Sections 1, 4, 5, 6, 7, 8, & 9 revised 09/28/12
Article II, Sections 1 & 2 revised 09/28/12
Article V, Section 1 revised 09/28/12
Article VI, Sections 2 & 6 revised 09/28/12
Article I, Sections 1, 2, 3, 5, 6 & 7 revised 11/05/12
Article II, Section 1 revised 11/05/12
Article III, Sections 1 & 2 revised 11/05/12
Article V, Sections 1 & 3 revised 11/05/12
Article VI, Sections 2 & 9 revised 11/05/12
Article I, Section 1 revised 11/10/13
Article IV, Section 4 revised 4/20/16
Article I, Section 1 added 02/20/17
Article I, Sections 2 & 3 revised 10/21/20
Article II, Section 1 revised 10/21/20
Article II, Section 2 added 10/21/20
Article III, Sections 1, 2, & 3 revised 10/21/20
Article IV, Sections 1, 2, 3, 5, 6, 7, & 8 revised 10/21/20



TSBA OPEB Trust

*Communication with
Board of Trustees*

September 7, 2021





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September 7, 2021

To the Board of Trustees
of the TSBA OPEB Trust

Dear Trustees:

We are pleased to present our Report to the Board of Trustees on the results of our audit of the financial statements of the TSBA OPEB Trust (the "Trust") for the year ended June 30, 2021.

A direct line of communication between our Firm and the Board of Trustees is essential to the proper exercise of our respective responsibilities. Our appointment involves the responsibility on our part to call to your attention any significant matters which we believe require your consideration, either at a regularly scheduled meeting or on a more timely basis, if warranted.

The accompanying report is intended solely for the use of the Board of Trustees and Trust management, and is not intended to be or should not be used by anyone other than these specified parties. It also presents information regarding our audit and certain other information which we believe will be of assistance to you. We appreciate this opportunity to discuss the contents of this report with you and any other matters you wish to address.

We would like to take this opportunity to express our appreciation for the assistance and courtesy extended to us by your employees. We appreciate working with you, and we look forward to a continued relationship with the TSBA OPEB Trust.

Very truly yours,

CROSSLIN, PLLC

A handwritten signature in black ink that reads "Erica D. Saeger". The signature is written in a cursive, flowing style.

Erica D. Saeger
Audit Principal



Report on Results of the June 30, 2021 Audit

We have audited the financial statements of the TSBA OPEB Trust (the “Trust”) as of and for the year ended June 30, 2021, and we have issued an unmodified opinion dated September 7, 2021.

The following discussion contains information related to our audit that is required by professional standards and certain other information which will be of assistance to you.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements, prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

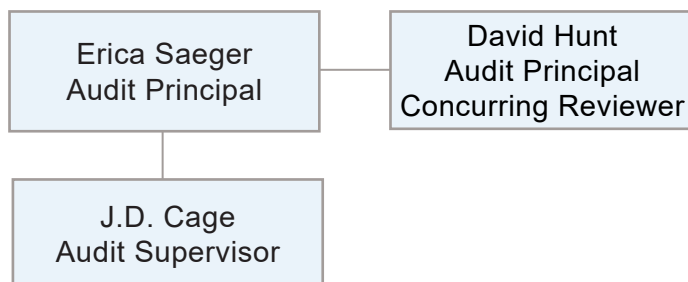
Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Trust. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement and in conformity with *Government Auditing Standards*, we performed tests of the Trust’s compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.



Customer Service Team



Areas of Audit Significance

During the audit, we focused on the following account balances and related transaction streams:

- Investments
- Investment income and expenses
- Employer contributions
- Financial reporting

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you.

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Trust is included in Note B to the financial statements. There have been no material changes in significant accounting policies or their application during fiscal year 2021. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. We believe the Trust's accounting policies are appropriate and comprehensive under accounting principles generally accepted in the United States of America.



Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were management's estimate of the fair value of investments. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There was one significant adjusting entry made during the course of the audit. The entry was the following:

- One adjusting entry related to investments and unrealized gains to match the June 2021 settlement dates.

Additionally, there were no unrecorded entries.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during the course of our audits.



Management Representations

We requested certain representations from management that are included in the management representation letter. This letter has been included for informational purposes as Appendix A.

Fraud and Illegal Acts

We did not identify any material fraudulent or illegal acts during the course of our audit, nor were any disclosed to us by management or the Board.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion.” If a consultation involves application of an accounting principle to the entity’s financial statements or a determination of the type of auditors’ opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Our Selection as Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Trust’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Independence

We are not aware of any relationships between Crosslin, PLLC, and the Trust that, in our professional judgment, may reasonably be thought to bear on our independence that have occurred during the period from July 1, 2020, through the date of this letter.

We confirm that we are independent with respect to the Trust within the meaning of Rule 101 of the Code of Professional Conduct of the American Institute of Certified Public Accountants and under *Government Audit Standards*.



Changes in Auditing and Accounting Standards

The government and standard-setting bodies are issuing guidance at an unprecedented pace. Crosslin, PLLC is constantly receiving, reviewing, and searching for the latest authoritative literature, in part through its involvement with the AICPA's Government Audit Quality Center and the Government Finance Officers Association ("GFOA"), including GFOA's Special Review Committee. We routinely interface with our customers to ensure proper understanding and application of pronouncements, standards, interpretations, and addenda that arise. In addition, we expect to join the Trust personnel in relevant discussions to implement all new standards as they arise.

Recent accounting pronouncements including the following. We will analyze these Statements with Trust management to ensure appropriate implementation, as applicable.

- **GASB Statement No. 84, Fiduciary Activities**
Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

- **GASB Statement No. 87, Leases**
Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

- **GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period**
Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

- **GASB Statement No. 90, Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61**
Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

- **GASB Statement No. 91, Conduit Debt Obligations**
Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.



Changes in Auditing and Accounting Standards - Continued

- **The GASB issued Statement No. 92, Omnibus 2021**, which is effective as follows:
 - The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
 - The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
 - The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
 - The requirements related to the measurement of liabilities (and assets, if any) associated with asset retirement obligations in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.
- **GASB Statement No. 93, Replacement of Interbank Offered Rates** Effective Date: The requirements of this Statement, except for paragraphs 11b, 13, and 14 are effective for reporting periods beginning after June 15, 2021. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years periods beginning after June 15, 2021, and all reporting periods thereafter. Earlier application is encouraged.
- **GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements** Effective Date: The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- **GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance** Effective Date: The requirements of this Statement are effective immediately.
- **GASB Statement No. 96, Subscription-Based Information Technology Arrangements** Effective Date: The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.



Changes in Auditing and Accounting Standards

- **GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32** Effective Date: The requirements of this Statement are effective as follows:
 - The requirements in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately.
 - Paragraphs 6–9 of this Statement and the supersession of the remaining requirements of Statement 32 (as detailed in paragraph 3 of this Statement), are effective for fiscal years beginning after June 15, 2021.
 - All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.



September 7, 2021

Crosslin, PLLC
 The Astoria
 3803 Bedford Avenue, Suite 103
 Nashville, TN 37215

This representation letter is provided in connection with your audit of the financial statements of the TSBA OPEB Trust (the "Trust"), which comprise the statement of net position as of June 30, 2021, and the respective statement of changes in net position for the year then ended, and the disclosures (collectively, the "financial statements"), for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of September 7, 2021, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated February 1, 2019, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the required supplementary information and other information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- 3) We acknowledge our responsibility 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

525 BRICK CHURCH PARK DRIVE • NASHVILLE, TN 37207 • TELEPHONE (615) 815-3900 • (800) 448-6465 • FAX (615) 815-3911

www.tsba.net

Assisting school boards in effectively governing school districts

- 7) No events, except as made known to you, including instances of noncompliance, have occurred subsequent to the date of the statement of net position and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
- 8) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted external counsel for any material litigation, claims, or assessments through the date of this letter.
- 9) Guarantees, whether written or oral, under which the Trust is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

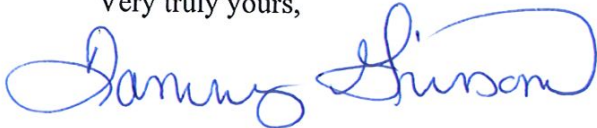
- 10) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the Trust from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the Board of Trustees or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 11) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 12) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 13) We have no knowledge of any fraud or suspected fraud that affects the Trust and involves:
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
- 14) We have no knowledge of any allegations of fraud or suspected fraud affecting the Trust's financial statements communicated by employees, former employees, regulators, or others.
- 15) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 16) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted external counsel for any material litigation, claims, or assessments through the date of this letter.
- 17) We have disclosed to you the names of the Trust's related parties and all the related party relationships and transactions, including any side agreements.

Government-specific

- 18) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 19) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 20) The Trust has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net position.
- 21) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 22) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 23) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 24) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 25) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 26) As part of your audit, you assisted with preparation of the financial statements and disclosures. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and disclosures.
- 27) The Trust has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 28) The Trust has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 29) The financial statements properly disclose all joint ventures and other related organizations, if any.
- 30) Components of net position (restricted for other postemployment benefits) are properly classified and, if applicable, approved.
- 31) Investments are properly valued.
- 32) Expenses have been appropriately classified in the statement of changes in net position.
- 33) Revenues are appropriately classified in the statement of changes in net position.

- 34) Interfund balances have been appropriately classified and reported.
- 35) Deposits and investment securities are properly classified as to risk and are properly disclosed.
- 36) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 37) We have obtained a copy of the relevant SSAE 18 SOC 1 report that covers the year under audit, related to significant processes and transactions that have been outsourced to those service organizations. In connection with the SSAE 18 SOC 1 report, we have read the report, evaluated the impact of the exceptions to relevant tests, identified the complementary controls listed under the user controls section of the report, and have determined that those user controls have been designed appropriately and have been implemented.

Very truly yours,



Dr. Tammy Grissom
Trust Administrator



TSBA OPEB TRUST
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2021

TSBA OPEB TRUST

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TSBA OPEB TRUST

LETTER OF INTRODUCTION

The TSBA OPEB Trust (the “Trust”) is pleased to present its Annual Financial Report for the year ended June 30, 2021.

Responsibility and Controls

The Trust is responsible for the financial statements and related information included in this report. A system of internal accounting controls is maintained to provide reasonable assurance that assets are safeguarded and that the books and records reflect only authorized transactions. Limitations exist in any system of internal controls. However, based on recognition that the cost of the system should not exceed its benefits, management believes its system of internal accounting controls maintains an appropriate cost/benefit relationship.

Management believes that its policies and procedures provide guidance and reasonable assurance that the Trust’s operations are conducted according to management’s intentions and to a high standard of business ethics. In management’s opinion, the financial statements present fairly, in all material respects, the net position of the Trust as of June 30, 2021, and the changes in its net position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Audit Assurance

The unmodified opinion of our independent external auditors, Crosslin, PLLC, is included in this report.

**TSBA OPEB TRUST
BOARD OF TRUSTEES**

Dr. Dale Viox, Chairman

Dr. Tammy Grissom, Trust Administrator

A.J. Massey

Brett Henley

Kevin Long

Kevin Woods

Wright Cox



Independent Auditor's Report

Board of Trustees
TSBA OPEB Trust
Nashville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the TSBA OPEB Trust (the "Trust") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of June 30, 2021, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Trust's basic financial statements. The introductory section as required by the State of Tennessee, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2021, on our consideration of the 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 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 Trust's internal control over financial reporting and compliance.

Crosslin, PLLC

Nashville, Tennessee
September 7, 2021

TSBA OPEB TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS

Management offers the following discussion and analysis as a narrative introduction to the basic financial statements and an analytical overview of the Trust's financial activities for the fiscal year ended June 30, 2021. This narrative is intended as a supplement and should be read in conjunction with the financial statements.

Overview of the Financial Statements

The Trust's financial statements include the following components:

- Statement of Net Position
- Statement of Changes in Net Position
- Notes to Financial Statements

The *Statement of Net Position* presents the Trust's assets, liabilities, and the resulting net position, which are held in trust for the other postemployment benefits of contributing members. This statement reflects a year-end snapshot of the Trust's investments, at fair value, along with cash.

The *Statement of Changes in Net Position* presents information showing how the Trust's net position held in trust for other postemployment benefits changed during the period. This statement includes additions for contributions by employers and investment earnings and deductions for administrative expenses.

The *Notes to Financial Statements* are an integral part of the financial statements and provide additional information that is necessary in order to gain a comprehensive understanding of data reported in the financial statements.

Financial Highlights

- Net position is restricted for future benefit payments of participating members. Net position at June 30, 2021 totaled approximately \$137.8 million.
- Employer contributions comprised approximately \$6.4 million of the net increase in net position of approximately \$35.5 million during the year.

Condensed Financial Information

In order to ensure the participating employers' ability to properly fund the payment of other postemployment benefits to their employees in future years, it is advisable for employers to accumulate funds on a regular and systematic basis. The principal sources from which the Trust derives additions are employer contributions and earnings on investments.

TSBA OPEB TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS

Comparative summary financial statements of the Trust are presented as follows:

**NET POSITION
JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 5,653	\$ 5,652
Due to	-	200,000
Investments	<u>137,756,193</u>	<u>102,218,950</u>
Total assets	<u>137,761,846</u>	<u>102,424,602</u>
LIABILITIES		
Due from	<u>-</u>	<u>200,000</u>
Total liabilities	<u>-</u>	<u>200,000</u>
NET POSITION RESTRICTED FOR OPEB	<u>\$137,761,846</u>	<u>\$102,224,602</u>

**CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
ADDITIONS		
Employer contributions	\$ 6,371,354	\$ 6,441,354
Net investment return	<u>29,397,706</u>	<u>3,545,167</u>
Total additions	<u>35,769,060</u>	<u>9,986,521</u>
DEDUCTIONS		
Administrative expenses	174,404	156,839
Withdrawals	<u>57,412</u>	<u>-</u>
Total deductions	<u>231,816</u>	<u>156,839</u>
NET CHANGE	<u>35,537,244</u>	<u>9,829,682</u>
NET POSITION RESTRICTED FOR OPEB		
Beginning of year	<u>102,224,602</u>	<u>92,394,920</u>
End of year	<u>\$137,761,846</u>	<u>\$102,224,602</u>

TSBA OPEB TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS

Due To/From Other Plans

On June 3, 2020, a \$200,000 contribution to the Arlington Community Schools Plan was erroneously deposited into the Collierville Schools Plan investment account by the investment custodian. As of June 30, 2020, the error had not been corrected. Accordingly, the \$200,000 is presented as a due from Collierville Schools Plan and due to Arlington Community Schools Plan in the statement of net position as of June 30, 2020.

On August 5, 2020, the investment custodian corrected the deposit amount and subsequent investment purchases in the investment accounts for the Arlington Community Schools Plan and Collierville Schools Plan.

Analysis of Financial Position and Results of Operations

The Trust's net position was approximately \$137.8 million at June 30, 2021. During fiscal year 2021, contributions were made to six of the nine active participant accounts.

Current Trust participants and the fiscal year in which they joined the Trust are as follows:

Hickman County Board of Education (Active)	2008 - 2009
Johnson County Board of Education (Active)	2008 - 2009
Shelby County Board of Education (Active)	2008 - 2009
Claiborne County Board of Education (Non-active)	2009 - 2010
Jackson/Madison County Board of Education (Active)	2012 - 2013
Arlington Community Schools Board of Education (Active)	2014 - 2015
Bartlett City Schools Board of Education (Active)	2014 - 2015
Collierville Schools Board of Education (Active)	2014 - 2015
Lakeland City Board of Education (Active)	2014 - 2015
Millington Municipal Schools Board of Education (Active)	2015 - 2016

Requests for Information

This financial report is designed to provide a general overview of the Trust's finances. If you have any questions concerning any of the information provided in this report or would like to request additional financial information, contact the Tennessee School Boards Association's Finance Department at 525 Brick Church Park Drive, Nashville, Tennessee 37207.

TSBA OPEB TRUST
STATEMENT OF NET POSITION
JUNE 30, 2021

	Arlington Community Schools Plan	Bartlett City Schools Plan	Collierville Schools Plan	Hickman County Schools Plan	Jackson- Madison Schools Plan	Johnson County Schools Plan	Lakeland Schools System Plan	Millington Municipal Schools Plan	Shelby County Schools Plan	TSBA OPEB Trust Account	Total
ASSETS											
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,653	\$ 5,653
Investments, at fair value	4,085,798	4,948,318	2,120,747	2,825,905	513,594	1,398,126	2,204,357	390,145	119,269,203	-	137,756,193
Total assets	4,085,798	4,948,318	2,120,747	2,825,905	513,594	1,398,126	2,204,357	390,145	119,269,203	5,653	137,761,846
NET POSITION											
RESTRICTED FOR OTHER											
POSTEMPLOYMENT											
BENEFITS											
	<u>\$4,085,798</u>	<u>\$4,948,318</u>	<u>\$2,120,747</u>	<u>\$2,825,905</u>	<u>\$ 513,594</u>	<u>\$1,398,126</u>	<u>\$2,204,357</u>	<u>\$ 390,145</u>	<u>\$119,269,203</u>	<u>\$ 5,653</u>	<u>\$137,761,846</u>

See accompanying notes to financial statements.

TSBA OPEB TRUST
STATEMENT OF CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2021

	Arlington Community Schools Plan	Bartlett City Schools Plan	Collierville Schools Plan	Hickman County Schools Plan	Jackson- Madison Schools Plan	Johnson County Schools Plan	Lakeland Schools System Plan	Millington Municipal Schools Plan	Shelby County Schools Plan	TSBA OPEB Trust Account	Total
ADDITIONS											
Employer contributions	\$ 500,000	\$ 500,000	\$ 125,000	\$ -	\$ 5,000	\$ -	\$ 150,000	\$ -	\$ 5,091,354	\$ -	\$ 6,371,354
Net investment return:											
Net appreciation fair value of investments	718,068	897,403	423,903	574,123	103,403	282,577	420,068	78,921	23,055,887	-	26,554,353
Interest and dividends	83,355	103,295	48,459	65,078	11,840	32,218	48,619	8,993	2,635,272	1	3,037,130
Less investment expenses	(5,245)	(6,604)	(3,126)	(4,146)	(753)	(2,052)	(3,128)	(573)	(168,150)	-	(193,777)
Net investment return	796,178	994,094	469,236	635,055	114,490	312,743	465,559	87,341	25,523,009	1	29,397,706
Total additions, net	1,296,178	1,494,094	594,236	635,055	119,490	312,743	615,559	87,341	30,614,363	1	35,769,060
DEDUCTIONS											
Administrative expenses	7,768	9,632	4,439	6,152	1,109	3,027	4,524	844	136,909	-	174,404
Withdrawals	-	-	-	57,412	-	-	-	-	-	-	57,412
Total deductions	7,768	9,632	4,439	63,564	1,109	3,027	4,524	844	136,909	-	231,816
NET INCREASE IN NET POSITION	1,288,410	1,484,462	589,797	571,491	118,381	309,716	611,035	86,497	30,477,454	1	35,537,244
NET POSITION RESTRICTED FOR OTHER POSTEMPLOYMENT BENEFITS:											
BEGINNING OF YEAR	2,797,388	3,463,856	1,530,950	2,254,414	395,213	1,088,410	1,593,322	303,648	88,791,749	5,652	102,224,602
END OF YEAR	\$ 4,085,798	\$ 4,948,318	\$ 2,120,747	\$ 2,825,905	\$ 513,594	\$ 1,398,126	\$ 2,204,357	\$ 390,145	\$ 119,269,203	\$ 5,653	\$ 137,761,846

See accompanying notes to financial statements.

TSBA OPEB TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

A. DESCRIPTION OF THE TRUST

The TSBA GASB 45 Trust was established on April 16, 2009 pursuant to the provisions of the Tennessee Interlocal Cooperation Act (Tenn. Code Ann. § 12-9-101, et seq.) and the policies and bylaws from time to time promulgated by the Board of Trustees (the “Board”). Effective February 15, 2016, the name of the Trust was changed to the TSBA OPEB Trust (the “Trust”). Membership in the Trust shall be open to all members of the Tennessee School Boards Association. Non-members and other governmental entities will be considered by the Trustees on a case by case basis. The purpose of the Trust is to establish a fund through the Trust, which will allow members to pre-fund the liability associated with other postemployment benefits other than pensions. The Trust is not a component unit of another governmental entity.

The Trust’s Board of Trustees has fiduciary responsibility for the investment of monies and administration of the Trust pursuant to the Trust Agreement. The Board of Trustees is currently composed of seven members. Five of the Trustees are appointed from the governing boards of the participating members of the Trust for three-year terms and they may be reappointed. Additionally, the Executive Director and President of the Tennessee School Boards Association (“TSBA”) are ex-officio members of the Board of Trustees. All seven Trustees are voting members.

For the year ended June 30, 2021, the Trust administered Plan assets for nine defined benefit postemployment plans - Arlington Community Schools Plan, Bartlett City Schools Plan, Collierville Schools Plan, Hickman County Schools Plan, Jackson- Madison Schools Plan, Johnson County Schools Plan, Lakeland Schools Systems Plan, Millington Municipal Schools Plan, and Shelby County Schools Plan, (collectively the “Plans”). Although the assets of the Plans are commingled for investment purposes, each of the Plan’s assets are held in an irrevocable trust and may be used only for the payment of benefits to the members of the respective Plan in accordance with the terms of the Plans. The TSBA OPEB Trust Account reflects the activity related to the administration of the Trust.

The Trust does not purport to present the financial status of each of the participating employer’s postemployment benefit plans, nor do these statements contain information on accumulated plan benefits and other disclosures necessary for a fair presentation of the individual plans in accordance with accounting principles generally accepted in the United States of America.

Measurement Focus and Basis of Accounting

The financial statements of the Trust are presented as a fiduciary fund type. The economic resources measurement focus and the accrual basis of accounting are used in the preparation of the financial statements. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each employer’s Plan.

TSBA OPEB TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments

Investments are reported at fair value. Net investment return consists of realized and unrealized appreciation in the fair value of investments, interest and dividends earned, and investment expenses. In order to account for each participating member's activities, separate accounts are maintained by the Trust.

Fair Value of Financial Instruments

Assets and liabilities recorded at fair value in the statement of financial position are categorized based on the level of judgment associated with the inputs used to measure their fair value. Level inputs, are as follows:

Level 1 - Values are unadjusted quoted prices for identical assets in active markets accessible at the measurement date.

Level 2 - Inputs include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The Trust's financial instruments consist of cash and investments. Cash is recorded at fair value using Level 1 inputs. Investments are recorded at fair value using Level 1 and Level 3 inputs. See Note D.

Administrative Expenses

Each Plan is responsible for its administrative expenses.

Withdrawals

The Trust is specifically authorized to make payments of legitimate reimbursements to member systems requesting their other post-employment benefit ("OPEB") assets. No other withdrawals may be made by member systems.

Taxes

The Trust is exempt from taxation under Section 115 of the Internal Revenue Code. Accordingly, the accompanying financial statements do not include a provision for federal or state income taxes.

TSBA OPEB TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates

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

C. INVESTMENTS

The Trust's investments, at June 30, 2021, consist of the following:

	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>
Cash and cash equivalents	\$ 4,691,311	\$ 4,691,310
Exchange-traded and closed-end funds	32,053,915	23,327,936
Mutual funds	99,829,072	83,544,531
Structured investments	<u>1,181,895</u>	<u>1,131,000</u>
Total	<u>\$137,756,193</u>	<u>\$112,694,777</u>

D. FAIR VALUE MEASUREMENTS

The Trust categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Trust has the following recurring fair value measurements as of June 30, 2021:

	Measured at Fair Value	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Investments:				
Cash and cash equivalents	\$ 4,691,311	\$ 4,691,311	\$ -	\$ -
Exchange-traded and closed-end funds	32,053,915	32,053,915	-	-
Mutual funds	99,829,072	99,829,072	-	-
Structured investments	<u>1,181,895</u>	<u>-</u>	<u>-</u>	<u>1,181,895</u>
	<u>\$137,756,193</u>	<u>\$136,574,298</u>	<u>\$ -</u>	<u>\$1,181,895</u>

TSBA OPEB TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

D. FAIR VALUE MEASUREMENTS - Continued

In determining fair value, the Trust uses various valuation approaches. The following is a description of the valuation methodologies used for instruments measured at fair value and their classification within the valuation hierarchy:

Cash and Cash Equivalents

Cash and cash equivalents are in active markets and classified within Level 1 of the valuation hierarchy.

Exchange-Traded and Closed-End Funds

Investments in exchange-traded and closed-end funds represent securities which are traded on national markets or exchanges. These investments are classified within Level 1 of the valuation hierarchy.

Mutual Funds

Investments in mutual funds represent fixed income mutual funds which are listed on national markets or exchanges. These investments are classified within Level 1 of the valuation hierarchy.

Structured Investments

Structured investments may be linked to a wide variety of underlying asset classes including equities, interest rates, commodities, and currencies. Each underlying asset will have its own unique set of risks and uncertainties. These structured investments are valued by the custodian using a proprietary pricing model and are classified within Level 3 of the valuation hierarchy.

E. RISKS AND UNCERTAINTIES

The Trust's investments include various types of investment funds, which in turn invest in any combination of stock, bonds and other investments exposed to various risks, such as interest rate, credit, and market risk. 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 Trust's financial statements.

TSBA OPEB TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

F. RELATED PARTY TRANSACTIONS

The Trust is administered by the Tennessee School Boards Association (“TSBA”). TSBA receives a quarterly administrative fee calculated individually for each participant on a sliding scale as a percentage of invested assets. The fee covers all administrative costs including personnel, office expense, legal, accounting, and promotion. The quarterly administrative fee during fiscal year 2021 totaled \$174,404.

G. COVID-19 PANDEMIC

During March 2020, a global pandemic was declared related to the rapidly growing outbreak of a novel strain of coronavirus (“COVID-19”). The pandemic has significantly impacted the economic conditions across the nation as federal, state, and local governments react to the public health crisis, creating significant uncertainties in the economy. This situation is rapidly changing, and additional impacts may arise. While the disruptions are currently expected to be temporary, there is uncertainty around its duration. The ultimate future impact, if any, of the pandemic on the Trust’s results of operations, financial position, liquidity or capital resources cannot be reasonably estimated at this time.

H. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 7, 2021, the date the financial statements were available for issuance, and has determined there were no subsequent events requiring disclosure.



INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
TSBA OPEB Trust
Nashville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the TSBA OPEB Trust (the “Trust”) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Trust’s basic financial statements, as listed in the table of contents, and have issued our report thereon dated September 7, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Trust’s internal control over financial reporting (internal control) as a basis for designing 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 Trust’s internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trust's financial statements are free from 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 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 Trust's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crosslin, PLLC

Nashville, Tennessee
September 7, 2021

TSBA OPEB TRUST
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2021

The Trust had no prior audit findings.



September 1, 2021

The Board of Trustees and
Ms. Tammy Grissom
TSBA OPEB Trust
525 Brick Church Park Drive
Nashville, Tennessee 37207

Dear Trustees and Ms. Grissom:

We are pleased to confirm our understanding of the services we are to provide the Tennessee School Boards Association OPEB Trust (the "Trust") for the years ended June 30, 2022, 2023, and 2024. We will audit the financial statements, including the related notes to the financial statements, which collectively comprise the basic financial statements of the Trust as of and for the years ended June 30, 2022, 2023, and 2024. Accounting standards generally accepted in the United States of America provide for certain required supplementary information ("RSI"), such as management's discussion and analysis ("MD&A"), to supplement the Trust's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the Trust's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding 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 will 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. The following RSI is required by U.S. generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis.

The following other information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditor's report will not provide an opinion or any assurance on that other information.

- 1) Introductory Section



Audit Objectives

The objective of our audits is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audits will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of the Trust and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audits of the Trust's financial statements. Our report will be addressed to the Board of Trustees of the Trust. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audits or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or may withdraw from these engagements.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The paragraph will also state that the report is not suitable for any other purpose. If during our audits we become aware that the Trust is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audits will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government.



Because the determination of waste and abuse is subjective, *Government Auditing Standards* do not expect auditors to perform specific procedures to detect waste or abuse in financial audits nor do they expect auditors to provide reasonable assurance of detecting waste or abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, an unavoidable risk exists that some material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audits and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagements, and they may bill you for responding to these inquiries. At the conclusion of our audits, we will require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

Audit Procedures—Internal Control

Our audits will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.



Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Trust's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audits will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

Other Services

We are always available to meet with you and/or other executives at various times throughout the year to discuss current business, operational, accounting, and auditing matters affecting the Trust. Whenever you feel such meetings are desirable, please let us know. We are also prepared to provide services to assist you in any of these areas.

We will also assist in preparing the financial statements and related notes of the Trust for the years ending June 30, 2022, 2023, and 2024 in conformity with U.S. generally accepted accounting principles based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

Management Responsibilities

Management is responsible for designing, implementing, establishing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements and all accompanying information in conformity with U.S. generally accepted accounting principles, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, including identification of all related parties and all related-party relationships and transactions, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.



Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements of each opinion unit taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, or contracts or grant agreements that we report.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

You agree to assume all management responsibilities relating to the financial statements and related notes and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and related notes and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

E-mail Communication

In connection with these engagements, we may communicate with you or others via e-mail. As e-mails can be intercepted, disclosed, used, and/or otherwise communicated by an unintended third party, or may not be delivered to each of the parties to whom they are directed, we cannot ensure that e-mails from us will be properly delivered and read only by the addressee. Therefore, we disclaim and waive any liability for interception or unintentional disclosure of e-mail transmissions, or for the unauthorized use or failed delivered of e-mails transmitted by us in connection with the performance of these engagements.



Ownership of Working Papers

The working papers prepared in conjunction with our audits are the property of our Firm, constitute confidential information, and will be retained by us in accordance with our Firm's policies and procedures.

Reproduction of Audit Report

Under professional audit standards, if the Trust plans any reproduction or publication of our report, or any portion of it, copies of masters' or printers' proofs of the entire document, or if there is no proof, a copy of the entire document in its final form, should be submitted to us in sufficient time for our review and written approval before printing.

Posting of Audit Report and Financial Statements on Your Web Site

You agree that, if you plan to post an electronic version of the financial statements and audit report on your website, you will ensure that there are no differences in content between the electronic version of the financial statements and audit report on your website and the signed version of the financial statements and audit report provided to management by Crosslin, PLLC ("Crosslin"). You confirm that there will be no differences between the electronic and signed versions.

Management Representations and Indemnification

As required by auditing standards generally accepted in the United State of America, we will request certain written representations from management at the close of our audits to confirm oral representations given to us and to indicate and document the continuing appropriateness of such representations and reduce the possibility of misunderstanding concerning matters that are the subject of the representations. Because of the importance of management's representations to an effective audit, the Trust agrees that there will be no knowing misrepresentations by management in connection with any services rendered under this Agreement.

Availability of Records and Personnel

You agree that all records, documentation, and information we request in connection with our audits will be made available to us (including those pertaining to related parties), that all material information will be disclosed to us, and that we will have full cooperation of, and unrestricted access to, your personnel during the course of the engagement. You also agree to use our document management system, Suralink, to provide requested documents.

You also agree to ensure that any third party valuation reports that you provide to us to support amounts or disclosures in the financial statements a) indicate the purpose for which they were intended, which is consistent with your actual use of such reports; and b) do not contain any restrictive language that would preclude us from using such reports as audit evidence.



Assistance by Your Personnel and Internet Access

We also ask that your personnel prepare various schedules and analyses for our staff. However, except as otherwise noted by us, no personal information other than names related to the Trust employees and/or customers should be provided to us. In addition, we ask that you provide high-speed internet access to our engagement team, if practicable, while working on the Trust's premises. This assistance will service to facilitate the progress of our work and minimize costs to you.

Independence

Professional and certain regulatory standards require us to be independent, in both fact and appearance, with respect to the Trust in the performance of our services. Any discussions that you have with personnel of our Firm regarding employment could pose a threat to our independence. Therefore, we request that you inform us immediately prior to any such discussions so that we can implement appropriate safeguards to maintain our independence.

In order for us to remain independent, professional and regulatory standards require us to maintain certain respective roles and relationships with you with respect to the non-attest services described in other services above. Prior to performing such services in conjunction with our audits, management must acknowledge its acceptance of certain responsibilities.

We will not perform management functions or make management decision on behalf of the Trust. However, we will provide advice and recommendations to assist management of the Trust in performing its functions and fulfilling its responsibilities.

The Trust agrees to perform the following functions in connection with our performance of the non-attest services:

- a. Make all management decision and perform all management functions with respect to the non-attest services provided by us.
- b. Assign personnel with suitable skill, knowledge, and/or experience to oversee the non-attest services and evaluate the adequacy and results of the services.
- c. Accept responsibility for the results of non-attest services.
- d. Establish and maintain internal controls over the non-attest services.

The services are limited to those outlined above. We, in our professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as making management decisions or performing management functions. The Trust must make all decisions with regard to our recommendations. By signing this Agreement, you acknowledge your acceptance of these responsibilities.



Dispute Resolution Procedure

If any dispute, controversy, or claim arises in connection with the performance or breach of this agreement (including disputes regarding the validity or enforceability of this agreement), either party may, upon written notice to the other party, request facilitated negotiations. Such negotiations shall be assisted by a neutral facilitator acceptable to both parties and shall require the best efforts of the parties to discuss with each other in good faith their respective positions and, respecting their different interests, to finally resolve such dispute.

Each party may disclose any facts to the other party or to the facilitator that it, in good faith, considers necessary to resolve the dispute. However, all such disclosures will be deemed in furtherance of settlement efforts and will not be admissible in any subsequent litigation against the disclosing party. Except as agreed by both parties, the facilitator shall keep confidential all information disclosed during negotiations. The facilitator shall not act as a witness for either party in any subsequent arbitration between the parties.

Such facilitated negotiations shall conclude within sixty days from receipt of the written notice unless extended by mutual consent. The parties may also agree at any time to terminate or waive facilitated negotiations. The costs incurred by each party in such negotiations will be borne by it; the fees and expenses of the facilitator, if any, shall be borne equally by the parties.

If any dispute, controversy, or claim arises in connection with the performance or breach of this agreement (including disputes regarding the validity or enforceability of this agreement) and cannot be resolved by facilitated negotiations (or the parties agree to waive that process), then such dispute, controversy, or claim shall be settled by arbitration. The arbitration proceeding shall take place in Nashville, Tennessee unless the parties agree to a different locale. The proceeding shall be governed by the provisions of the Federal Arbitration Act (FAA) or, if a court of competent jurisdiction determines the FAA inapplicable, by the laws of the state in which the proceeding is to take place. In any arbitration instituted hereunder, the proceedings shall proceed in accordance with the then current Arbitration Rules for Professional Accounting and Related Disputes of the American Arbitration Association (AAA), except that no pre-hearing discovery shall be permitted unless specifically authorized by the arbitration panel.

Such arbitration shall be conducted before a panel of three persons, one chosen by each party and the third selected by the two party-selected arbitrators. The arbitration panel shall have no authority to award non-monetary or equitable relief, and any monetary award shall not include punitive damages. The confidentiality provisions applicable to facilitated negotiation shall also apply to arbitration. The award issued by the arbitration panel may be confirmed in a judgment by any federal or state court of competent jurisdiction.



Engagement Administration and Fees

We understand that your employees will prepare all cash, investment, and other confirmations we request and will locate any documents selected by us for testing.

Erica Saeger is the engagement principal and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

Our fees are based upon the time required by the individuals assigned to the engagements. Our practice is to render progress billings at two-to-four week intervals and a final billing at the conclusion of the engagement. Billings are due upon submission. Our fees for the engagement will be as follows:

<u>Year Ending</u>	<u>Audit Fees</u>
June 30, 2022	\$6,700
June 30, 2023	\$6,750
June 30, 2024	\$6,800

The above mentioned fees are fixed unless the Trust's activities result in changes which increase the scope of our audits. In those circumstances, we would review the complexities and scope of the change. At this time, we do not expect any changes from the above fixed fees unless new member systems become funding members of the Trust.

The fee estimates are based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audits. If significant additional time is necessary, we will bill the additional cost separately as part of a change order or as separate services at our reduced standard hourly rates as discussed in the original proposal. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

Fees for other services that the Trust might desire for us to perform would be based on our reduced standard hourly rates as discussed in the original proposal and fees for projects of any significance would be discussed and approved by you in advance. In the event we are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as witnesses with respect to our engagements for the Trust, the Trust will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

It is agreed by the Trust and Crosslin or any successors in interest that no claim arising out of services rendered pursuant to this agreement by or on behalf of either party shall be asserted more than three years after the date of the audit reports or one year after the date of termination of Crosslin's services, whichever date occurs first.



This letter constitutes the complete and exclusive statement of agreement between Crosslin and the Trust, superseding all proposals, oral or written, and all other communication, with respect to the terms of the engagement between the parties.

Miscellaneous

This Agreement is only intended to cover the services specified herein, although we look forward to many more years of pleasant association with the Trust. This engagement is a separate and discrete event and any future services will be covered by a separate agreement to provide services. Many banks have engaged a third party to electronically process cash or debt audit confirmation requests, and a few of those banks have mandated the use of these services. To the extent applicable, the Trust hereby authorizes Crosslin to participate in this electronic confirmation process through the third party's website (e.g., by entering the Trust's bank account information to initiate the process and then accessing the bank's confirmation response) and agrees that Crosslin shall have no liability in connection therewith.

Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable laws, regulations, or published interpretations, but if any provision of this Agreement shall be deemed prohibited, invalid, or otherwise unenforceable for any reason under such applicable laws, regulations, or published interpretations, such provisions shall be ineffective only to the extent of such prohibition, invalidity, or unenforceability and such revised provision shall be made a part of this Agreement as if it was specifically set forth herein. Furthermore, the provisions of the foregoing sentence shall not invalidate the remainder of such provision or the provisions of this Agreement.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Thank you again for the opportunity to provide auditing services to the Trust. We appreciate your business and look forward to working with you.

Very truly yours,

Erica D. Saeger
Audit Principal

ACCEPTED:

TENNESSEE SCHOOL BOARDS ASSOCIATION OPEB TRUST

By: _____

Custom Report

Prepared on November 03, 2021 for:
TSBA OPEB TRUST

TAMMY GRISSOM TTEE
TSBA OPEB TRUST U/T/A DTD
11/05/2012
525 BRICK CHURCH PARK DRIVE
NASHVILLE TN 37207-3219

The Cap IV Group

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Your Branch:

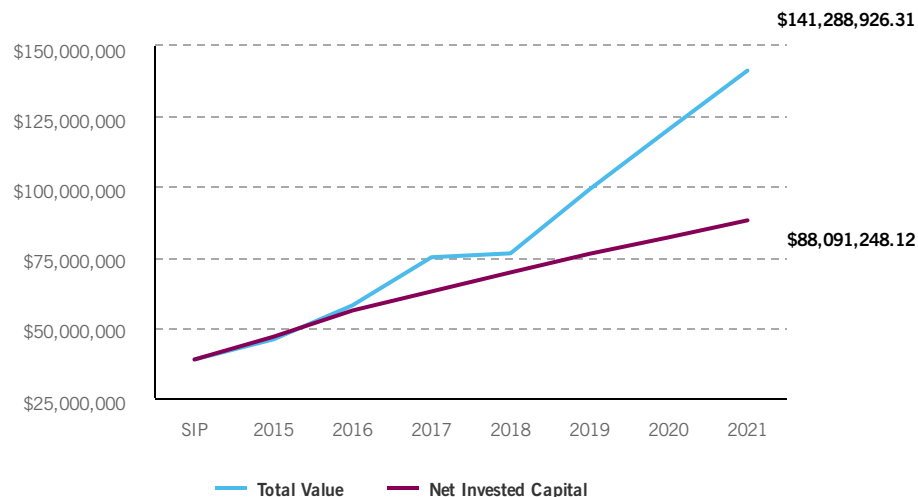
3102 WEST END AVE STE 200
NASHVILLE, TN 37203

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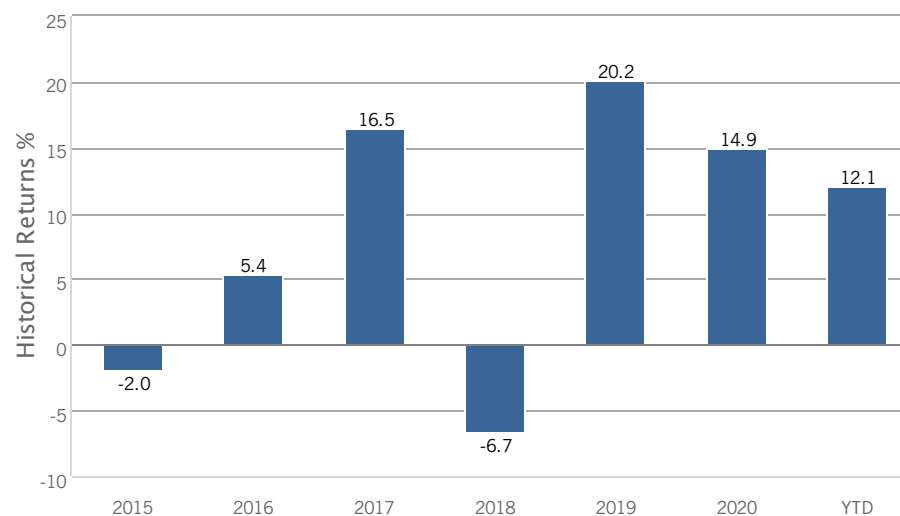
Please review the disclosures and definitions throughout this Document.
Various sub-sections of this Document may not contain information on all accounts/positions covered in this Document.

TOTAL VALUE VS. NET INVESTED CAPITAL



Does not include Performance Ineligible Assets.

DOLLAR-WEIGHTED PERIOD RETURN % (NET OF FEES)

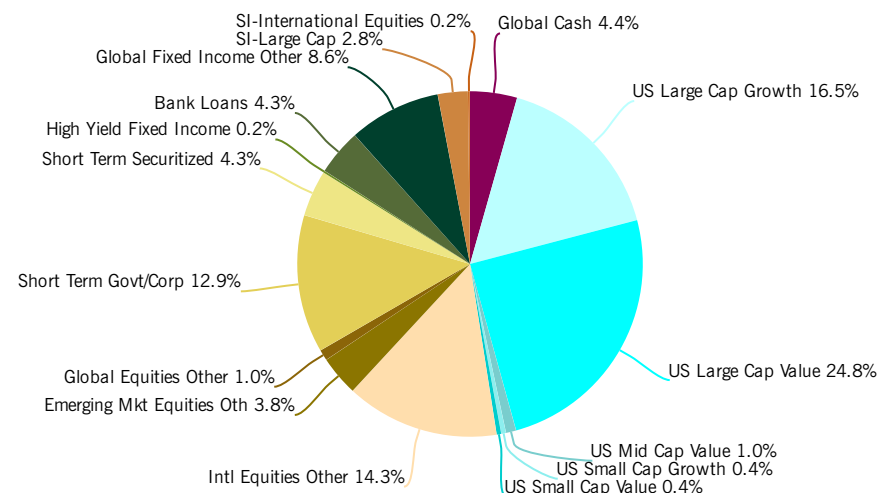


Does not include Performance Ineligible Assets.

DOLLAR-WEIGHTED RETURN % (NET OF FEES)

	Year to Date (\$) 12/31/20-11/02/21	Previous Year (\$) 12/31/19-12/31/20	Performance Inception (\$) 06/09/15-11/02/21
Beginning Total Value	120,311,869	99,077,485	38,680,482
Net Contributions/Withdrawals	6,054,330	5,826,586	49,410,766
Investment Earnings	14,922,727	15,407,799	53,197,678
Ending Total Value	141,288,926	120,311,869	141,288,926
DOLLAR WEIGHTED RATE OF RETURN (%) (Annualized for periods over 12 months)			
Return % (Net of Fees)	12.13	14.98	9.79
90-Day T-Bills	0.04	0.58	0.91

ASSET ALLOCATION



The investment returns shown on this page are dollar-weighted measurements which are affected by the timing and amount of your contributions and withdrawals.

Investment Policy Range

General Policy: The Trust's investment philosophy is that assets should be allocated with the goal of producing the highest total return consistent with prudent financial management. Unless otherwise specified by individual fund objectives, this philosophy should be adhered to within the constraints of the following asset allocation ranges:

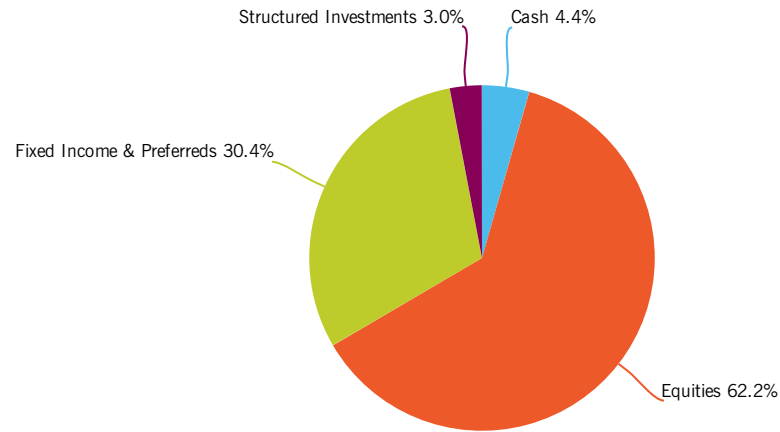
	<u>Maximum Allocation</u>	<u>Minimum Allocation</u>
Equity Investments	70%	35%
Fixed Income Investments	65%	20%
Cash & Equivalents	35%	0%
Alternative Investments – 40 Act Funds	15%	0%
Hedging Strategies		
Commodities ETF's		
Managed Futures Funds		

Exceptions for Individual Funds: In cases where individual fund objectives require an exception to the above asset allocation ranges, written statements detailing the policy for each specific fund will be provided as Supplements to this Investment Policy.

Asset Allocation Targets: From time to time the Finance Committee will determine specific asset allocation targets that it feels are best suited for accomplishing the above total return objective. These specific asset allocation targets will be communicated to individual investment managers in writing, and within a reasonable time frame, managers are expected to reallocate assets in order to comply with the target ranges established by the Committee. In the absence of specific asset allocation targets from the Trust, individual managers will have the direct responsibility for setting and maintaining an asset mix that they feel will best accomplish the Trust's total return objective. At all times, and in all cases, however, the above maximum and minimum limits, or where applicable, specific individual fund maximum and minimum limits, are to be adhered to.

The information in this report is based on data supplied by you and is intended to be used as a guide for your financial strategy. The information and data were obtained from sources deemed reliable. Their accuracy or completeness is not guaranteed and is subject to change with current market conditions. There is no guarantee that the figures presented will be attainable in the future. Morgan Stanley Smith Barney LLC, its affiliates and Morgan Stanley Financial Advisors or Private Wealth Advisors do not offer tax advice. Individuals should consult their personal tax advisor before many any tax-related investment decisions.

ASSET ALLOCATION - ASSET CLASS



ASSET ALLOCATION

	Total Value (\$) 10/31/2021	% of Portfolio 10/31/2021
Cash	6,214,122.89	4.4
Equities	87,383,755.29	62.2
Fixed Income & Preferreds	42,782,042.03	30.4
Structured Investments	4,221,212.24	3.0
TOTAL PORTFOLIO	140,601,132.45	100.0

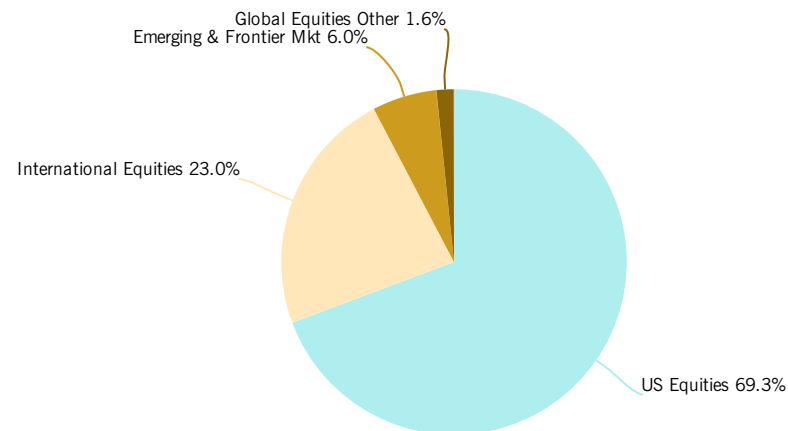
TSBA OPEB TRUST

As of November 02, 2021 | Reporting Currency: USD

TOP EQUITY POSITIONS BASED ON TOTAL VALUE

SECURITY DESCRIPTION	Total Value (\$) 11/02/2021	% of Equities 11/02/2021
PGIM JENNISON GROWTH Z	10,981,250.61	12.5
ISHARES CORE S&P U.S. GROWTH	9,625,161.60	10.9
ISHARES CORE MSCI EAFE ETF	8,157,592.29	9.3
ISHARES CORE S&P U.S. VALUE	8,144,289.80	9.3
BLACKROCK HIGH EQ INCOME INST	8,071,087.09	9.2
JOHN HANCOCK DISPLND VAL INST	8,042,394.09	9.1
OAKMARK FUND INSTITUTIONAL	8,030,262.49	9.1
AMERICAN EUROPACIFIC GRW F2	6,735,048.89	7.7
VANGUARD INDEX FDS S&P 500 ETF	5,466,184.99	6.2
THORNBURG INTL GROWTH I	5,378,926.07	6.1
Top Equity Positions	78,632,197.92	89.4
Other Equity Positions	9,348,256.08	10.6
Total Equities	87,980,454.00	100.0

ASSET ALLOCATION - EQUITIES



ASSET ALLOCATION - EQUITIES

	% of Equities 11/02/2021	Total Value (\$) 11/02/2021	% of Portfolio 11/02/2021
US Equities	69.3	60,958,271.90	43.1
US Large Cap Growth	26.5	23,339,504.71	16.5
US Large Cap Value	39.8	35,021,125.97	24.8
US Mid Cap Value	1.5	1,349,391.81	1.0
US Small Cap Growth	0.7	624,124.71	0.4
US Small Cap Value	0.7	624,124.71	0.4
International Equities	23.0	20,271,567.25	14.3
Intl Equities Other	23.0	20,271,567.25	14.3
Emerging & Frontier Mkt	6.0	5,312,754.37	3.8
Emerging Mkt Equities Oth	6.0	5,312,754.37	3.8
Global Equities Other	1.6	1,437,860.48	1.0
Global Equities Other	1.6	1,437,860.48	1.0

TSBA OPEB TRUST

As of November 02, 2021 | Reporting Currency: USD

ASSET ALLOCATION - EQUITIES (Continued)

	% of Equities 11/02/2021	Total Value (\$) 11/02/2021	% of Portfolio 11/02/2021
TOTAL EQUITIES	100.0	87,980,454.00	62.3

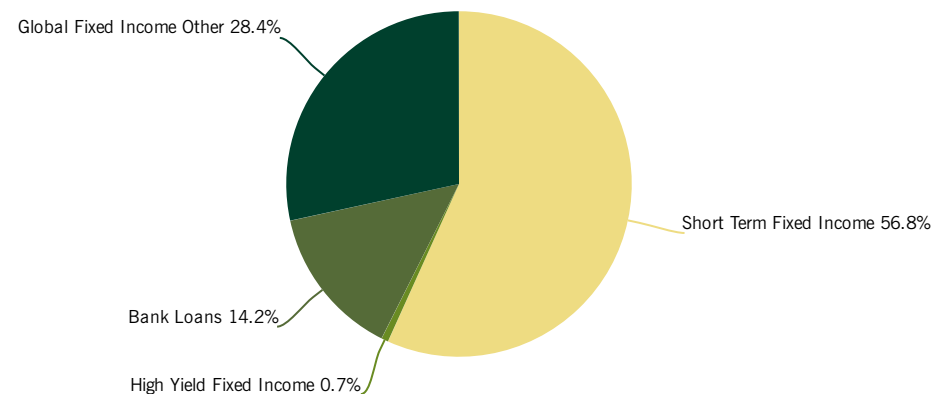
TSBA OPEB TRUST

As of November 02, 2021 | Reporting Currency: USD

TOP FIXED INCOME & PREFERRED POSITIONS BASED ON TOTAL VALUE

SECURITY DESCRIPTION	Total Value (\$) 11/02/2021	% of Fixed Income & Preferreds 11/02/2021
PGIM SHORT-TERM CORP BOND Z	24,328,021.20	56.8
PERFORMANCE TRUST STRAT BD I	12,176,158.83	28.4
PUTNAM FLOATING RATE INC Y	6,083,048.47	14.2
PGIM SHORT DUR HIGH YLD OPP FD	280,743.40	0.7
Top Fixed Income & Preferred Positions	42,867,971.90	100.0
Other Fixed Income & Preferred Positions	-	-
Total Fixed Income & Preferred	42,867,971.90	100.0

ASSET ALLOCATION - FIXED INCOME & PREFERRED



ASSET ALLOCATION - FIXED INCOME & PREFERREDS

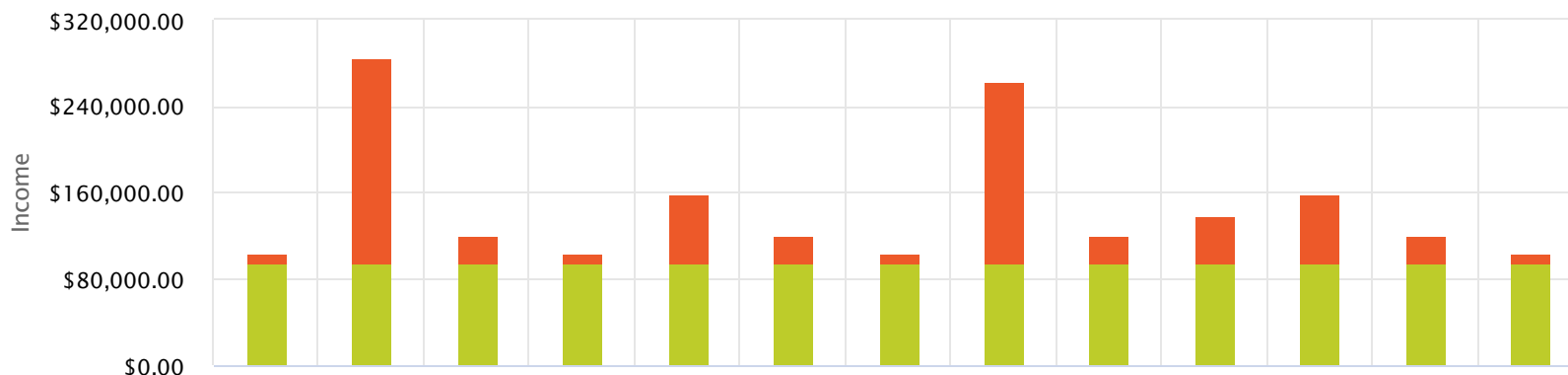
	% of Fixed Income & Preferreds 11/02/2021	Total Value (\$) 11/02/2021	% of Portfolio 11/02/2021
Short Term Fixed Income	56.8	24,328,021.20	17.2
High Yield Fixed Income	0.7	280,743.40	0.2
Bank Loans	14.2	6,083,048.47	4.3
Global Fixed Income Other	28.4	12,176,158.83	8.6
TOTAL FIXED INCOME & PREFERREDS	100.0	42,867,971.90	30.3

PROJECTED 12 MONTH INCOME SUMMARY

TSBA OPEB TRUST

As of November 02, 2021 | Reporting Currency: USD

12 MONTH INCOME SUMMARY

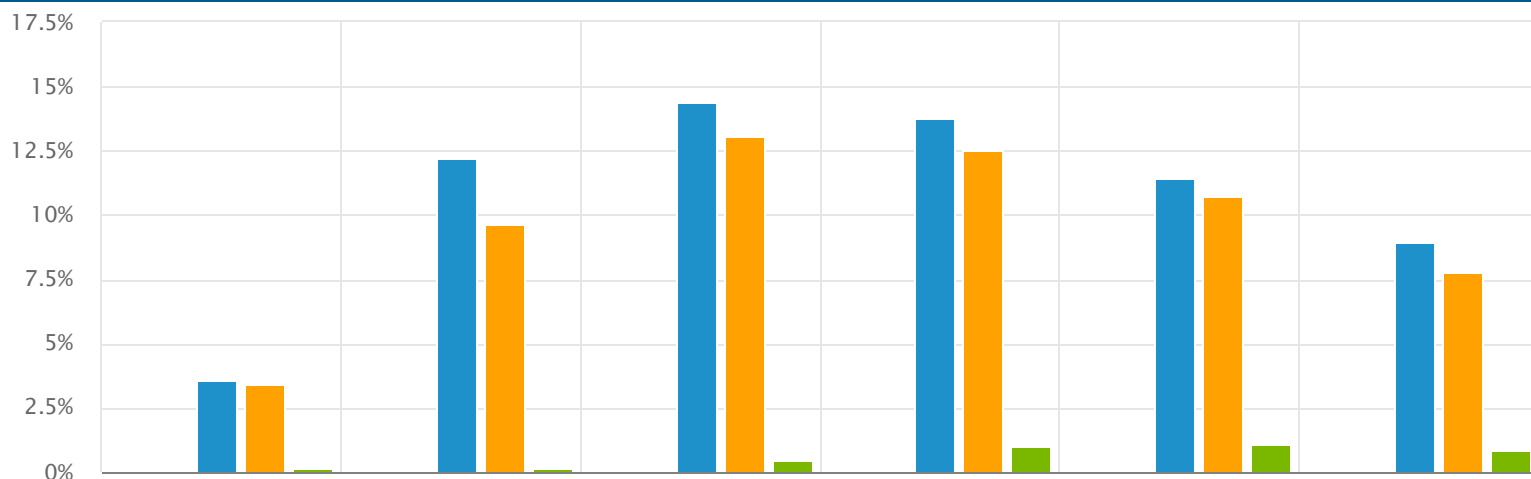


Asset Class	Total Value (\$) 11/02/2021	11/03/21 to 11/30/21 (\$)	Projected Income (\$) (12/01/21 - 11/30/22)												% Yield		
			Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov		Total	
Cash	6,214,127	64	64	64	64	64	64	64	64	64	64	64	64	64	64	767	0.01
Equities	87,980,454	7,389	189,696	24,401	7,389	62,379	24,401	7,389	167,115	24,401	43,579	62,379	24,401	7,389	1,245,977	1.42	
Fixed Income & Preferreds	42,867,972	95,968	95,968	95,968	95,968	95,968	95,968	95,968	95,968	95,968	95,968	95,968	95,968	95,968	95,968	1,151,616	2.69
Structured Investments	4,226,377	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	141,288,930	103,421	285,728	120,433	103,421	158,411	120,433	103,421	263,147	120,433	139,611	158,411	120,433	103,421	2,398,360	1.70	

Projected Income is calculated only for holdings where data is available.

In instances whereby payment frequency and/or last payment date is not available, income is based on the current dividend or coupon rate, and will be displayed in the Total column only.

RETURN % (NET OF FEES) VS. BENCHMARKS (ANNUALIZED)



	Quarter to Date 09/30/21 - 11/02/21	Year to Date 12/31/20 - 11/02/21	Previous Year 12/31/19 - 12/31/20	Last 3 Years 11/30/18 - 11/02/21	Last 5 Years 11/30/16 - 11/02/21	Performance Inception 06/09/15 - 11/02/21
Beginning Total Value (\$)	136,479,124.47	120,311,869.44	99,077,485.02	80,635,223.13	57,350,790.56	38,680,482.15
Net Contributions/Withdrawals (\$)	-48,027.75	6,054,329.97	5,826,585.68	18,866,698.32	32,014,542.05	49,410,765.97
Investment Earnings (\$)	4,857,829.59	14,922,726.90	15,407,798.74	41,787,004.87	51,923,593.70	53,197,678.19
Ending Total Value (\$)	141,288,926.31	141,288,926.31	120,311,869.44	141,288,926.31	141,288,926.31	141,288,926.31
Return % (Net of Fees)	3.56	12.23	14.38	13.77	11.41	8.95
TN TSBA Composite (%)	3.42	9.65	13.06	12.51	10.72	7.78
FTSE T-Bills 30 Day (%)	0.00	0.03	0.45	0.98	1.08	0.86

The investment returns shown on this page are time-weighted measurements which exclude the effect of the timing and amount of your contributions and withdrawals.

POSITIONS TIME WEIGHTED PERFORMANCE DETAIL

TSBA OPEB TRUST

As of November 02, 2021 | Reporting Currency: USD

RETURN % (GROSS OF FEES) VS. BENCHMARK (ANNUALIZED)

Asset Class/ Benchmark/ Security Description ▲	Account Number	Performance Inception Date	Ending Total Value (\$)	Year to Date (%) 12/31/20 - 11/02/21	Previous Year (%) 12/31/19 - 12/31/20	Last 3 Years (%) 11/30/18 - 11/02/21	Since Inception (%)	% of Portfolio
Total Portfolio (Gross of Fees)		06/09/2015	141,288,926.31	12.39	14.57	13.96	9.13	100.00
<i>TN TSBA Composite</i>				9.65	13.06	12.51	7.78	
Equities		06/09/2015	87,980,454.01	19.11	18.52	18.65	12.47	62.27
<i>MSCI AC World IMI Net</i>				17.65	16.25	17.55	11.12	
AMERICAN EUROPACIFIC GRW F2(AEPFX)	Multiple	07/14/2015	6,735,048.89	6.71	24.60	17.62	9.17	4.77
BLACKROCK HIGH EQ INCOME INST(BMCIX)	Multiple	09/02/2015	8,071,087.10	21.14	1.77	11.97	9.66	5.71
DWS SMALL CAP CORE S(SSLCX)	Multiple	02/20/2018	1,248,249.41	40.41	14.60	19.95	15.93	0.88
ISHARES CORE MSCI EAFE ETF(IEFA)	Multiple	11/28/2018	8,157,592.29	13.01	8.07	12.65	12.87	5.77
ISHARES CORE S&P U.S. GROWTH(IUSG)	Multiple	11/28/2018	9,625,161.60	27.03	31.80	26.75	27.90	6.81
ISHARES CORE S&P U.S. VALUE(IUSV)	Multiple	11/28/2018	8,144,289.80	22.04	1.33	14.10	14.70	5.76
JOHN HANCOCK DISPLND VAL INST(JVLIX)	Multiple	07/24/2018	8,042,394.08	25.65	0.58	11.87	10.07	5.69
LAZARD EMERG MKTS CORE EQ I(ECEIX)	Multiple	07/07/2021	5,312,754.37	-7.42	-	-	-7.42	3.76
NEUBERGER BERMAN NEXT GEN FUND(NBXG)	Multiple	05/26/2021	1,437,860.48	-1.12	-	-	-1.12	1.02
OAKMARK FUND INSTITUTIONAL(OANMX)	Multiple	07/12/2021	8,030,262.50	7.30	-	-	7.30	5.68
PGIM JENNISON GROWTH Z(PJFZX)	Multiple	09/02/2015	10,981,250.62	20.53	52.82	32.34	22.42	7.77
THORNBURG INTL GROWTH I(TINGX)	Multiple	09/02/2015	5,378,926.09	1.04	33.95	16.93	11.25	3.81
VANGUARD INDEX FDS S&P 500 ETF(VOO)	Multiple	02/22/2016	5,466,184.99	24.84	17.38	21.24	18.47	3.87
VICTORY RS VALUE Y(RSVYX)	Multiple	09/02/2015	1,349,391.80	25.66	-3.15	13.35	10.38	0.96
Fixed Income & Preferreds		06/09/2015	42,867,971.92	0.29	5.25	4.83	2.87	30.34
<i>Barclays Aggregate</i>				-1.51	7.51	5.60	3.33	
PERFORMANCE TRUST STRAT BD I(PTIAX)	Multiple	01/26/2021	12,176,158.84	1.03	-	-	1.03	8.62
PGIM SHORT DUR HIG YLD OPP FD(SDHY)	Multiple	11/25/2020	280,743.40	-3.44	-	-	-1.17	0.20

The investment returns shown on this page are time-weighted measurements which exclude the effect of the timing and amount of your contributions and withdrawals. Position level performance detail is only available since 12/31/2014.

POSITIONS TIME WEIGHTED PERFORMANCE DETAIL

TSBA OPEB TRUST

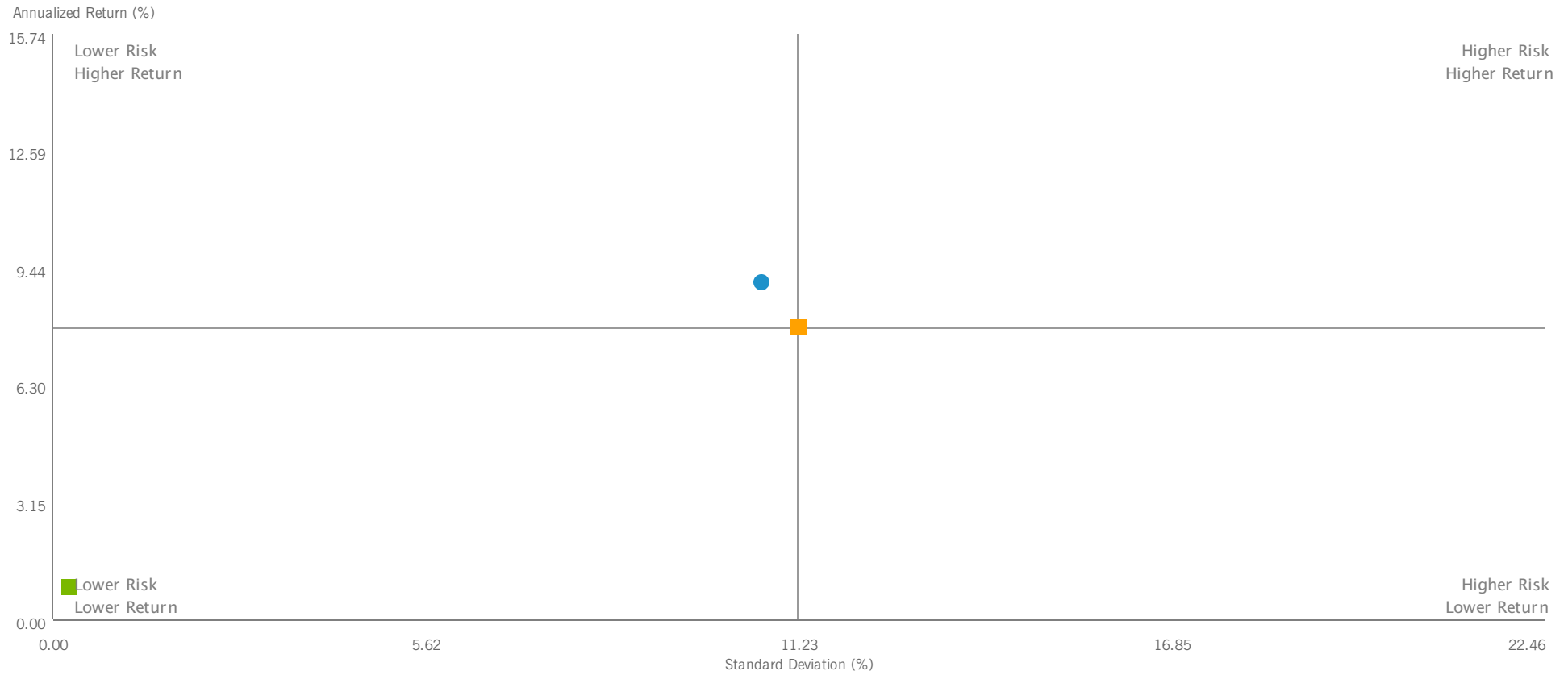
As of November 02, 2021 | Reporting Currency: USD

RETURN % (GROSS OF FEES) VS. BENCHMARK (ANNUALIZED) (Continued)

Asset Class/ Benchmark/ Security Description ▲	Account Number	Performance Inception Date	Ending Total Value (\$)	Year to Date (%) 12/31/20 - 11/02/21	Previous Year (%) 12/31/19 - 12/31/20	Last 3 Years (%) 11/30/18 - 11/02/21	Since Inception (%)	% of Portfolio
PGIM SHORT-TERM CORP BOND Z(PIFZX)	Multiple	09/02/2015	24,328,021.21	-0.17	5.40	4.31	2.80	17.22
PUTNAM FLOATING RATE INC Y(PFRYX)	Multiple	05/03/2017	6,083,048.47	2.76	0.91	3.15	3.06	4.31
Structured Investments		02/28/2020	4,226,377.50	7.11	-	-	8.28	2.99
S&P 500 Total Return				24.73	-	-	32.13	
BCS PLUS SPX 23JN05(SQDNQ)	Multiple	11/30/2020	1,204,515.00	9.01	-	-	6.50	0.85
CS JUMP UKX 26JL23(SQFDE)	Multiple	07/20/2021	266,263.02	-1.90	-	-	-1.90	0.19
GS PLUS SPX 24FB05(SQFDJ)	Multiple	07/30/2021	1,303,549.48	-1.02	-	-	-1.02	0.92
GS PLUS SPX 24MY03(SQFSK)	Multiple	10/29/2021	1,452,050.00	0.00	-	-	0.00	1.03
Cash		06/09/2015	6,214,122.89	-	-	-	-	4.40
FTSE Treasury Bill 3 Month				-	-	-	-	
BANK DEPOSIT PROGRAM(BDPS)	Multiple	06/18/2015	7,666,172.89	-	-	-	-	5.43
Cash(0000MONEY)	Multiple	06/17/2015	-1,452,050.00	-	-	-	-	-1.03

The investment returns shown on this page are time-weighted measurements which exclude the effect of the timing and amount of your contributions and withdrawals. Position level performance detail is only available since 12/31/2014.

RETURN % (NET OF FEES) AND VOLATILITY VS. BENCHMARKS



	Return % (Net of Fees) 06/30/15-10/31/21	Standard Deviation (%) 06/30/15-10/31/21
● Portfolio	9.06	10.67
■ TN TSBA Composite	7.87	11.23
■ FTSE T-Bills 30 Day	0.87	0.25

The investment returns shown on this page are time-weighted measurements which exclude the effect of the timing and amount of your contributions and withdrawals.

Pent-up Demand or Payback? Early to Mid-Cycle Transition Ends with Correction

As of September 8, 2021

- **Mid-Cycle Transition Ends with Correction:** Just like bear markets have ended with a recession, the mid-cycle transition is ending with a correction. Peak rate of change in policy and economic/earnings growth has typically coincided with more conservative investment and has ended with a broader equity market correction. This is the classic mid-cycle transition that accompanies recoveries from recession. Think 1994, 2004, 2011. So far, we have experienced a rolling correction across many asset categories, and the breadth of the equity market remains weak. We expect the next and final stage of this rolling correction to end with 10%-15% correction in the S&P 500 and Nasdaq.
- **Peaking Rates of Change Matter.** The peak rate of change in fiscal policy, Fed balance sheet, M2, economic and earnings growth we expected has definitively arrived. Such peaks have often coincided with setbacks in equity markets and this time should be no different. As usual, the lower quality and more speculative parts of the financial markets have led the correction with many down 20%-30%.
- **Peak Rate of Change Is Now the Consensus.** The consensus has now adopted our view on the peak rate of change in growth and policy. However, there is still a lot of pushback that the typical 10%-20% correction in the S&P 500 will happen this time. We continue to believe 2H21 will likely provide the data to decide if a broader correction is necessary or if we can simply consolidate the past year's gains with more rotations. So far, the data is supportive of a bigger deceleration than what most investors expect, and that is the catalyst.
- **Upgrade to Quality with a More Defensive Skew.** Along with the mid-cycle transition comes a shift in equity market leadership. Higher-quality stocks tend to perform better. We downgraded small caps and early-cycle sectors (Retail, Transports, Semis, Homebuilders) in March while upgrading Staples in April to reflect this view. We then downgraded Materials in May while upgrading Utilities and downgrading Energy in July. These trades have all played out in accordance with the mid-cycle transition, which has not yet completed.
- **Inflation Is the Key to the Secular Bull Market for Stocks and Secular Bear Market for Bonds.** The shift in policy from monetary to fiscal dominance is a significant change that has big implications for our asset allocation recommendations. A US recession was always a necessary condition for this outcome and the health-crisis nature of this event further supports this regime shift. Finally, don't forget the other inflationary trends that were well established before this recession began—populism, nationalism, de-globalization, and a sign that the US dollar may either lose or have to share its reserve currency status.
- **We Lowered Our Equity Allocations and Raised Our Bond Allocations in May.** As both monetary and fiscal policy normalizes, we expect a broader equity market correction due to either higher interest rates, i.e., "fire," or due to a more significant growth disappointment, i.e., "ice." Despite this risk for a near-term pullback in equities, we are still overweight on a 12-month basis. We also recommend owning some commodities and real estate as an inflation hedge. Avoid profitless growth stocks as valuations remain at risk from higher interest rates in the future in either the fire or ice outcome. Be patient here with new investments and use pullbacks around peaking rates of change as buying opportunities for cyclicals, growth at a reasonable price, and international stocks.

Source: Morgan Stanley & Co. Research. M2 is a measure of the money supply that includes all elements of M1 as well as "near money." M1 includes cash and checking deposits, while near money refers to savings deposits, money market securities, mutual funds and other time deposits.

Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Please refer to important information, disclosures and qualifications at the end of this material.

ACCOUNT(S) INCLUDED IN THIS REPORT

TSBA OPEB TRUST

Reporting Currency: USD

MORGAN STANLEY WEALTH MANAGEMENT

Account Name and Address	Account Type/ Manager Name	Advisory/ Brokerage	Account Number	Date Opened	Date Closed	Performance (%) Inception - 11/02/21	Total Value (\$) 11/02/21	% of Portfolio 11/02/21
ARLINGTON CITY - Alternative Investment 525 BRICK CHURCH PARK DR NASHVILLE	AAA	Brokerage	471-XXX385	02/18/20	-	6.03	206,142.65	0.15
ARLINGTON CITY BOE 525 BRICK CHURCH PARK DRIVE NASHVILLE	Consulting Group Advisor	Advisory	471-XXX901	06/17/15	-	9.15	3,984,056.33	2.82
BARTLETT CITY - Alternative Investment 525 BRICK CHURCH PARK DR NASHVILLE	AAA	Brokerage	471-XXX383	02/18/20	-	6.23	254,854.16	0.18
BARTLETT CITY BOE 525 BRICK CHURCH PARK DRIVE NASHVILLE	Consulting Group Advisor	Advisory	471-XXX902	06/17/15	-	9.23	4,819,615.14	3.41
Collierville City - Alternative Invest. 525 BRICK CHURCH PARK DR NASHVILLE	AAA	Brokerage	471-XXX396	02/18/20	-	6.39	116,601.92	0.08
COLLIERVILLE CITY BOE 525 BRICK CHURCH PARK DRIVE NASHVILLE	Consulting Group Advisor	Advisory	471-XXX903	06/17/15	-	9.03	2,058,022.57	1.46
HICKMAN CO. 525 BRICK CHURCH PARK DRIVE NASHVILLE	Consulting Group Advisor	Advisory	471-XXX866	06/03/15	-	9.18	2,742,935.82	1.94
Hickman Co. - Alternative Investment 525 BRICK CHURCH PARK DR NASHVILLE	AAA	Brokerage	471-XXX388	02/18/20	-	6.47	155,054.19	0.11
JACKSON-MADISON 525 BRICK CHURCH PARK DRIVE NASHVILLE	Consulting Group Advisor	Advisory	471-XXX864	06/03/15	-	9.17	499,049.50	0.35
JACKSON-MADISON - Alternative Investment 525 BRICK CHURCH PARK DR NASHVILLE	AAA	Brokerage	471-XXX403	02/18/20	-	6.31	27,624.36	0.02

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ACCOUNT(S) INCLUDED IN THIS REPORT

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MORGAN STANLEY WEALTH MANAGEMENT (Continued)

Account Name and Address	Account Type/ Manager Name	Advisory/ Brokerage	Account Number	Date Opened	Date Closed	Performance (%) Inception - 11/02/21	Total Value (\$) 11/02/21	% of Portfolio 11/02/21
JOHNSON CO. 525 BRICK CHURCH PARK DRIVE NASHVILLE	Consulting Group Advisor	Advisory	471-XXX869	06/03/15	-	9.17	1,357,390.06	0.96
JOHNSON CO. - Alternative Investment 525 BRICK CHURCH PARK DR NASHVILLE	AAA	Brokerage	471-XXX398	02/18/20	-	6.46	76,366.94	0.05
Lakeland City - Alternative Investment 525 BRICK CHURCH PARK DR NASHVILLE	AAA	Brokerage	471-XXX393	02/18/20	-	6.44	115,335.51	0.08
LAKELAND CITY BOE 525 BRICK CHURCH PARK DRIVE NASHVILLE	Consulting Group Advisor	Advisory	471-XXX900	06/17/15	-	9.00	2,144,973.99	1.52
MILLINGTON 525 BRICK CHURCH PARK DRIVE NASHVILLE	Consulting Group Advisor	Advisory	471-XXX583	07/05/16	-	11.01	379,186.85	0.27
MILLINGTON - Alternative Investment 525 BRICK CHURCH PARK DR NASHVILLE	AAA	Brokerage	471-XXX409	02/18/20	-	6.35	20,946.61	0.02
SHELBY CO. 525 BRICK CHURCH PARK DRIVE NASHVILLE	Consulting Group Advisor	Advisory	471-XXX863	06/03/15	-	9.13	118,620,361.01	83.96
SHELBY CO. - Alternative Investment 525 BRICK CHURCH PARK DR NASHVILLE	AAA	Brokerage	471-XXX380	02/18/20	-	6.46	3,710,412.84	2.63
TSBA GASB 45 TRUST 525 BRICK CHURCH PARK DRIVE NASHVILLE	AAA	Brokerage	471-XXX865	06/03/15	07/20/15	-	0.00	0.00
TSBA GASB 45 TRUST 525 BRICK CHURCH PARK DRIVE NASHVILLE	AAA	Brokerage	471-XXX925	06/23/15	07/20/15	-	0.00	0.00

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ACCOUNT(S) INCLUDED IN THIS REPORT

TSBA OPEB TRUST

Reporting Currency: USD

MORGAN STANLEY WEALTH MANAGEMENT (Continued)

Account Name and Address	Account Type/ Manager Name	Advisory/ Brokerage	Account Number	Date Opened	Date Closed	Performance (%) Inception - 11/02/21	Total Value (\$) 11/02/21	% of Portfolio 11/02/21
Morgan Stanley Wealth Management Total							141,288,930.45	100.00
Total Portfolio							141,288,930.45	100.00

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Additional information about your Floating Rate Notes: For floating rate securities, the estimated accrued interest and estimated annual income are based on the current floating coupon rate and may not reflect historic rates within the accrual period.

Important Information About Auction Rate Securities: For certain Auction Rate Securities there is no or limited liquidity. Therefore, the price(s) for these Auction Rate Securities are indicated as not available by a dash "-". There can be no assurance that a successful auction will occur or that a secondary market exists or will develop for a particular security.

Important Pricing Information: Prices of securities not actively traded may not be available, and are indicated by a dash "-". Account values are based on the most recent security pricing available and may be prior to the date of this material.

Asset Classification: We classify assets based on general characteristics such as: income generation, underlying capital structure, or exposure to certain market sectors. As many assets contain characteristics of more than one asset class, allocations may be under or over inclusive. These classifications do not constitute a recommendation and may differ from the classification of instruments for regulatory or tax purposes. In addition, the Other asset class contains securities that are not included in the various asset class classifications. This can include, but is not limited to, non-traditional investments such as some Equity Unit Trusts, Index Options and Structured Investments issued outside of Morgan Stanley. Additionally, investments for which we are unable to procure market data to properly classify them will appear in the Other category.

Morgan Stanley Wealth Management: Morgan Stanley Wealth Management (custodian type "Morgan Stanley Wealth Management") is a registered trade name of Morgan Stanley Smith Barney LLC.

Additional information about your Structured Products: Structured Investments are complex products and may be subject to special risks, which may include, but are not limited to: loss of initial investment; issuer credit risk and price volatility resulting from any actual or anticipated changes to issuer's and/or guarantor's credit ratings or credit spreads; limited or no appreciation and limits on participation in any appreciation of underlying asset(s); risks associated with the underlying reference asset(s); no periodic payments; call prior to maturity; early redemption fees for market linked deposits; lower interest rates and/or yield compared to conventional debt with comparable maturity; unique tax implications; limited or no secondary market; and conflicts of interest due to affiliation,

compensation or other factors which could adversely affect market value or payout to investors. Investors also should consider the concentration risk of owning the related security and their total exposure to any underlying asset.

Morgan Stanley & Co.: Morgan Stanley & Co. LLC ("Morgan Stanley & Co.") is an affiliate of Morgan Stanley Smith Barney LLC ("Morgan Stanley Wealth Management") and both are subsidiaries of Morgan Stanley, the financial holding company. Morgan Stanley & Co. values shown on your Morgan Stanley Wealth Management statement may differ from the values shown in your official Morgan Stanley & Co. statement due to, among other things, different reporting methods, delays, market conditions and interruptions. The information shown is approximate and subject to updating, correction and other changes. Information being reported by Morgan Stanley Wealth Management on assets held by other custodians, which are related to Income, Performance, Tax Lots, Total Cost, Target Asset Allocation, Asset Classification and Gain/Loss may differ from that information provided by the custodian. In performance calculations, the inception date will align with the first date on which Morgan Stanley Wealth Management received account information from the custodian. If there are discrepancies between your official Morgan Stanley & Co. account statement and your Morgan Stanley Wealth Management supplemental client report, rely on the official Morgan Stanley & Co. account statement.

External Accounts: "External" generally refers to accounts, assets, and/or liabilities that you hold with other financial institutions and/or which may be custodied outside of Morgan Stanley (whose subsidiaries include Morgan Stanley Smith Barney LLC and Morgan Stanley & Co.) ("External Accounts"). External Accounts are not under administration or management at Morgan Stanley and are not reflected in your Morgan Stanley account statements. Information related to External Accounts is provided solely as a service to you and your Financial Advisor/Private Wealth Advisor. The information reference is based upon information provided by external sources which we believe to be reliable. However, we do not independently verify this information. As such, we do not warrant or guarantee that such information is accurate or timely, and any such information may be incomplete or condensed.

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Assets not custodied with Morgan Stanley are not covered by SIPC protection at Morgan Stanley or by additional protection under Morgan Stanley's excess insurance coverage plans. However, these assets may be subject to SIPC coverage at the entity at which they are custodied.

Timing of Feeds: Account and Position data for Morgan Stanley & Co. and External Accounts is obtained from sources that we believe to be reliable. However, Morgan Stanley Wealth management does not guarantee its accuracy or timeliness as such information may be incomplete, condensed, or based on differing points of time. Please refer to the "Last Update Date" for information regarding when the data was last refreshed. You should not take any action relying upon this information without confirming its accuracy and completeness.

Manually Added assets: "Manually Added" generally refers to accounts, assets, and/or liabilities, as applicable, that you hold with other financial institutions and/or which may be custodied outside of Morgan Stanley (whose subsidiaries include Morgan Stanley Smith Barney LLC and Morgan Stanley & Co.) ("Manually Added External Accounts"). The Manually Added External Accounts referenced are generally not held with Morgan Stanley and are not under administration or management at Morgan Stanley. Information about such Manually Added External Accounts is manually inputted, updated and maintained solely by you and/or your Financial Advisor/Private Wealth Advisor. Morgan Stanley may include information about these Manually Added External Accounts solely as a service to you and your Financial Advisor/Private Wealth Advisor. We do not independently verify any information related to your Manually Added External Accounts. As such, we do not warrant or guarantee that such information is accurate or timely, and any such information may be incomplete or condensed. Valuations and other information about these assets may be provided by you and/or your Financial Advisor/Private Wealth Advisor and are generally based upon estimates. The information is used for position, asset allocation, and product allocation reporting purposes but is not, however, reflected in your Morgan Stanley account statements. Income values, including Estimated Annual Income and Projected Income, are not calculated for Manually Added External Accounts. The information being reported by Morgan Stanley on Manually Added External Accounts related to Performance, Tax Lots, Total Cost, Target Asset Allocation, Asset Classification and Gain/Loss may differ from the information provided to you by the custodian of those assets. If there are discrepancies between your custodian's official account statement and this material, rely on the custodian's official account statement. The inception date referenced in this view will reflect the date on which information about the Manually Added External Accounts was input by you and/or your Financial Advisor/Private Wealth Advisor. If information on a Manually Added asset cannot be reported, it will be noted.

Assets not custodied with Morgan Stanley are not covered by SIPC protection at Morgan Stanley or by additional protection under Morgan Stanley's excess insurance coverage plans. However, these assets may be subject to SIPC coverage at the entity at which they are custodied.

Performance: Performance results are annualized for time periods greater than one year and include all cash and cash equivalents, realized and unrealized capital gains and losses, dividends, interest and income. Depending on the opening or closing date of the account or position, the performance referenced may be for a portion of the time period identified. The investment results depicted herein represent historical performance. As a result of recent market activity, current performance may vary from the figures shown. Please contact your Financial Advisor for up-to-date performance information. Past

performance is not a guarantee of future results. Quotations of performance appearing in this report may include performance experienced in legacy accounts which have been closed and purged, and as such are not included on the Accounts Included in This Report page.

Market values used for performance calculation do not include Performance Ineligible Assets and thus may differ from asset allocation market values. Common examples of Performance Ineligible Assets include life insurance and annuities as well as Manually Added and External accounts, assets and liabilities.

Unless otherwise indicated, performance is an aggregated composite calculation of the entire portfolio and may include brokerage and investment advisory accounts as well as assets for different accounts included in this report. The accounts included in the composite may have (or have had) different investment objectives and strategies, been subject to different restrictions, and incurred different types of fees, markups, commissions and other charges. Accordingly, performance results may blend the performance of assets and strategies that may not have been available in all of the accounts at all times during the reporting period. In addition, accounts in the composite may have changed from brokerage to advisory or vice versa. Accounts may also have moved from one advisory program to another (including from a discretionary program to a non-discretionary program).

For Morgan Stanley Smith Barney LLC accounts, performance information may cover the full history of the account(s) or just the performance of an account(s) since the inception of the current program(s). Performance results on individual accounts will vary and may differ from the composite returns. Your Financial Advisor can provide you with individual account portfolio composition and performance information. For investment advisory accounts, please see the Morgan Stanley Smith Barney LLC Form ADV Part 2 or applicable disclosure brochure and any applicable brokerage commission and/or fee schedule for a full disclosure of fees and expenses. Your Financial Advisor will provide those documents to you upon request. For brokerage accounts, please speak to your Financial Advisor for more information on commissions and other account fees and expenses.

Performance inception date does not necessarily correspond to the account opening date. Where multiple accounts are included in performance calculations, the inception date is the oldest performance inception. Performance data may not be available for all periods as some accounts included in performance may have more recent performance inception dates. Consequently, the actual performance for a group of accounts may differ from reported performance. Please ask your Financial Advisor for the performance inception date for each account.

Sub Account and Security Level Performance: The performance return methodology described above and in the TWR and IRR definitions applies to both Account Level and Sub-Account (e.g. Asset Class or Security level) performance returns. The inputs consist of market values and net flows.

For example, TWR is calculated by taking the Change in Market Value (Ending MV – Beginning MV) less any net flows, divided by the beginning MV. $TWR = (Ending\ MV - Beginning\ MV - Net\ Flows) / Beginning\ MV$

The difference lies in what is or is not included in the Market Values and Flows. For account level performance, the total account market values and all flows within the account are taken into account. For sub-account level performance, only those market values and flows associated with the specific securities included are taken into account.

Flows that are not security specific typically include account advisory fees, cash contributions or withdrawals, and any other flows that are not attributed to a specific security.

Flows that are security specific including purchases, sales, dividends, interest, partnership distributions, return of capital, fund sales charges, security transaction fees, and ongoing fund expenses are typically reflected in the security level returns.

Gross of Fees: The impact of program fees can be material. These program fees are deducted based on your billing cycle and may have a compounding effect on performance. As fees are deducted periodically throughout the year, the compounding effect may increase the impact of the fees by an amount directly related to the gross account performance.

Indices: Benchmark indices and blends included in this material are for informational purposes only, are provided solely as a comparison tool and may not reflect the underlying composition and/or investment objective(s) associated with the account(s). In some circumstances, the benchmark index may not be an appropriate benchmark for use with the specific composite portfolio. For instance, an index may not take into consideration certain changes that may have occurred in the portfolio since the inception of the account(s), (e.g., changes from a brokerage to an advisory account or from one advisory program to another, asset class changes, or index changes for individual managers). The volatility of the index used for comparison may be materially different from that of the performance shown. Indices are unmanaged and not available for direct investment. Index returns do not take into account fees or other charges. Such fees and charges would reduce performance. Please see the Benchmark Definitions section of this material for additional information on the indices used for comparison.

Performance Inception Month End: Performance Inception Month End refers to performance calculated from the end of the month in which the accounts became eligible for performance. Calculating performance from the Performance Inception Month End allows for a comparison to be made to appropriate benchmarks. Performance Inception Month End does not necessarily correspond to the account opening date.

Projected 12 Month: Projected 12 Month Income is based upon cash income from interest, cash dividends, and partnership distributions. It is a hypothetical projection calculated using current yields. The projected income referenced is based upon certain market projections effective as at today's date only and can change at any time. Such projected income is hypothetical, do not reflect actual investment results, and is not a guarantee of future results. The projected income is referenced for illustrative purposes only. Morgan Stanley does not represent or guarantee that the projected income referenced will or can be attained. The actual income may be lower or higher than the projections based upon a variety of factors and assumptions. The projected income shown may under or over compensate for the

impact of actual market conditions and other factors. We make no representation or warranty as to the reasonableness of the assumptions made, or that all assumptions used to construct this projected income information have been stated or fully considered. To the extent that the assumptions made do not reflect actual conditions, the illustrative value of the hypothetical projected income will decrease. The projected income referenced may include income from Morgan Stanley & Co. and External Accounts, where data is available. Such information was obtained from third party sources which Morgan Stanley believes to be reliable. However, we make no representation or guarantee that the information is accurate or complete. You should not rely upon this information to make any investment decision. Please refer to the official account statements and performance reports you received from your custodian and/or financial institution for information about projected income in your External Accounts. The projected income referenced does not include income from assets in Manually Added External Accounts.

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Morgan Stanley's investment advisory programs may require a minimum asset level and, depending on your specific investment objectives and financial position, may not be appropriate for you. Please see the Morgan Stanley Smith Barney LLC program disclosure brochure (the "Morgan Stanley ADV") for more information in the investment advisory programs available. The Morgan Stanley ADV is available at www.morganstanley.com/ADV. **Sources of Data.** Information in this material in this report has been obtained from sources that we believe to be reliable, but we do not guarantee its accuracy, completeness or timeliness. Third-party data providers make no warranties or representations relating to the accuracy, completeness or timeliness of the data they provide and are not liable for any damages relating to this data. All opinions included in this material constitute the Firm's judgment as of the date of this material and are subject to change without notice. This material was not prepared by the research departments of Morgan Stanley & Co. LLC or Morgan Stanley Smith Barney LLC. Some historical figures may be revised due to newly identified programs, firm restatements, etc.

Global Investment Manager Analysis (GIMA) Focus List, Approved List and Tactical Opportunities List; Watch Policy. GIMA uses two methods to evaluate investment products in applicable advisory programs: **Focus** (and investment products meeting this standard are described as being on the Focus List) and **Approved** (and investment products meeting this standard are described as being on the Approved List). In general, Focus entails a more thorough evaluation of an investment product than Approved. Sometimes an investment product may be evaluated using the Focus List process but then placed on the Approved List instead of the Focus List. Investment products may move from the Focus List to the Approved List, or vice versa. GIMA may also determine that an investment product no longer meets the criteria under either process and will no longer be recommended in investment advisory programs (in which case the investment product is given a "Not Approved" status). GIMA has a **"Watch"** policy and may describe a Focus List or Approved List investment product as being on "Watch" if GIMA identifies specific areas that (a) merit further evaluation by GIMA and (b) may, but are not certain to, result in the investment product becoming "Not Approved." The Watch period depends on the length of time needed for GIMA to conduct its evaluation and for the investment manager or fund to address any concerns. Certain investment products on either the Focus List or Approved List may also be recommended for the **Tactical Opportunities List** based in part on tactical opportunities existing at a given time. The investment products on the Tactical Opportunities List change over time. For more information on the Focus List, Approved List, Tactical Opportunities List and Watch processes, please see the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management. Your Financial Advisor or Private Wealth Advisor can also provide upon request a copy of a publication entitled "Manager Selection Process."

The **Global Investment Committee** is a group of seasoned investment professionals who meet regularly to discuss the global economy and markets. The committee determines the investment outlook that guides our advice to clients. They continually monitor developing economic and market conditions, review tactical outlooks and recommend model portfolio weightings, as well as produce a suite of strategy, analysis, commentary, portfolio positioning suggestions and other reports and broadcasts.

The GIC Asset Allocation Models are not available to be directly implemented as part of an investment advisory service and should not be regarded as a recommendation of any Morgan Stanley investment advisory service. The GIC Asset Allocation Models do not represent actual trading or any type of account or any type of investment strategies and none of the fees or other expenses (e.g. commissions, mark-ups, mark-downs, advisory fees, fund expenses) associated with actual trading or accounts are reflected in the GIC Asset Allocation Models which, when compounded over a period of years, would decrease returns.

Adverse Active AlphaSM 2.0 is a patented screening and scoring process designed to help identify high-quality equity and fixed income managers with characteristics that may lead to future outperformance relative to index and peers. While highly ranked managers performed well as a group in our Adverse Active Alpha model back tests, not all of the managers will outperform. Please note that this data may be derived from back-testing, which has the benefit of hindsight. In addition, highly ranked managers can have differing risk profiles that might not be appropriate for all investors.

Our view is that Adverse Active Alpha is a good starting point and should be used in conjunction with other information. Morgan Stanley Wealth Management's qualitative and quantitative investment manager due diligence process are equally important factors for investors when considering managers for use through an investment advisory program. Factors including, but not limited to, manager turnover and changes to investment process can partially or fully negate a positive Adverse Active Alpha ranking. Additionally, highly ranked managers can have differing risk profiles that might not be appropriate for all investors.

The proprietary **Value Score** methodology considers an active investment strategies' value proposition relative to its costs. From a historical quantitative study of several quantitative markers, Value Score measures perceived forward-looking benefit and computes (1) "fair value" expense ratios for most traditional investment managers across 40 categories and (2) managers' perceived "excess value" by comparing the fair value expense ratios to actual expense ratios. Managers are then ranked within each category by their excess value to assign a Value Score. Our analysis suggests that greater levels of excess value have historically corresponded to attractive subsequent performance.

For more information on the ranking models, please see *Adverse Active AlphaSM 2.0: Scoring Active Managers According to Potential Alpha and Value Score: Scoring Fee Efficiency by Comparing Managers' Fair Value and Actual Expense Ratios*. The whitepapers are available from your Financial Advisor or Private Wealth Advisor. ADVERSE ACTIVE ALPHA is a registered service mark of Morgan Stanley and/or its affiliates. U.S. Pat. No. 8,756,098 applies to the Adverse Active Alpha system and/or methodology.

Additionally, highly ranked managers can have differing risk profiles that might not be appropriate for all investors. For more information on AAA, please see the Adverse Active Alpha Ranking Model and Selecting Managers with Adverse Active Alpha whitepapers. The whitepaper are available from your Financial Advisor or Private Wealth Advisor. ADVERSE ACTIVE ALPHA is a registered service mark of Morgan Stanley and/or its affiliates. U.S. Pat. No. 8,756,098 applies to the Adverse Active Alpha system and/or methodology.

The Global Investment Manager Analysis (GIMA) Services Only Apply to Certain Investment Advisory Programs GIMA evaluates certain investment products for the purposes of some – but not all – of Morgan Stanley Smith Barney LLC's investment advisory programs (as described in more detail in the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management). If you do not invest through one of these investment advisory programs, Morgan Stanley Wealth Management is not obligated to provide you notice of any GIMA Status changes even though it may give notice to clients in other programs.

Strategy May Be Available as a Separately Managed Account or Mutual Fund Strategies are sometimes available in Morgan Stanley Wealth Management investment advisory programs both in the form of a separately managed account ("SMA") and a mutual fund. These may have different expenses and investment minimums. Your Financial Advisor or Private Wealth Advisor can provide more information on whether any particular strategy is available in more than one form in a particular investment advisory program. Generally, investment advisory accounts are subject to an annual asset-based fee which is payable monthly in advance (some account types may be billed differently). (The "Fee"). In general, the Fee covers Morgan Stanley investment advisory services, custody of securities with Morgan Stanley, trade execution with or through Morgan Stanley or its affiliates, as well as compensation to any Morgan Stanley Financial Advisor.

In addition, each account that is invested in a program that is eligible to purchase certain investment products, such as mutual funds, will also pay a Platform Fee (which is subject to a Platform Fee offset) as described in the applicable ADV brochure. Accounts invested in the Select UMA program will also pay a separate Morgan Stanley Overlay Manager Fee and any applicable Sub-Manager fees. If your account is invested in mutual funds or exchange traded funds (collectively "funds"), you will pay the fees and expenses of any funds in which your account is invested. Fees and expenses are charged directly to the pool of assets the fund invests in and are reflected in each fund's share price. These fees and expenses are an additional cost to you and would not be included in the Fee amount in your account statements. Overlay Managers or Executing Sub-Managers ("managers") in some of Morgan Stanley's Separately Managed Account ("SMA") programs may affect transactions through broker-dealers other than Morgan Stanley or our affiliates. If your manager trades with another firm, you may be assessed costs by the other firm in addition to Morgan Stanley's fees. Those costs will be included in the net price of the security, not separately reported on trade confirmations or account statements. Certain managers have historically directed most, if not all, of their trades to outside firms. Information provided by managers concerning trade execution away from Morgan Stanley is summarized at: www.morganstanley.com/wealth/investmentsolutions/pdfs/adv/sotresponse.pdf. For more information, please refer to the ADV Brochure for your program(s), available at www.morganstanley.com/ADV or contact your Financial Advisor/Private Wealth Advisor. For example, on an advisory account with a 2.5% annual fee, if the gross annual performance is 6.00%, the compounding effect of the fees will result in a net performance of approximately 3.38% after one year, 10.50% after three years, and 18.10% after five years. **Conflicts of Interest:** GIMA's goal is to provide professional, objective evaluations in support of the Morgan Stanley Wealth Management investment advisory programs. We have policies

and procedures to help us meet this goal. However, our business is subject to various conflicts of interest. For example, ideas and suggestions for which investment products should be evaluated by GIMA come from a variety of sources, including our Morgan Stanley Wealth Management Financial Advisors and their direct or indirect managers, and other business persons within Morgan Stanley Wealth Management or its affiliates. Such persons may have an ongoing business relationship with certain investment managers or mutual fund companies whereby they, Morgan Stanley Wealth Management or its affiliates receive compensation from, or otherwise related to, those investment managers or mutual funds. For example, a Financial Advisor may suggest that GIMA evaluates an investment manager or fund in which a portion of his or her clients' assets are already invested. While such a recommendation is permissible, GIMA is responsible for the opinions expressed by GIMA. See the conflicts of interest section in the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management for a discussion of other types of conflicts that may be relevant to GIMA's evaluation of managers and funds. In addition, Morgan Stanley Wealth Management, MS & Co., managers and their affiliates provide a variety of services (including research, brokerage, asset management, trading, lending and investment banking services) for each other and for various clients, including issuers of securities that may be recommended for purchase or sale by clients or are otherwise held in client accounts, and managers in various advisory programs. Morgan Stanley Wealth Management, managers, MS & Co., and their affiliates receive compensation and fees in connection with these services. Morgan Stanley Wealth Management believes that the nature and range of clients to which such services are rendered is such that it would be inadvisable to exclude categorically all of these companies from an account.

Morgan Stanley charges each fund family we offer a mutual fund support fee, also called a "revenue-sharing payment," on client account holdings in fund families according to a tiered rate that increases along with the management fee of the fund so that lower management fee funds pay lower rates than those with higher management fees.

Consider Your Own Investment Needs: The model portfolios and strategies discussed in the material are formulated based on general client characteristics including risk tolerance. This material is not intended to be an analysis of whether particular investments or strategies are appropriate for you or a recommendation, or an offer to participate in any investment. Therefore, clients should not use this material as the sole basis for investment decisions. They should consider all relevant information, including their existing portfolio, investment objectives, risk tolerance, liquidity needs and investment time horizon. Such a determination may lead to asset allocation results that are materially different from the asset allocation shown in this profile. Talk to your Financial Advisor about what would be an appropriate asset allocation for you, whether CGCM is an appropriate program for you.

No obligation to notify – Morgan Stanley Wealth Management has no obligation to notify you when the model portfolios, strategies, or any other information, in this material changes.

Please consider the investment objectives, risks, fees, and charges and expenses of mutual funds, ETFs, closed end funds, unit investment trusts, and variable insurance products carefully before investing. The prospectus contains this and other information about each fund. To obtain a prospectus, contact your Financial Advisor or Private Wealth Advisor or visit the Morgan Stanley website at www.morganstanley.com. Please read it carefully before investing.

An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the fund.

The type of mutual funds and ETFs discussed in this presentation utilizes nontraditional or complex investment strategies and/or derivatives. Examples of these types of funds include those that utilize one or more of the below noted investment strategies or categories or which seek exposure to the following markets: (1) commodities (e.g., agricultural, energy and metals), currency, precious metals;(2) managed futures; (3) leveraged, inverse or inverse leveraged; (4) bear market, hedging, long-short equity, market neutral; (5) real estate; (6) volatility (seeking exposure to the CBOE VIX Index). Investors should keep in mind that while mutual funds and ETFs may, at times, utilize nontraditional investment options and strategies, they should not be equated with unregistered privately offered alternative investments. Because of regulatory limitations, mutual funds and ETFs that seek alternative-like investment exposure must utilize a more limited investment universe. As a result, investment returns and portfolio characteristics of alternative mutual funds and ETFs may vary from traditional hedge funds pursuing similar investment objectives. Moreover, traditional hedge funds have limited liquidity with long "lock-up" periods allowing them to pursue investment strategies without having to factor in the need to meet client redemptions and ETFs trade on an exchange. On the other hand, mutual funds typically must meet daily client redemptions. This differing liquidity profile can have a material impact on the investment returns generated by a mutual fund or ETF pursuing an alternative investing strategy compared with a traditional hedge fund pursuing the same strategy.

Nontraditional investment options and strategies are often employed by a portfolio manager to further a fund's investment objective and to help offset market risks. However, these features may be complex, making it more difficult to understand the fund's essential characteristics and risks, and how it will perform in different market environments and over various periods of time. They may also expose the fund to increased volatility and unanticipated risks particularly when used in complex combinations and/or accompanied by the use of borrowing or "leverage."

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KEY ASSET CLASS CONSIDERATIONS AND OTHER RISKS

Investing in the markets entails the risk of market volatility. The value of all types of investments, including stocks, mutual funds, exchange-traded funds ("ETFs"), closed-end funds, and unit investment trusts, may increase or decrease over varying time periods. To the extent the investments depicted herein represent **international securities**, you should be aware that there may be additional risks associated with international investing, including foreign economic, political, monetary and/or legal factors, changing currency exchange rates, foreign taxes, and differences in financial and accounting standards. These risks may be magnified in **emerging markets and frontier markets**. **Small- and mid-capitalization companies** may lack the financial resources, product diversification and competitive strengths of larger companies. In addition, the securities of small- and mid-capitalization companies may not trade as readily as, and be subject to higher volatility than, those of larger, more established companies. The value of **fixed income securities** will fluctuate and, upon a sale, may be worth more or less than their original cost or maturity value. Bonds are subject to interest rate risk, call risk, reinvestment risk, liquidity risk, and credit risk of the issuer. **High yield bonds** are subject to additional risks such as increased risk of default and greater volatility because of the lower credit quality of the issues. In the case of **municipal bonds**, income is generally exempt from federal income taxes. Some income may be subject to state and local taxes and to the federal alternative minimum tax. Capital gains, if any, are subject to tax. **Treasury Inflation Protection Securities' (TIPS)** coupon payments and underlying principal are automatically increased to compensate for inflation by tracking the consumer price index (CPI). While the real rate of return is guaranteed, TIPS tend to offer a low return. Because the return of TIPS is linked to inflation, TIPS may significantly underperform versus conventional U.S. Treasuries in times of low inflation. There is no guarantee that investors will receive par if TIPS are sold prior to maturity. The returns on a portfolio consisting primarily of **environmental, social, and governance-aware investments ("ESG")** may be lower or higher than a portfolio that is more diversified or where decisions are based solely on investment considerations. Because ESG criteria exclude some investments, investors may not be able to take advantage of the same opportunities or market trends as investors that do not use such criteria. The companies identified and investment examples are for illustrative purposes only and should not be deemed a recommendation to purchase, hold or sell any securities or investment products. They are intended to demonstrate the approaches taken by managers who focus on ESG criteria in their investment strategy. There can be no guarantee that a client's account will be managed as described herein. **Options** and margin trading involve substantial risk and are not appropriate for all investors. Besides the general investment risk of holding securities that may decline in value and the possible loss of principal invested, **closed-end funds** may have additional risks related to declining market prices relative to net asset values (NAVs), active manager underperformance and potential leverage. Closed-end funds, unlike open-end funds, are not continuously offered. There is a one-time public offering and once issued, shares of closed-end funds are sold in the open market through a stock exchange. Shares of closed-end funds frequently trade at a discount from their NAV which may increase investors' risk of loss. The risk of loss due to this discount may be greater for investors expecting to sell their shares in a relatively short

period after completion of the public offering. This characteristic is a risk separate and distinct from the risk that a closed-end fund's net asset value may decrease as a result of investment activities. NAV is total assets less total liabilities divided by the number of shares outstanding. At the time an investor purchases or sells shares of a closed-end fund, shares may have a market price that is above or below NAV. Portfolios that invest a large percentage of assets in only one industry **sector** (or in only a few sectors) are more vulnerable to price fluctuation than those that diversify among a broad range of sectors.

Alternative investments often are speculative and include a high degree of risk. Investors could lose all or a substantial amount of their investment. Alternative investments are appropriate only for eligible, long-term investors who are willing to forgo liquidity and put capital at risk for an indefinite period of time. They may be highly illiquid and can engage in leverage and other speculative practices that may increase the volatility and risk of loss. Alternative Investments typically have higher fees than traditional investments. Investors should carefully review and consider potential risks before investing. Certain of these risks may include but are not limited to: Loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative practices; Lack of liquidity in that there may be no secondary market for a fund; Volatility of returns; Restrictions on transferring interests in a fund; Potential lack of diversification and resulting higher risk due to concentration of trading authority when a single advisor is utilized; Absence of information regarding valuations and pricing; Complex tax structures and delays in tax reporting; Less regulation and higher fees than mutual funds; Risks associated with the operations, personnel, and processes of the manager; and Risks associated with cybersecurity. As a diversified global financial services firm, Morgan Stanley Wealth Management engages in a broad spectrum of activities including financial advisory services, investment management activities, sponsoring and managing private investment funds, engaging in broker-dealer transactions and principal securities, commodities and foreign exchange transactions, research publication, and other activities. In the ordinary course of its business, Morgan Stanley Wealth Management therefore engages in activities where Morgan Stanley Wealth Management's interests may conflict with the interests of its clients, including the private investment funds it manages. Morgan Stanley Wealth Management can give no assurance that conflicts of interest will be resolved in favor of its clients or any such fund. All expressions of opinion are subject to change without notice and are not intended to be a forecast of future events or results. Further, opinions expressed herein may differ from the opinions expressed by Morgan Stanley Wealth Management and/or other businesses/affiliates of Morgan Stanley Wealth Management. This is not a "research report" as defined by FINRA Rule 2241 or a "debt research report" as defined by FINRA Rule 2242 and was not prepared by the Research Departments of Morgan Stanley Smith Barney LLC or Morgan Stanley & Co. LLC or its affiliates. Certain information contained herein may constitute forward-looking statements. Due to various risks and uncertainties, actual events, results or the performance of a fund may differ materially from those reflected or contemplated in such forward-looking statements. Clients should carefully consider the investment objectives, risks, charges, and expenses of a fund before investing. While the HFRI indices are frequently used, they have limitations (some of which are typical of other widely used indices). These limitations include survivorship bias (the returns of the indices may not be representative of all the hedge funds in the universe because of the tendency of lower performing funds to leave the index); heterogeneity (not all hedge funds are alike or comparable to one another, and the index may not accurately reflect the performance of a described style); and limited data (many hedge funds do not report to indices, and the index may omit funds, the inclusion of which might significantly affect the performance shown. The HFRI indices are based on information self-reported by hedge fund managers that decide on their own, at any time, whether or not they want to provide, or continue to provide, information to HFR Asset Management, L.L.C. Results for funds that go out of business are included in the index until the date that they cease operations. Therefore, these indices may not be complete or accurate representations of the hedge fund universe, and may be biased in several ways. Composite index results are shown for illustrative purposes and do not represent the performance of a specific investment. Individual funds have specific tax risks related to their investment programs that will vary from fund to fund. Clients should consult their own tax and legal advisors as Morgan Stanley Wealth Management does not provide tax or legal advice. Interests in alternative investment products are offered pursuant to the terms of the applicable offering memorandum, are distributed by Morgan Stanley Wealth Management and certain of its affiliates, and (1) are not FDIC-insured, (2) are not deposits or other obligations of Morgan Stanley Wealth Management or any of its affiliates, (3) are not guaranteed by Morgan Stanley Wealth Management and its affiliates, and (4) involve investment risks, including possible loss of principal. Morgan Stanley Wealth Management is a registered broker-dealer, not a bank. This material is not to be reproduced or distributed to any other persons (other than professional advisors of the investors or prospective investors, as applicable, receiving this material) and is intended solely for the use of the persons to whom it has been delivered. This material is not for distribution to the general public. Past performance is no guarantee of future results. Actual results may vary. SIPC insurance does not apply to precious metals, other commodities, or traditional alternative investments. In Consulting Group's advisory programs, alternative investments are limited to US-registered mutual funds, separate account strategies and exchange-traded funds (ETFs) that seek to pursue alternative investment strategies or returns utilizing publicly traded securities. Investment products in this category may employ various investment strategies and techniques for both hedging and more speculative purposes such as short-selling, leverage, derivatives and options, which can increase volatility and the risk of investment loss. Alternative investments are not appropriate for all investors. As a diversified global financial services firm, Morgan Stanley Wealth Management engages in a broad spectrum of activities including financial advisory services, investment management activities, sponsoring and managing private investment funds, engaging in broker-dealer transactions and principal securities, commodities and foreign exchange transactions, research publication, and other activities. In the ordinary course of its business, Morgan Stanley Wealth Management therefore engages in activities where Morgan Stanley Wealth Management's interests may conflict with the interests of its clients, including the private investment funds it manages. Morgan Stanley Wealth Management can give no assurance that conflicts of interest will be resolved in favor of its clients or any such fund. Alternative investments involve complex tax structures, tax inefficient investing, and delays in distributing important tax information. Individual funds have specific risks related to their investment programs that will vary from fund to fund.

Clients should consult their own tax and legal advisors as Morgan Stanley Wealth Management does not provide tax or legal advice.

A majority of Alternative Investment managers reviewed and selected by GIMA pay or cause to be paid an ongoing fee for distribution from their management fees to Morgan Stanley Wealth Management in connection with Morgan Stanley Wealth Management clients that purchase an interest in an Alternative Investment and in some instances pay these fees on the investments held by investments held by brokerage clients. Morgan Stanley Wealth Management has a conflict of interest in offering alternative investments because Morgan Stanley Wealth Management or our affiliates, in most instances, earn more money in your account from your investments in alternative investments than from other investment options.

It should be noted that the majority of hedge fund indexes are comprised of hedge fund manager returns. This is in contrast to traditional indexes, which are comprised of individual securities in the various market segments they represent and offer complete transparency as to membership and construction methodology. As such, some believe that hedge fund index returns have certain biases that are not present in traditional indexes. Some of these biases inflate index performance, while others may skew performance negatively. However, many studies indicate that overall hedge fund index performance has been biased to the upside. Some studies suggest performance has been inflated by up to 260 basis points or more annually depending on the types of biases included and the time period studied. Although there are numerous potential biases that could affect hedge fund returns, we identify some of the more common ones throughout this paper.

Self-selection bias results when certain manager returns are not included in the index returns and may result in performance being skewed up or down. Because hedge funds are private placements, hedge fund managers are able to decide which fund returns they want to report and are able to opt out of reporting to the various databases. Certain hedge fund managers may choose only to report returns for funds with strong returns and opt out of reporting returns for weak performers. Other hedge funds that close may decide to stop reporting in order to retain secrecy, which may cause a downward bias in returns.

Survivorship bias results when certain constituents are removed from an index. This often results from the closure of funds due to poor performance, "blow ups," or other such events. As such, this bias typically results in performance being skewed higher. As noted, hedge fund index performance biases can result in positive or negative skew. However, it would appear that the skew is more often positive. While it is difficult to quantify the effects precisely, investors should be aware that idiosyncratic factors may be giving hedge fund index returns an artificial "lift" or upwards bias.

Hedge Funds of Funds and many funds of funds are private investment vehicles restricted to certain qualified private and institutional investors. They are often speculative and include a high degree of risk. Investors can lose all or a substantial amount of their investment. They may be highly illiquid, can engage in leverage and other speculative practices that may increase volatility and the risk of loss, and may be subject to large investment minimums and initial lockups. They involve complex tax structures, tax-inefficient investing and delays in distributing important tax information. Categorically, hedge funds and funds of funds have higher fees and expenses than traditional investments, and such fees and expenses can lower the returns achieved by investors. Funds of funds have an additional layer of fees over and above hedge fund fees that will offset returns. An investment in an **exchange-traded fund** involves risks similar to those of investing in a broadly based portfolio of equity securities traded on an exchange in the relevant securities market, such as market fluctuations caused by such factors as economic and political developments, changes in interest rates and perceived trends in stock and bond prices. An investment in a **target date portfolio** is subject to the risks attendant to the underlying funds in which it invests, in these portfolios the funds are the Consulting Group Capital Market funds. A target date portfolio is geared to investors who will retire and/or require income at an approximate year. The portfolio is managed to meet the investor's goals by the pre-established year or "target date." A target date portfolio will transition its invested assets from a more aggressive portfolio to a more conservative portfolio as the target date draws closer. An investment in the target date portfolio is not guaranteed at any time, including, before or after the target date is reached. **Managed futures** investments are speculative, involve a high degree of risk, use significant leverage, are generally illiquid, have substantial charges, subject investors to conflicts of interest, and are appropriate only for the risk capital portion of an investor's portfolio. Managed futures investments do not replace equities or bonds but rather may act as a complement in a well diversified portfolio. Managed Futures are complex and not appropriate for all investors. **Rebalancing** does not protect against a loss in declining financial markets. There may be a potential tax implication with a rebalancing strategy.

Buying, selling, and transacting in Bitcoin or other digital assets, and related funds and products, is highly speculative and may result in a loss of the entire investment. Risks and considerations include but are not limited to:

- Bitcoin and other digital assets have only been in existence for a short period of time and historical trading prices for Bitcoin and other digital assets have been highly volatile. The price of Bitcoin and other digital assets could decline rapidly, and ***investors could lose their entire investment.***

- Certain digital asset funds and products, including Bitcoin funds and products, allow investors to invest on a more frequent basis than investors may withdraw from the fund or product, and interests in such funds or products are generally not freely transferrable. This means that, particularly given the volatility of digital assets, including Bitcoin, an investor will have to bear any losses with respect to its investment for an extended period of time and will not be able to react to changes in the price of the digital asset once invested (for example, by seeking to withdraw) as quickly as when making the decision

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to invest. Such digital asset funds and products, including Bitcoin funds and products, are intended only for persons who are able to bear the economic risk of investment and who do not need liquidity with respect to their investments.

- Given the volatility in the price of Bitcoin and other digital assets, the net asset value of a fund or product that invests in such assets at the time an investor's subscription for interests in the fund or product is accepted may be significantly below or above the net asset value of the product or fund at the time the investor submitted subscription materials.

- Certain digital assets, apart from Bitcoin, are not intended to function as currencies but are intended to have other use cases. These other digital assets may be subject to some or all of the risks and considerations set forth herein, as well as additional risks applicable to such other digital assets. Buyers, sellers and users of such other digital assets should thoroughly familiarize themselves with such risks and considerations before transacting in such other digital assets.

- The value of Bitcoin and other digital assets may be negatively impacted by future legal and regulatory developments, including but not limited to increased regulation of Bitcoin or such other digital assets. Any such developments may make Bitcoin or such other digital assets less valuable, impose additional burdens and expenses on a fund or product investing in such assets or impact the ability of such a fund or product to continue to operate, which may materially decrease the value of an investment therein.

- Due to the new and evolving nature of digital currencies and the absence of comprehensive guidance, many significant aspects of the tax treatment of digital assets including Bitcoin are uncertain. Prospective investors should consult their own tax advisors concerning the tax consequences to them of the purchase, ownership and disposition of Bitcoin and other digital assets, directly or indirectly through a fund or product, under U.S. federal income tax law, as well as the tax law of any relevant state, local or other jurisdiction.

- Over the past several years, certain Bitcoin exchanges have experienced failures or interruptions in service due to fraud, security breaches, operational problems or business failure. Such events in the future could impact any fund's or product's ability to transact in Bitcoin if the fund or product relies on an impacted exchange and may also materially decrease the price of Bitcoin, thereby impacting the value of your investment, regardless of whether the fund or product relies on such an impacted exchange.

- Although any digital asset product, including a Bitcoin-related product, and its service providers have in place significant safeguards against loss, theft, destruction and inaccessibility, there is nonetheless a risk that some or all of a product's digital asset, including Bitcoin, could be permanently lost, stolen, destroyed or inaccessible by virtue of, among other things, the loss or theft of the "private keys" necessary to access a product's digital asset, including Bitcoin.

- Investors in funds or products investing or transacting in Bitcoin and/or other digital assets may not benefit to the same extent (or at all) from "airdrops" with respect to, or "forks" in, the Bitcoin (or other relevant digital asset's) blockchain, compared to investors who hold Bitcoin (or such other relevant digital asset) directly instead of through a fund or product. Additionally, a "fork" in the Bitcoin blockchain could materially decrease the price of Bitcoin.

- Digital assets such as Bitcoin or other digital asset product is/are not legal tender, and is not backed by any government, corporation or other identified body, other than with respect to certain digital currencies that certain governments are or may be developing now or in the future (of which Bitcoin is *not* one). No law requires companies or individuals to accept digital currency as a form of payment (except, potentially, with respect to digital currencies developed by certain governments where such acceptance may be mandated). Instead, other than as described in the preceding sentences, Bitcoin's and other digital asset products' use is limited to businesses and individuals that are willing to accept them. If no one were to accept digital currencies, Bitcoin and other virtual currency products would very likely become worthless.

- Platforms that buy and sell Bitcoin or other digital assets can be hacked, and some have failed. In addition, like the platforms themselves, digital wallets can be hacked, and are subject to theft and fraud. As a result, like other investors have, you can lose some or all of your holdings of digital assets, including Bitcoin.

- Unlike US banks and credit unions that provide certain guarantees of safety to depositors, there are no such safeguards provided to digital assets, such as Bitcoin, held in digital wallets by their providers or by regulators.

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- Due to the anonymity Bitcoin and other digital assets offer, it has known use in illegal activity, including drug dealing, money laundering, human trafficking, sanction evasion and other forms of illegal commerce. Abuses could impact legitimate consumers and speculators; for instance, law enforcement agencies could shut down or restrict the use of platforms and exchanges, limiting or shutting off entirely the ability to use or trade Bitcoin or other digital asset products.
- Bitcoin and other digital assets may not have an established track record of credibility and trust. Further, any performance data relating to Bitcoin, Bitcoin-related products or other digital asset products may not be verifiable as pricing models are not uniform.
- Investors should be aware of the potentially increased risks of transacting in digital assets, including Bitcoin, relating to the risks and considerations, including fraud, theft, and lack of legitimacy, and other aspects and qualities of digital assets, before transacting in such assets.
- The exchange rate of Bitcoin or other virtual currency products versus the USD historically has been very volatile and the exchange rate could drastically decline. For example, the exchange rate of Bitcoin versus the USD has in the past dropped more than 50% in a single day. Bitcoin may be affected by such volatility as well.
- Digital asset exchanges have limited operating and performance histories and are not regulated with the same controls or customer protections available to more traditional exchanges transacting equity, debt, and other assets and securities. There is no assurance that a person/exchange who currently accepts a digital asset as payment will continue to do so in the future.
- The regulatory framework of digital assets is evolving, and in some cases uncertain, and digital assets themselves may not be governed and protected by applicable securities regulators and securities laws, including, but not limited to, Securities Investor Protection Corporation coverage, or other regulatory regimes.
- Morgan Stanley Smith Barney LLC or its affiliates (collectively, "Morgan Stanley") may currently, or in the future, offer or invest in digital asset products, services or platforms. The proprietary interests of Morgan Stanley may conflict with your interests.
- The foregoing list of considerations and risks are not and do not purport to be a complete enumeration or explanation of the risks involved in an investment in the any product or fund investing or trading in Bitcoin and/or other digital assets.

Asset allocation and diversification do not assure a profit or protect against loss in declining financial markets. Past performance is no guarantee of future results. Actual results may vary.

Tax laws are complex and subject to change. Morgan Stanley Smith Barney LLC ("Morgan Stanley"), its affiliates and Morgan Stanley Financial Advisors and Private Wealth Advisors do not provide tax or legal advice and are not "fiduciaries" (under ERISA, the Internal Revenue Code or otherwise) with respect to the services or activities described herein except as otherwise provided in writing by Morgan Stanley and/or as described at www.morganstanley.com/disclosures/do. Individuals are encouraged to consult their tax and legal advisors (a) before establishing a retirement plan or account, and (b) regarding any potential tax, ERISA and related consequences of any investments made under such plan or account.

Annuities and insurance products are offered in conjunction with Morgan Stanley Smith Barney LLC's licensed insurance agency affiliates.

Indices are unmanaged and investors cannot directly invest in them. They are not subject to expenses or fees and are often comprised of securities and other investment instruments the liquidity of which is not restricted. A particular investment product may consist of securities significantly different than those in any index referred to herein. Composite index results are shown for illustrative purposes only, generally do not represent the performance of a specific investment, may not, for a variety of reasons, be an appropriate comparison or benchmark for a particular investment and may not necessarily reflect the actual investment strategy or objective of a particular investment. Consequently, comparing an investment to a particular index may be of limited use.

This material is not a financial plan and does not create an investment advisory relationship between you and your Morgan Stanley Financial Advisor. We are not your fiduciary either under the Employee Retirement Income Security Act of 1974 (ERISA) or the Internal Revenue Code of 1986, and any information in this report is not intended to form the primary basis for any investment decision by you, or an investment advice or recommendation for either ERISA or Internal Revenue Code purposes. Morgan Stanley Private Wealth Management will only prepare a financial plan at your specific request using Private Wealth Management approved financial planning signature.

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We may act in the capacity of a broker or that of an advisor. As your broker, we are not your fiduciary and our interests may not always be identical to yours. Please consult with your Private Wealth Advisor to discuss our obligations to disclose to you any conflicts we may from time to time have and our duty to act in your best interest. We may be paid both by you and by others who compensate us based on what you buy. Our compensation, including that of your Private Wealth Advisor, may vary by product and over time.

Investment and services offered through Morgan Stanley Private Wealth Management, a division of Morgan Stanley Smith Barney LLC, Member SIPC.

For index, indicator and survey definitions referenced in this report please visit the following: <https://www.morganstanley.com/wealth-investmentsolutions/wmir-definitions>

GLOBAL INVESTMENT COMMITTEE (GIC) ASSET ALLOCATION MODELS: The Asset Allocation Models are created by Morgan Stanley Wealth Management's GIC.

HYPOTHETICAL MODEL PERFORMANCE (GROSS): Hypothetical model performance results do not reflect the investment or performance of an actual portfolio following a GIC Strategy, but simply reflect actual historical performance of selected indices on a real-time basis over the specified period of time representing the GIC's strategic and tactical allocations as of the date of this report. The past performance shown here is simulated performance based on benchmark indices, not investment results from an actual portfolio or actual trading. There can be large differences between hypothetical and actual performance results achieved by a particular asset allocation or trading strategy. Hypothetical performance results do not represent actual trading and are generally designed with the benefit of hindsight. Actual performance results of accounts vary due to, for example, market factors (such as liquidity) and client-specific factors (such as investment vehicle selection, timing of contributions and withdrawals, restrictions and rebalancing schedules). Clients would not necessarily have obtained the performance results shown here if they had invested in accordance with any GIC Asset Allocation Model for the periods indicated. Despite the limitations of hypothetical performance, these hypothetical performance results allow clients and Financial Advisors to obtain a sense of the risk/return trade-off of different asset allocation constructs. The hypothetical performance results in this report are calculated using the returns of benchmark indices for the asset classes, and not the returns of securities, fund or other investment products. Models may contain allocations to Hedge Funds, Private Equity and Private Real Estate. The benchmark indices for these asset classes are not issued on a daily basis. When calculating model performance on a day for which no benchmark index data is issued, we have assumed straight line growth between the index levels issued before and after that date.

FEES REDUCE THE PERFORMANCE OF ACTUAL ACCOUNTS: None of the fees or other expenses (e.g. commissions, mark-ups, mark-downs, fees) associated with actual trading or accounts are reflected in the GIC Asset Allocation Models. The GIC Asset Allocation Models and any model performance included in this presentation are intended as educational materials. Were a client to use these models in connection with investing, any investment decisions made would be subject to transaction and other costs which, when compounded over a period of years, would decrease returns. Information regarding Morgan Stanley's standard advisory fees is available in the Form ADV Part 2, which is available at www.morganstanley.com/adv. The following hypothetical illustrates the compound effect fees have on investment returns: For example, if a portfolio's annual rate of return is 15% for 5 years and the account pays 50 basis points in fees per annum, the gross cumulative five-year return would be 101.1% and the five-year return net of fees would be 96.8%. Fees and/or expenses would apply to clients who invest in investments in an account based on these asset allocations, and would reduce clients' returns. The impact of fees and/or expenses can be material.

Variable annuities are long-term investments designed for retirement purposes and may be subject to market fluctuations, investment risk, and possible loss of principal. All guarantees, including optional benefits, are based on the financial strength and claims-paying ability of the issuing insurance company and do not apply to the underlying investment options. Optional riders may not be able to be purchased in combination and are available at an additional cost. Some optional riders must be elected at time of purchase. Optional riders may be subject to specific limitations, restrictions, holding periods, costs, and expenses as specified by the insurance company in the annuity contract. If you are investing in a **variable annuity** through a tax-advantaged retirement plan such as an IRA, you will get no additional tax advantage from the variable annuity. Under these circumstances, you should only consider buying a variable annuity because of its other features, such as lifetime income payments and death benefits protection. Taxable distributions (and certain deemed distributions) are subject to ordinary income tax and, if taken prior to age 59½, may be subject to a 10% federal income tax penalty. Early withdrawals will reduce the death benefit and cash surrender value.

Equity securities may fluctuate in response to news on companies, industries, market conditions and general economic environment. **Ultrashort-term fixed income** asset class is comprised of fixed income securities with high quality, very short maturities. They are therefore subject to the risks associated with debt securities such as credit and interest rate risk.

Master Limited Partnerships (MLPs) are limited partnerships or limited liability companies that are taxed as partnerships and whose interests (limited partnership units or limited liability company units) are traded on securities exchanges like shares of common stock. Currently, most MLPs operate in the energy, natural resources or real estate sectors. Investments in MLP interests are subject to the risks generally applicable to companies in the energy and natural resources sectors, including commodity pricing risk, supply and demand risk, depletion risk and exploration risk. Individual MLPs are publicly traded partnerships that have unique risks related to their structure. These include, but are not limited to, their reliance on the capital markets to fund growth, adverse ruling on the current tax treatment of distributions (typically mostly tax deferred), and commodity volume risk. The potential tax benefits from investing in MLPs depend on their being treated as partnerships for federal income tax purposes and, if the MLP is deemed to be a corporation, then its income would be subject to federal taxation at the entity level, reducing the amount of cash available for distribution to the fund which could result in a

reduction of the fund's value. MLPs carry interest rate risk and may underperform in a rising interest rate environment. MLP funds accrue deferred income taxes for future tax liabilities associated with the portion of MLP distributions considered to be a tax-deferred return of capital and for any net operating gains as well as capital appreciation of its investments; this deferred tax liability is reflected in the daily NAV, and, as a result, the MLP fund's after-tax performance could differ significantly from the underlying assets even if the pre-tax performance is closely tracked.

Investing in commodities entails significant risks. Commodity prices may be affected by a variety of factors at any time, including but not limited to, (i) changes in supply and demand relationships, (ii) governmental programs and policies, (iii) national and international political and economic events, war and terrorist events, (iv) changes in interest and exchange rates, (v) trading activities in commodities and related contracts, (vi) pestilence, technological change and weather, and (vii) the price volatility of a commodity. In addition, the commodities markets are subject to temporary distortions or other disruptions due to various factors, including lack of liquidity, participation of speculators and government intervention. **Physical precious metals** are non-regulated products. Precious metals are speculative investments, which may experience short-term and long term price volatility. The value of precious metals investments may fluctuate and may appreciate or decline, depending on market conditions. Unlike bonds and stocks, precious metals do not make interest or dividend payments. Therefore, precious metals may not be appropriate for investors who require current income. Precious metals are commodities that should be safely stored, which may impose additional costs on the investor.

REITs investing risks are similar to those associated with direct investments in real estate: property value fluctuations, lack of liquidity, limited diversification and sensitivity to economic factors such as interest rate changes and market recessions. Risks of **private real estate** include: illiquidity; a long-term investment horizon with a limited or nonexistent secondary market; lack of transparency; volatility (risk of loss); and leverage. Principal is returned on a monthly basis over the life of a **mortgage-backed security**. Principal prepayment can significantly affect the monthly income stream and the maturity of any type of MBS, including standard MBS, CMOs and Lottery Bonds. **Asset-backed securities** generally decrease in value as a result of interest rate increases, but may benefit less than other fixed-income securities from declining interest rates, principally because of prepayments.

Yields are subject to change with economic conditions. Yield is only one factor that should be considered when making an investment decision. **Credit ratings** are subject to change. **Duration**, the most commonly used measure of bond risk, quantifies the effect of changes in interest rates on the price of a bond or bond portfolio. The longer the duration, the more sensitive the bond or portfolio would be to changes in interest rates. The majority of \$25 and \$1000 par **preferred securities** are "callable" meaning that the issuer may retire the securities at specific prices and dates prior to maturity. Interest/dividend payments on certain preferred issues may be deferred by the issuer for periods of up to 5 to 10 years, depending on the particular issue. The investor would still have income tax liability even though payments would not have been received. Price quoted is per \$25 or \$1,000 share, unless otherwise specified. Current yield is calculated by multiplying the coupon by par value divided by the market price. The initial interest rate on a **floating-rate security** may be lower than that of a fixed-rate security of the same maturity because investors expect to receive additional income due to future increases in the floating security's underlying reference rate. The reference rate could be an index or an interest rate. However, there can be no assurance that the reference rate will increase. Some floating-rate securities may be subject to call risk. The market value of **convertible bonds** and the underlying common stock(s) will fluctuate and after purchase may be worth more or less than original cost. If sold prior to maturity, investors may receive more or less than their original purchase price or maturity value, depending on market conditions. Callable bonds may be redeemed by the issuer prior to maturity. Additional call features may exist that could affect yield. Some \$25 or \$1000 par **preferred securities** are QDI (Qualified Dividend Income) eligible. Information on QDI eligibility is obtained from third party sources. The dividend income on QDI eligible preferreds qualifies for a reduced tax rate. Many traditional 'dividend paying' perpetual preferred securities (traditional preferreds with no maturity date) are QDI eligible. In order to qualify for the preferential tax treatment all qualifying preferred securities must be held by investors for a minimum period – 91 days during a 180 day window period, beginning 90 days before the ex-dividend date.

Companies paying **dividends** can reduce or cut payouts at any time.

Nondiversification: For a portfolio that holds a concentrated or limited number of securities, a decline in the value of these investments would cause the portfolio's overall value to decline to a greater degree than a less concentrated portfolio. The **indices selected by Morgan Stanley Wealth Management** to measure performance are representative of broad asset classes. Morgan Stanley Wealth Management retains the right to change representative indices at any time. Because of their narrow focus, **sector investments** tend to be more volatile than investments that diversify across many sectors and companies.

Growth investing does not guarantee a profit or eliminate risk. The stocks of these companies can have relatively high valuations. Because of these high valuations, an investment in a growth stock can be more risky than an investment in a company with more modest growth expectations. **Value investing** does not guarantee a profit or eliminate risk. Not all companies whose stocks are considered to be value stocks are able to turn their business around or successfully employ corrective strategies which would result in stock prices that do not rise as initially expected.

Any type of **continuous or periodic investment plan** does not assure a profit and does not protect against loss in declining markets. Since such a plan involves continuous investment in securities regardless of fluctuating price levels of such securities, the investor should consider his financial ability to continue his purchases through periods of low price levels.

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GENERAL DEFINITIONS

Annualized Standard Deviation: A statistical calculation that measures the volatility of returns over time; the larger the standard deviation, the greater the volatility.

Dollar-Weighted Return (Internal Rate of Return): A return calculation that measures the actual performance of a portfolio over the reporting period. Since dollar weighted returns include the impact of client contributions and withdrawals, they should not be compared to market indices or used to evaluate the performance of a manager, but can be used to evaluate progress toward investment goals.

Gross of Fees: Performance results depicted as "gross" of fees do not reflect the deduction of any wrap fee, investment management fee, trade commissions, and/or other account fees. Your actual returns are lower after deducting these expenses. Please see the Morgan Stanley Smith Barney LLC Form ADV Part 2 Brochure for advisory accounts and/or any applicable brokerage account trade confirmation statements for a full disclosure of the applicable charges, fees and expenses. Your Financial Advisor will provide those documents to you upon request.

Investment Earnings: A combination of the income received and total portfolio value increase or decrease, excluding net contributions and withdrawals, over the reporting period.

Net Contributions/Withdrawals: The net value of cash and securities contributed to or withdrawn from the account(s) during the reporting period. Net contributions and withdrawals may include advisory fees for advisory accounts.

Net of Fees: Performance results depicted as "net" of fees shall mean that any wrap fee, investment management fees, trade commissions, and/or other account fees have been deducted. Any other fees or expenses associated with the account, such as third party custodian fees, may not have been deducted. Please see the Morgan Stanley Smith Barney LLC Form ADV Part 2 Brochure for advisory accounts and/or any applicable brokerage account trade confirmation statements for a full disclosure of the applicable charges, fees and expenses. Your Financial Advisor will provide those documents to you upon request.

Performance ineligible assets: Performance returns are not calculated for certain assets because accurate valuations and transactions for these assets are not processed or maintained by Morgan Stanley Smith Barney LLC. Common examples include life insurance and annuities as well as Manually Added and External accounts, assets and liabilities.

Tax-Qualified Account(s): Accounts that qualify for favorable tax treatment under US federal tax law and may benefit from favorable tax treatment under applicable state tax law. Typically, these accounts benefit from tax deferred growth potential, meaning investment earnings (such as capital gains, dividends, and interest) are generally not subject to federal income tax while the earnings remain in the account. Capital gains rates generally do not apply. Distributions of taxable amounts are generally subject to ordinary income tax and, if made before age 59 1/2, may be subject to a 10% (25% for certain SIMPLE IRA distributions) penalty tax. Some tax-qualified accounts, such as traditional Individual Retirement Accounts ("IRA") and employer sponsored retirement plan accounts, may allow tax deductible and/or pre-tax contributions (subject to certain limitations and restrictions). Other tax-qualified accounts, such as Roth IRAs and Coverdell Education Savings Accounts, may allow income tax free distributions, but only if certain conditions are satisfied.

Taxable Account(s): Accounts that are not Tax-Qualified Account(s), meaning investment earnings (such as capital gains, dividends, and interest) are generally subject to current US federal income taxation when held by US taxable investors. Note, however, that this category may include specific assets that are generally not subject to US federal income tax such as municipal bonds.

Time-Weighted Return: A return calculation that measures the investment performance of a portfolio over the reporting period. Time weighted returns do not include the impact of client contributions and withdrawals and therefore, may not reflect the actual rate of return the client received. Time weighted returns isolate investment actions and can be compared to benchmarks and used to evaluate the performance of a manager.

Total Value: "Total Value" represents the Market Value of the portfolio or Asset Class referenced and includes the accrual of interest and dividends. Total Value in the Asset Allocation view prior to January 2014 does not reflect the accrual of interest and dividends. Total Value for Morgan Stanley & Co. and External accounts also does not include accrued interest and dividends.

BENCHMARK DEFINITIONS

60 S&P 500 40 BC AGG: The current allocation is comprised of 40.00% Barclays Aggregate, 60.00% S&P 500 Total Return.

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TN TSBA Composite: The current allocation is comprised of 50.00% MSCI AC World Net, 15.00% MSCI EAFE Net, 25.00% BC Global Agg 1-3 YR, 10.00% MSCI EM Net.

FTSE T-Bills 30 Day: A measure of monthly returns equivalent of yield averages that are not marked to market. A measure of short term rates.

MSCI AC World Net: The MSCI ACWI Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 46 country indexes comprising 23 developed and 23 emerging market country indexes. The developed market country indexes included are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. The emerging market country indexes included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey, and United Arab Emirates (as of June 2014). Net total return indices reinvest dividends after the deduction of withholding taxes, using (for international indices) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

FTSE Treasury Bill 3 Month: Equal dollar amounts of three-month Treasury bills are purchased at the beginning of each of three consecutive months. As each bill matures, all proceeds are rolled over or reinvested in a new three-month bill. The income used to calculate the monthly return is derived by subtracting the original amount invested from the maturity value. The yield curve average is the basis for calculating the return on the index. The index is rebalanced monthly by market capitalization. The 90-Day Treasury Bill is a short-term obligation issued by the United States government. T-bills are purchased at a discount to the full face value, and the investor receives the full value when they mature. The difference of discount is the interest earned. T-bills are issued in denominations of \$10,000 auction and \$1,000 increments thereafter.

MSCI EAFE Net: The MSCI EAFE Index -Europe, Australasia, Far East - is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US and Canada. The MSCI EAFE Index consists of the following 21 developed market country indexes: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom (as of June 2014). Net total return indices reinvest dividends after the deduction of withholding taxes, using (for international indices) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

MSCI EM Net: The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. The MSCI Emerging Markets Index consists of the following 23 emerging market country indexes: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey, and United Arab Emirates (as of June 2014). Net total return indices reinvest dividends after the deduction of withholding taxes, using (for international indices) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

S&P 500 Total Return: The S&P 500 has been widely regarded as the best single gauge of the large cap U.S. equities market since the index was first published in 1957. The index has over \$5.58 trillion benchmarked, with index assets comprising approximately \$1.31 trillion of this total. The index includes 500 leading companies in leading industries of the U.S. economy, capturing 75% coverage of U.S. equities. This index includes dividend reinvestment.

90-Day T-Bills: Equal dollar amounts of three-month Treasury bills are purchased at the beginning of each of three consecutive months. As each bill matures, all proceeds are rolled over or reinvested in a new three-month bill. The income used to calculate the monthly return is derived by subtracting the original amount invested from the maturity value. The yield curve average is the basis for calculating the return on the index. The index is rebalanced monthly by market capitalization. The 90-Day Treasury Bill is a short-term obligation issued by the United States government. T-bills are purchased at a discount to the full face value, and the investor receives the full value when they mature. The difference of discount is the interest earned. T-bills are issued in denominations of \$10,000 auction and \$1,000 increments thereafter.

MSCI AC World IMI Net: The MSCI AC World IMI NT tracks the total return performance of the Investable Markets in the MS All Country World Index. The index is made up of 22 developed and 23 emerging markets as of 1/1/2015. This subset is calculated on a net dividend basis.

BC Global Agg 1-3 YR: The Barclays Global Aggregate Index provides a broad-based measure of the global investment-grade fixed income markets. The three major components of this index are the U.S. Aggregate, the Pan-European Aggregate, and the Asian-Pacific Aggregate Indices. The index also includes Eurodollar and Euro-Yen corporate bonds, Canadian government, agency and corporate securities, and USD investment grade 144A securities. This index is the 1-3 Yr component of the Global Aggregate index.

HFRI Fund Weighted Comp: HFRI Fund Weighted Composite Index: Hedge Fund Research (HFR) Fund Weighted Composite Index is an equally-weighted composite index including both domestic and offshore funds, with no Fund of Funds. The index includes over 2000 constituent funds. All funds report assets in USD and all funds report Net of All Fees returns on a monthly basis. Fund must have a least \$50 Million under management or have been actively trading for at least twelve(12) months.

Barclays Aggregate: The Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency).