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Mississippi Affordable College Savings Program

Independent Auditor's Reports and Financial Statements

June 30, 2021

Mississippi Affordable College Savings Program

June 30, 2021

Contents

Independent Auditor's Report.....	1
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Financial Statements

Statement of Fiduciary Net Position	4
Statement of Changes in Fiduciary Net Position	5
Notes to Financial Statements.....	6

Required Supplementary Information

Schedules of the Employer's Proportionate Share of the Net Pension Liability	29
Schedules of the Employer's Pension Contributions.....	30
Notes to the Required Supplementary Information – Pension Schedules	31
Schedules of the Employer's Proportionate Share of the Net OPEB Liability	33
Schedules of the Employer's OPEB Contributions	34

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> - Independent Auditor's Report	35
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Independent Auditor's Report

Board of Directors
College Savings Plans of Mississippi
Mississippi Affordable College Savings Program
Jackson, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of Mississippi Affordable College Savings Program (the Program), which are comprised of the statement of fiduciary net position as of June 30, 2021, and the statement of changes in fiduciary net position for the year then ended and the related notes to the financial statements.

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 Mississippi Affordable College Savings Program 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.

Emphasis of Matter

As discussed in *Note 1*, the financial statements of the Program are intended to present the fiduciary net position and changes in fiduciary net position only for the portion of the fiduciary activities of the State of Mississippi that is attributable to the transactions of the Program. They do not purport to, and do not present fairly, the fiduciary net position of the State of Mississippi as of June 30, 2021, and the changes in its fiduciary net position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. Our opinion on the financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the pension and other postemployment benefit information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by GASB, 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.

Report on Summarized Comparative Information

We have previously audited the Program's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 17, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2021, on our consideration of the Program'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 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 Program's internal control over financial reporting and compliance.

BKD, LLP

Jackson, Mississippi
December 8, 2021

Mississippi Affordable College Savings Program
Statement of Fiduciary Net Position
June 30, 2021
(With Summarized Information for 2020)

	2021				2020
	3318400000	3318300000	3318500000		Total
	Trust	Administrative	Endowment	Total	
	Fund	Fund	Fund		Total
Assets and Deferred Outflows of Resources					
Cash and cash equivalents	\$ -	\$ 67,748	\$ 1,000	\$ 68,748	\$ 44,689
Accounts and other receivables	400,985	-	-	400,985	239,321
Investment securities	299,892,168	-	-	299,892,168	247,242,102
Total assets	300,293,153	67,748	1,000	300,361,901	247,526,112
Deferred outflows of resources	-	24,973	-	24,973	37,038
Total assets and deferred outflows of resources	\$ 300,293,153	\$ 92,721	\$ 1,000	\$ 300,386,874	\$ 247,563,150
Liabilities, Deferred Inflows of Resources and Fiduciary Net Position (Deficit)					
Liabilities					
Accounts and warrants payable	\$ -	\$ 1,995	\$ -	\$ 1,995	\$ 3,486
Payable for securities transactions, redemptions and management fees	540,819	-	-	540,819	346,794
Compensated absences	-	10,431	-	10,431	5,098
Net other postemployment benefit liability	-	8,744	-	8,744	12,445
Net pension liability	-	193,588	-	193,588	175,920
Total liabilities	540,819	214,758	-	755,577	543,743
Deferred inflows of resources	-	41,533	-	41,533	90,021
Fiduciary net position (deficit) held in trust	299,752,334	(163,570)	1,000	299,589,764	246,929,386
Total liabilities, deferred inflows of resources and fiduciary net position	\$ 300,293,153	\$ 92,721	\$ 1,000	\$ 300,386,874	\$ 247,563,150

Mississippi Affordable College Savings Program
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2021
(With Summarized Information for 2020)

	2021				2020
	3318400000	3318300000	3318500000		
	Trust	Administrative	Endowment	Total	Total
	Fund	Fund	Fund		
Additions					
Investment earnings					
Interest	\$ -	\$ 425	\$ -	\$ 425	\$ 653
Dividends	4,877,505	-	-	4,877,505	6,777,768
Net realized gain and net appreciation (depreciation) in fair value of investments	46,693,320	-	-	46,693,320	(1,767,876)
Subscriptions	37,674,195	-	-	37,674,195	34,758,664
Administrative transfers	-	178,785	-	178,785	177,447
Total additions	89,245,020	179,210	-	89,424,230	39,946,656
Deductions					
Redemptions	35,140,550	-	-	35,140,550	32,528,993
Management fees	1,486,765	-	-	1,486,765	1,294,934
Salaries and travel	-	100,494	-	100,494	117,866
Contractual services	-	35,830	-	35,830	44,753
Commodities and supplies	-	213	-	213	663
Total deductions	36,627,315	136,537	-	36,763,852	33,987,209
Net Increase	52,617,705	42,673	-	52,660,378	5,959,447
Fiduciary Net Position (Deficit), Beginning of Year	247,134,629	(206,243)	1,000	246,929,386	240,969,939
Fiduciary Net Position (Deficit), End of Year	\$ 299,752,334	\$ (163,570)	\$ 1,000	\$ 299,589,764	\$ 246,929,386

Mississippi Affordable College Savings Program

Notes to Financial Statements

June 30, 2021

Note 1: Organization

Mississippi Affordable College Savings Program (MACS or the Program) was created by the 2000 Session of the Mississippi Legislature to assist qualified students in financing costs of attending institutions of higher education, to encourage timely financial planning for higher education, provide a savings program for those persons who wish to save to meet post-secondary educational needs beyond the traditional baccalaureate curriculum and to provide a choice of programs to persons who determine that the overall educational needs of their families are best provided by either a savings trust agreement under MACS or a prepaid tuition contract under Mississippi Prepaid Affordable College Tuition Program (MPACT). MACS operates under the provisions of Mississippi Code Ann., Section 37-155-101 through Section 37-155-125. The administration functions of MACS are delegated to the State of Mississippi Treasury Department (State Treasury). The Program is governed by the 13-member College Savings Plans of Mississippi Board of Directors (the Board) consisting of the following members: the State Treasurer (or designee), the Commissioner of Higher Education (or designee), the Executive Director of the Community and Junior College Board (or designee), the Department of Finance and Administration Executive Director (or designee), one member from each congressional district as appointed by the Governor with the advice and consent of the Senate and four nonvoting advisory members appointed by the Lieutenant Governor and the Speaker of the Mississippi House of Representatives. The Board has authority to appoint investment managers, adopt resolutions for the administration of the Program and establish investment policies for the Program. Intuition College Savings Solution, LLC (Intuition) and the Board entered into a management agreement under which Intuition serves as Program Administrator. MACS is operated in a manner such that it is exempt from registration as an investment company under the Investment Company Act of 1940.

The Tax Cuts and Jobs Act, passed by Congress in December 2017, expanded the definition of a qualified higher education expense under Section 529 of the Internal Revenue Code. Expenses for tuition in connection with enrollment or attendance at elementary or secondary public, private or religious schools are now included as a qualified higher education expense.

Contributions to the Program can be made among 10 investment options.

- **Managed Allocation Option**

Investment Objective. The Managed Allocation Option seeks to match the investment objective and level of risk to the investment horizon by taking into account the beneficiary's current age and the number of years before the beneficiary turns 18 and is expected to enter an eligible educational institution.

Investment Strategy. Depending on the beneficiary's age, contributions to this investment option will be placed in one of nine age bands, each of which has a different investment objective and investment strategy. The age bands for younger beneficiaries seek a favorable long-term return by investing primarily in mutual funds that primarily invest in equity securities, which may have greater potential for returns than debt securities, but which also have greater risk than debt securities. As a beneficiary nears college age, the age bands invest less in mutual funds that invest primarily in equity securities and invest

Mississippi Affordable College Savings Program

Notes to Financial Statements

June 30, 2021

more heavily in mutual funds that invest in fixed-income securities and in a funding agreement to preserve capital.

- **Aggressive Allocation Option**

Investment Objective. This investment option seeks a favorable long-term return.

Investment Strategy. This investment option invests in the same mutual funds and at the same percentages as the Managed Allocation Option age band for beneficiaries aged 0-4 years. This investment option invests primarily in mutual funds that invest primarily in equity securities and, to a lesser extent, in mutual funds that invest primarily in debt securities.

- **Moderate Allocation Option**

Investment Objective. This investment option seeks moderate growth.

Investment Strategy. This investment option invests in the same mutual funds and at the same percentages as the Managed Allocation Option age band for beneficiaries aged 9-10 years. This investment option invests in mutual funds that invest primarily in equity securities and in mutual funds that invest primarily in debt securities.

- **Conservative Allocation Option**

Investment Objective. This investment option seeks a conservative to moderate total return.

Investment Strategy. This investment option invests in the same mutual funds and at the same percentages as the Managed Allocation Option age band for 17-year-old beneficiaries. This investment option invests primarily in mutual funds that invest primarily in debt securities and, to a lesser extent, in mutual funds that invest primarily in equity securities.

- **Diversified Equity Option**

Investment Objective. This investment option seeks to provide a favorable long-term return, mainly from capital appreciation.

Investment Strategy. This investment option invests 100% of its assets in mutual funds that invest primarily in equity index securities and actively managed funds.

- **Fixed Income Option**

Investment Objective. This investment option seeks to provide preservation of capital along with a moderate rate of return.

Investment Strategy. This investment option invests in a diversified mix of fixed income mutual funds and a funding agreement.

Mississippi Affordable College Savings Program

Notes to Financial Statements

June 30, 2021

- **U.S. Large-Cap Stock Index Option**

Investment Objective. This investment option seeks to provide a favorable long-term total return, mainly through capital appreciation, by investing primarily in a portfolio of equity securities of large domestic companies selected to track U.S. equity markets based on a market index.

Investment Strategy. This investment option invests in mutual funds that invest primarily in equity securities.

- **International Equity Fund Option**

Investment Objective. This investment option seeks to provide favorable long-term total return, mainly through capital appreciation, by investing primarily in a portfolio of foreign equity investments based on a market index.

Investment Strategy. This investment option invests in mutual funds that invest primarily in equity securities.

- **Bond Fund Option**

Investment Objective. This investment option seeks to provide a favorable long-term total return, mainly from current income, by primarily investing in a portfolio of fixed-income securities that is designed to produce a return that corresponds with the total return of the U.S. investment-grade bond market based on a broad bond index.

Investment Strategy. This investment option invests in mutual funds that invest primarily in fixed income funds.

- **Guaranteed Option**

Investment Objective. This investment option seeks to preserve capital and provide a stable return.

Investment Strategy. The assets in this investment option are allocated to a funding agreement issued by TIAA-CREF Life Insurance Company (TIAA-CREF Life), which is an affiliate of TFI, to the Board as the policyholder on behalf of the trust. The funding agreement provides a minimum guaranteed rate of return on the amounts allocated to it by the investment option. The minimum effective annual interest rate will be neither less than 1% nor greater than 3% at any time. The guarantee is made by the insurance company to the policyholder, not to account owners. In addition to the guaranteed rate of interest to the policyholder, the funding agreement allows for the possibility that additional interest may be credited as declared periodically by TIAA-CREF Life. The rate of any additional interest is declared in advance for a period of up to 12 months and is not guaranteed for any future periods.

Accumulations (including contributions and earnings) under the Funding Agreement for the Guaranteed Option are credited to MACS at an annually established effective interest rate

Mississippi Affordable College Savings Program

Notes to Financial Statements

June 30, 2021

and are guaranteed to earn the effective interest rate subject to the claims-paying ability of TIAA-CREF Life. The effective interest rate was 1.10%, 1.60% and 1.85% for the annual periods ending March 31, 2022, 2021 and 2020, respectively.

Teachers Advisors, Inc., an affiliate of TFI, is registered with the Securities and Exchange Commission (the Commission) as an investment advisor and provides investment advisory services to the TIAA-CREF Institutional Mutual Funds. Teachers Personal Investor Services, Inc., an affiliate of TFI, and TIAA-CREF Individual & Institutional Services, Inc., also an affiliate of TFI, both of which are registered with the Commission as broker-dealers and are members of the National Association of Securities Dealers, Inc., provide the telephone counseling, marketing and information services required of TFI.

Note 2: Summary of Significant Accounting Policies

Basis of Presentation

The financial statements contained in this report are prepared using the economic resources measurement focus on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when services or benefits are received. The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) and standards of the Governmental Accounting Standards Board (GASB).

Prior Year Comparative Totals

The financial statements include certain prior year summarized comparative information in total, but not by fund. Such information does not include sufficient detail to constitute a complete presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Program's 2020 financial statements from which the information was derived.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred inflows of resources, liabilities and deferred outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in fiduciary net position during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Program defines cash equivalents as demand deposit accounts and cash in the State Treasury.

Mississippi Affordable College Savings Program

Notes to Financial Statements

June 30, 2021

Investments

The fair value of the investments in mutual funds is based on the net asset values of the funds as of the close of business on the financial statement date.

The value of the TIAA-CREF Life Insurance Company Funding Agreement is based on the principal contributed and interest credited less any amounts withdrawn. The Funding Agreement is considered a nonparticipating, interest-earning investment contract and is accounted for at cost, plus accrued interest, which approximates fair value. Because it is valued at cost, it is not included in the fair value hierarchy in *Note 6*.

Securities transactions are accounted for as of the date the securities are purchased or sold (trade date). Interest income is recorded as earned. Dividend income is recorded on the ex-dividend date. Net realized gain and net appreciation (depreciation) in fair value of investments include unrealized and realized gains and losses. Realized gains and losses are based upon the specific identification method.

The Program's assets are invested in various types of investment securities and in different companies and multiple markets. Investment securities are exposed to several risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and that such changes could materially affect the amounts reported in the Program's financial statements.

Deferred Outflows/Inflows of Resources

Transactions not meeting the definition of an asset or liability that result in the consumption or acquisition of net position in one period that are applicable to future reporting periods are reported as deferred outflows of resources and deferred inflows of resources. At June 30, 2021 and 2020, deferred outflows of resources and deferred inflows of resources were comprised of the following:

	Deferred Outflows of Resources	
	2021	2020
Pension plan (<i>Note 7</i>)	\$ 22,966	\$ 35,218
OPEB plan (<i>Note 8</i>)	2,007	1,820
	<u>\$ 24,973</u>	<u>\$ 37,038</u>

Mississippi Affordable College Savings Program

Notes to Financial Statements

June 30, 2021

	Deferred Inflows of Resources	
	2021	2020
Pension plan (<i>Note 7</i>)	\$ 37,796	\$ 88,516
OPEB plan (<i>Note 8</i>)	3,737	1,505
	<u>\$ 41,533</u>	<u>\$ 90,021</u>

Contributions and Withdrawals

Contributions by an account owner are evidenced through the issuance of units in the particular assigned investment option. Contributions received by the Program Administrator before the close of trading on the New York Stock Exchange on any business day are credited to the account to which the contribution is made within one business day thereafter. Contributions are invested in units of the assigned investment option on the business day the contribution is credited to the account owner's account. Withdrawals are based on the net asset value calculated for such investment option at the end of the business day on which the Program Administrator processes the withdrawal request.

Exchanges

For certain investment options, account balances will automatically be exchanged from one portfolio to another more conservative portfolio as the beneficiary gets older. The transfers of funds between portfolios are referred to as exchanges, age band roll or customer age band restructuring. The amounts of contributions and withdrawals reported in the statement of changes in fiduciary net position do not include these exchanges, as they have no impact on the overall net financial position or changes in net financial position of the Program.

Penalty Fees

The Program does not assess penalty fees on nonqualified withdrawals; however, the account owner may be subject to additional federal income taxes relating to any earnings on nonqualified withdrawals.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of Mississippi (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee

Mississippi Affordable College Savings Program

Notes to Financial Statements

June 30, 2021

contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Cost-sharing Defined Benefit Other Postemployment Benefit Plan

MACS participates in a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan, the State of Mississippi State and School Employees' Life and Health Insurance Plan, (the OPEB Plan). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Tax Status

MACS is exempt from federal income tax as a qualified state tuition program under Section 529 of the Internal Revenue Code of 1986. Section 1806 of the Small Business Job Protection Act of 1996 added Section 529. This code section provides that a qualified state tuition program is exempt from all federal income taxation except that relating to unrelated business income. The term "qualified state tuition program" is defined generally in Code Section 529 as a program established and maintained by a state or agency and instrumentality thereof under which, among other things, a person may make cash contributions to an account established solely for meeting the qualified higher education expenses of the designated beneficiary of the account. To the extent necessary and applicable, the Program documents include the qualification criteria required by Section 529.

Reporting Entity

MACS is part of the State of Mississippi's reporting entity and is reported as a private purpose trust fund (fiduciary fund) in the State of Mississippi Annual Comprehensive Financial Report (ACFR). These financial statements and the accompanying notes relate solely to MACS. MPACT issues separate financial statements.

MACS is comprised of the following three fiduciary funds:

- Trust Fund (Fund 3318400000) includes contributions from MACS' account owners and serves to acquire, invest and disburse amounts from account owners pursuant to savings trust agreements.
- Administrative Fund (Fund 3318300000) includes administrative fees for the purpose of administration and marketing of the Program.
- Endowment Fund (Fund 3318500000) includes contributions and donations to MACS and serves to receive and disburse monies as specified by the Board.

Mississippi Affordable College Savings Program

Notes to Financial Statements

June 30, 2021

Adoption of GASB 84

Effective July 1, 2020, MACS adopted GASB Statement No. 84, *Fiduciary Activities*. This standard clarifies whether a government has a fiduciary responsibility and is required to present a fiduciary financial statement. The adoption of this standard did not result in the identification of any new fiduciary activities for MACS nor did it result in changes to the previously reported fiduciary net position.

Note 3: Management Agreements

For its services as Plan Administrator for the years ended June 30, 2021 and 2020, Intuition and related entities are paid an annual administration fee of 0.6% of the average daily net assets of the Program. Total administration fees earned by Intuition and related entities were \$1,696,643 and \$1,487,297 for the years ended June 30, 2021 and 2020, respectively. In addition to the plan administration fee, Intuition is authorized to withdraw an annual paper delivery fee for those plan participants not electing to receive information electronically.

Note 4: Investment Securities

As of June 30, 2021 and 2020, investment securities consisted of the following:

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Schwab Mutual Funds				
Treasury Inflation Protected Securities Fund	\$ 13,961,697	\$ 15,054,139	\$ 12,161,574	\$ 13,074,816
TIAA-CREF Institutional Mutual Funds				
International Equity Fund	7,405,525	8,967,128	7,965,102	7,012,548
International Equity Index Fund	32,937,600	40,406,566	33,295,750	32,138,254
Small-Cap Blend Index Fund	2,519,553	3,604,457	3,253,611	3,018,761
Large-Cap Value Index Fund	34,357,578	43,441,796	37,277,831	33,919,070
Large-Cap Growth Index Fund	15,084,882	25,854,284	14,830,658	20,587,064
S&P 500 Index Fund	8,738,702	11,896,404	5,243,477	5,634,414
Small-Cap Equity Fund	3,065,167	4,030,514	3,907,752	3,022,665
Bond Index Fund	44,363,516	44,752,333	36,017,340	38,564,070
Short-Term Bond Index Fund	9,406,384	9,500,759	8,266,569	8,485,853
Vanguard Mutual Funds				
REIT Index Fund	12,357,183	15,242,238	12,155,494	11,650,865
High-Yield Corporate Fund	2,606,439	2,688,918	2,424,307	2,351,943
Total International Bond Index Fund	2,652,270	2,693,959	2,272,760	2,358,437
Emerging Markets Stock Index Fund	10,903,439	14,030,038	11,712,755	11,411,713
TIAA-CREF Life Insurance Company Funding Agreement	57,728,635	57,728,635	53,893,533	54,011,629
	<u>\$ 258,088,570</u>	<u>\$ 299,892,168</u>	<u>\$ 244,678,513</u>	<u>\$ 247,242,102</u>

Mississippi Affordable College Savings Program

Notes to Financial Statements

June 30, 2021

At June 30, 2021, the net unrealized appreciation of mutual funds was \$41,803,598, consisting of gross unrealized appreciation of \$41,803,598 and no gross unrealized depreciation.

At June 30, 2020, the net unrealized appreciation of mutual funds was \$2,563,589, consisting of gross unrealized appreciation of \$10,030,372 and gross unrealized depreciation of \$7,466,783.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, MACS will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are not registered in the name of the government and are held by either the counterparty or the counterparty's trust department or agent. The Mississippi Code of 1972, Section 37-155-115(3) requires that all investments be clearly marked to indicate ownership by MACS and, to the extent possible, be registered in the name of MACS. Investments of the Program are entirely uninsured and are held by third parties in the name of MACS for the benefit of account owners.

For deposits, custodial credit risk is the risk that in the event of a bank failure, MACS' deposits may not be returned to it. Deposits of the Program are entirely insured or collateralized with securities.

Mississippi Affordable College Savings Program

Notes to Financial Statements

June 30, 2021

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. Credit ratings of the underlying bonds in the bond funds held by MACS consisted of the following at June 30, 2021 and 2020.

	Vanguard Total International Bond Index Fund	TIAA-CREF Short-Term Bond Index Fund	TIAA-CREF Bond Index Fund	Vanguard High-Yield Corporate Fund	Schwab Treasury Inflation Protection Securities Fund
2021					
Credit rating					
AAA	22%	73%	70%	5%	100%
AA	27%	4%	4%	-	-
A	30%	12%	11%	-	-
BBB	19%	11%	15%	4%	-
BB	2%	-	-	56%	-
B or below	-	-	-	35%	-
Not rated	-	-	-	-	-
Total	100%	100%	100%	100%	100%
2020					
Credit rating					
AAA	21%	72%	69%	5%	100%
AA	27%	5%	3%	-	-
A	24%	13%	12%	-	-
BBB	28%	10%	16%	4%	-
BB	-	-	-	56%	-
B or below	-	-	-	35%	-
Not rated	-	-	-	-	-
Total	100%	100%	100%	100%	100%

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. MACS does not have a formal investment policy that limits investment maturities as a means of managing its exposure to potential fair value losses arising from future changes in interest rates.

Mississippi Affordable College Savings Program

Notes to Financial Statements

June 30, 2021

The maturities of the underlying bonds in the bond funds held by MACS consisted of the following at June 30, 2021 and 2020.

	Vanguard Total International Bond Index Fund	TIAA-CREF Short-Term Bond Index Fund	TIAA-CREF Bond Index Fund	Vanguard High-Yield Corporate Fund	Schwab Treasury Inflation Protection Securities Fund
2021					
Maturity					
Less than 1 year	2%	3%	1%	8%	-
1-5	36%	97%	51%	30%	47%
6-10	30%	-	29%	53%	36%
More than 10	32%	-	19%	9%	17%
Total	100%	100%	100%	100%	100%
Weighted average maturity in years	9.70	1.99	8.41	4.20	7.99
2020					
Maturity					
Less than 1 year	1%	4%	1%	9%	-
1-5	38%	95%	59%	32%	45%
6-10	30%	1%	20%	49%	38%
More than 10	31%	-	20%	10%	17%
Total	100%	100%	100%	100%	100%
Weighted average maturity in years	10.00	1.92	8.17	6.00	7.22

Foreign Currency Risk

Foreign currency and investment risk is the risk that changes in exchange rates that will adversely affect the fair value of investments in foreign securities. The Program does not have any direct investment in foreign fixed income securities. Certain program options allocate assets to underlying mutual funds that are exposed to foreign currency and investment risk. At June 30, 2021, the TIAA-CREF International Equity Fund, the TIAA-CREF International Equity Index Fund, the Vanguard Total International Bond Index Fund and the Vanguard Emerging Markets Stock Index Fund significantly invested in foreign securities.

Mississippi Affordable College Savings Program

Notes to Financial Statements

June 30, 2021

Note 5: Administrative Transfers

Expenditures from the Administrative Fund were funded through payments to the Administrative Fund from the Trust Fund on behalf of MACS by Intuition during the years ended June 30, 2021 and 2020.

Note 6: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2021 and 2020

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2021				
Mutual Funds	\$ 242,163,533	\$ 242,163,533	\$ -	\$ -
June 30, 2020				
Mutual Funds	193,230,473	193,230,473	-	-

Mississippi Affordable College Savings Program

Notes to Financial Statements

June 30, 2021

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. MACS held no Level 2 or Level 3 investments at June 30, 2021 or 2020.

Note 7: Pension Plan

Plan Description

MACS contributes to PERS, a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing the Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, Mississippi 39201-1005, or by calling 601.359.3589 or 1.800.444.PERS, or online at <http://www.pers.ms.gov>.

Benefits Provided

For the cost-sharing plan, participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.00% of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.50% for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years, or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of 8 years of membership service (4 years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance,

Mississippi Affordable College Savings Program

Notes to Financial Statements

June 30, 2021

the deceased member's accumulated contributions and interest are paid to the designated beneficiary.

A cost-of-living adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.00% of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.00% compounded for each fiscal year thereafter.

Contributions

Plan provisions and the PERS Board of Trustees' authority to determine contribution rates are established by Mississippi Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature.

Policies for PERS provide for employer and member contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. Contribution rates for PERS are established in accordance with actuarial contribution requirements determined through the most recent June 30 annual valuation and adopted by the PERS Board of Trustees. Employer contribution rates consist of an amount for service cost; the amount estimated to finance benefits earned by current members during the year; and an amount for amortization of the unfunded actuarial accrued liability. For determining employer contribution rates, the actuary evaluates the assets of the plan based on a five-year smoothed expected return with 20.00% of a year's excess or shortfall of expected return recognized each year for five years. Contribution rates are determined using the entry age actuarial cost method and include provisions for an annual 3.00% cost-of-living increase calculated according to the terms of the respective plan.

Employees are required to contribute 9.00% of their annual pay. The employer's contractually required contribution rate for the year ended June 30, 2021, was 17.40% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the years ended June 30, 2021 and 2020, contributions to the pension plan from MACS were \$15,460 and \$13,841, respectively.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021 and 2020, MACS reported a liability of \$193,588 and \$175,920, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and 2019, respectively, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of those dates. MACS' proportion of the net pension liability was based on employer contributions to PERS for the plan's fiscal years ended June 30, 2020 and 2019, relative to the total employer contributions of participating employers to PERS. At June 30, 2020, MACS' proportion was 0.001%, which did not change from its proportion measured as of June 30, 2019.

Mississippi Affordable College Savings Program

Notes to Financial Statements

June 30, 2021

For the years ended June 30, 2021 and 2020, MACS recognized pension expense (revenue) of (\$5,340) and \$28,362, respectively. At June 30, MACS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
June 30, 2021		
Difference between expected and actual experience	\$ 1,680	\$ -
Changes of assumptions or other inputs	1,084	-
Net difference between projected and actual earnings on pension plan investments	4,742	-
Changes in proportion	-	37,796
Contributions subsequent to the measurement date	15,460	-
	<u>\$ 22,966</u>	<u>\$ 37,796</u>
June 30, 2020		
Difference between expected and actual experience	\$ 104	\$ 378
Changes of assumptions or other inputs	1,753	-
Net difference between projected and actual earnings on pension plan investments	-	8,347
Change in proportion	19,520	79,791
Contributions subsequent to the measurement date	13,841	-
	<u>\$ 35,218</u>	<u>\$ 88,516</u>

At June 30, 2021 and 2020, MACS reported \$15,460 and \$13,841, respectively, as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the years ending June 30, 2022 and 2021, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2022	\$ (40,324)
2023	3,699
2024	3,773
2025	2,562
	<u>\$ (30,290)</u>

Mississippi Affordable College Savings Program

Notes to Financial Statements

June 30, 2021

Actuarial Assumptions

The total pension liability in the June 30, 2020 and 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Inflation	2.75%
Salary increases	3.00% - 18.25% average, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments – For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used in the June 30, 2020 and 2019 valuation was based on the experience investigation for the four-year period ending June 30, 2018.

For the years ended June 30, 2020 and 2019, the long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 and 2019, are summarized in the following table:

Asset Class	2020	
	Target Allocation Percentage	Long-term Expected Real Rate of Return
Domestic equity	27%	4.90%
International equity	22%	4.75%
Global equity	12%	5.00%
Debt securities	20%	0.50%
Real assets	10%	4.00%
Private equity	8%	6.25%
Cash	1%	0.00%
	100%	

Mississippi Affordable College Savings Program

Notes to Financial Statements

June 30, 2021

Asset Class	2019	
	Target Allocation Percentage	Long-term Expected Real Rate of Return
Domestic equity	27%	4.90%
International equity	22%	4.75%
Global equity	12%	5.00%
Debt securities	20%	1.50%
Real assets	10%	4.00%
Private equity	8%	6.25%
Cash	1%	0.25%
	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.75% at June 30, 2020 and 2019. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate (9.00%), and that participating employer contributions will be made at the current employer contribution rate (17.40%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of MACS' Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

MACS' proportionate share of the net pension liability has been calculated using a discount rate of 7.75% at June 30, 2020. The following presents MACS' proportionate share of the net pension liability calculated using a discount rate 1% higher and 1% lower than the current rate.

	1.00% Decrease (6.75%)	Current Discount Rate (7.75%)	1.00% Increase (8.75%)
Proportionate share of the net pension liability	\$ 250,576	\$ 193,588	\$ 146,550

Mississippi Affordable College Savings Program

Notes to Financial Statements

June 30, 2021

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued ACFR, which can be obtained at <http://www.pers.ms.gov>.

Payable to the Pension Plan

At June 30, 2021 and 2020, MACS had no amounts payable for outstanding contributions to the pension plan.

Note 8: Other Postemployment Benefit Plan

Plan Description

The following brief description of the State of Mississippi State and School Employees' Life and Health Insurance Plan (the OPEB Plan) is provided for general information purposes only. Participants should refer to Title 25 Chapter 15 of the Mississippi statutes as amended or the OPEB Plan Document for more complete information.

The OPEB Plan was established by Section 25-15-3 et seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the OPEB Board) administers the OPEB Plan. The OPEB Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The OPEB Plan is maintained solely for the benefit of eligible employees, dependents and retirees. The OPEB Plan is a fund of the State of Mississippi (the State).

The 14-member OPEB Board, which administers the OPEB Plan, is comprised of the Chairman of the Workers' Compensation Commission; the State Personnel Director; the Commissioner of Insurance; the Commissioner of Higher Education; the State Superintendent of Public Education; the Executive Director of the Department of Finance and Administration; the Executive Director of the Mississippi Community College Board; the Executive Director of the Public Employees' Retirement System; two appointees of the Governor; the Chairman of the Senate Insurance Committee, or his designee; the Chairman of the House of Representatives Insurance Committee, or his designee; the Chairman of the Senate Appropriations Committee, or his designee; and the Chairman of the House of Representatives' Appropriations Committee, or his designee. The OPEB Board has a fiduciary responsibility to manage the funds of the OPEB Plan. The OPEB Plan maintains a budget approved by the OPEB Board.

Benefits Provided

The OPEB Plan provides for OPEB as a multiple-employer defined benefit OPEB plan for units of state government, political subdivisions, community colleges and school districts. A trust was created June 28, 2018 for the OPEB Plan. Benefits of the OPEB Plan consist of an implicit rate

Mississippi Affordable College Savings Program

Notes to Financial Statements

June 30, 2021

subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age-adjusted.

Contributions

Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The OPEB Board has the sole authority for setting life and health insurance premiums for the OPEB Plan.

Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance will have the full cost of such insurance premium deducted monthly from his state retirement plan check or direct billed for the cost of the premium if the retirement check is insufficient to pay for the premium. If the OPEB Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the OPEB Plan to the State, then the OPEB Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the OPEB Board may impose a premium surcharge in an amount actuarially determined to cover the full cost of insurance.

Pursuant to the authority granted by Mississippi Statute, the OPEB Board has the authority to establish and change premium rates for the participants, employers and other contributing entities. An outside consulting actuary advises the OPEB Board regarding changes in premium rates. If premium rates are changed, they generally become effective at the beginning of the next calendar year or next fiscal year.

Plan participants are not subject to supplemental assessment in the event of a premium deficiency. At the time of premium payment, the risk of loss due to incurred benefit costs is transferred from the participant to the OPEB Plan. If the assets of the OPEB Plan were to be exhausted, participants would not be responsible for the OPEB Plan's liabilities.

For the years ended June 30, 2021 and 2020, contributions to the OPEB Plan from MACS were \$280 and \$387, respectively.

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2021, MACS reported a liability of \$8,744 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. MACS' proportion of the net OPEB liability was determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the plan in the fiscal year of all employers. This allocation was utilized because the level of premiums

Mississippi Affordable College Savings Program

Notes to Financial Statements

June 30, 2021

contributed by each employer is the same for any employee regardless of plan participation elections made by an employee. At June 30, 2020, MACS' proportion was 0.0011%, which was a decrease of 0.0004% from its proportion measured as of June 30, 2019.

For the years ended June 30, 2021 and 2020, MACS recognized an OPEB expense of \$175 and \$690, respectively. At June 30, 2021, MACS reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
June 30, 2021		
Difference between expected and actual experience	\$ 11	\$ 1,522
Changes of assumptions or other inputs	1,358	370
Changes in proportion and differences between MACS' contributions and proportionate share of contributions	358	1,845
Contributions subsequent to the measurement date	280	-
	<u>\$ 2,007</u>	<u>\$ 3,737</u>
June 30, 2020		
Changes of assumptions or other inputs	\$ 18	\$ 178
Changes in proportion and differences between MACS' contributions and proportionate share of contributions	928	645
Contributions subsequent to the measurement date	487	682
	387	-
	<u>\$ 1,820</u>	<u>\$ 1,505</u>

Mississippi Affordable College Savings Program

Notes to Financial Statements

June 30, 2021

At June 30, 2021 and 2020, MACS reported \$280 and \$387, respectively, as deferred outflows of resources related to OPEB resulting from MACS' contributions subsequent to the measurement date that will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022 and 2021, respectively. Other amounts reported as deferred inflows of resources related to OPEB at June 30, 2021, will be recognized in OPEB expense as follows:

Year Ending June 30	Amount
2022	\$ (503)
2023	(503)
2024	(433)
2025	(239)
2026	(332)
	<u>\$ (2,010)</u>

Actuarial Methods and Assumptions

Year Ending June 30,	2021	2020
Actuarial valuation date	June 30, 2020	June 30, 2019
Measurement date	June 30, 2020	June 30, 2019
Experience study	April 2, 2019	April 2, 2019
Actuarial assumptions		
Actuarial cost method	Entry Age Normal	Entry Age Normal
Inflation rate	2.75%	2.75%
Long-term expected rate of return	4.50%	4.50%
Discount rate	2.19%	3.50%
Projected cash flows	NA	NA
Projected salary increases	3.00%-18.25%	3.00%-18.20%
Health care cost trend rates	7.00% decreasing to 4.50% by 2030	7.00% decreasing to 4.75% by 2028

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments – For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The PubT.H-2010 Disabled Retiree Table is used for disabled retirees with the following adjustments - 137% of male rates at all ages and 115% of female rates at all ages. Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

Mississippi Affordable College Savings Program

Notes to Financial Statements

June 30, 2021

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2020 and 2019 was based on an average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by the Bond Buyer.

Long-term Expected Rate of Return

The long-term expected rate of return, net of OPEB Plan investment expense, including inflation, was 4.50%.

Sensitivity of MACS' Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Health Care Cost Trend Rates

MACS' proportionate share of the net OPEB liability has been calculated using a discount rate of 2.19%. The following presents MACS' proportionate share of the net OPEB liability calculated using a discount rate 1% higher and 1% lower than the current discount rate.

	1.00% Decrease (1.19%)	Current Discount Rate (2.19%)	1.00% Increase (3.19%)
Proportionate share of the net OPEB liability	\$ 9,663	\$ 8,744	\$ 7,956

MACS' proportionate share of the net OPEB liability has been calculated using health care trend rates of 7.0% decreasing to 4.75% by 2028. The following presents MACS' proportionate share of the net OPEB liability calculated using health care cost trend rates 1% higher and 1% lower than the current health care cost trend rates.

	1.00% Decrease	Current Health Care Cost Trend Rates	1.00% Increase
Proportionate share of the net OPEB liability	\$ 8,074	\$ 8,744	\$ 9,504

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB Plan's fiduciary net position is available in the separately issued plan financial report.

Mississippi Affordable College Savings Program

Notes to Financial Statements

June 30, 2021

Payable to the OPEB Plan

MACS did not have a payable for any outstanding amounts of contributions to the OPEB Plan required for the year ended June 30, 2021.

Note 9: Contingencies

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may affect the net position, results of operations and cash flows of the Program. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Required Supplementary Information

Mississippi Affordable College Savings Program

Schedules of the Employer's Proportionate Share of the Net Pension Liability

	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability	0.001%	0.001%	0.002%	0.001%	0.001%	0.001%	0.001%	0.001%
Employer's proportionate share of the net pension liability	\$ 193,588	\$ 175,920	\$ 166,330	\$ 332,468	\$ 178,625	\$ 154,580	\$ 121,382	\$ 138,559
Employer's covered-employee payroll	79,543	92,997	83,949	97,905	79,441	52,216	75,625	66,926
Employer's proportionate share of the net pension liability as a percentage of its covered employee payroll	243.4%	189.2%	198.1%	339.6%	224.9%	296.0%	160.5%	207.0%
Plan fiduciary net position as a percentage of the total pension liability	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%	67.21%	61.02%

Notes to Schedule:

Information above is presented as of the measurement date.

Information is not currently available for prior years; additional years will be displayed as they become available.

Mississippi Affordable College Savings Program

Schedules of the Employer's Pension Contributions

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 15,460	\$ 13,841	\$ 14,647	\$ 13,222	\$ 15,420	\$ 12,512	\$ 8,224	\$ 11,911
Contributions in relation to the contractually required contribution	<u>15,460</u>	<u>13,841</u>	<u>14,647</u>	<u>13,222</u>	<u>15,420</u>	<u>12,512</u>	<u>8,224</u>	<u>11,911</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's covered-employee payroll	\$ 88,851	\$ 79,543	\$ 92,997	\$ 83,949	\$ 97,905	\$ 79,441	\$ 52,216	\$ 75,625
Contributions as a percentage of covered-employee payroll	17.40%	17.40%	15.75%	15.75%	15.75%	15.75%	15.75%	15.75%

Notes to Schedule:

Information above is presented as of the employer's fiscal year-end.

Information is not currently available for prior years; additional years will be displayed as they become available.

Mississippi Affordable College Savings Program

Notes to the Required Supplementary Information – Pension Schedules

A. Changes of Assumptions

2015

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

2017

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives. The wage inflation assumptions were reduced from 3.75% to 3.25%. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. The percentage of active member disabilities assumed to be in the line of duty was increased from 6.00% to 7.00%.

2019

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:

- For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
- For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
- Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:

- For males, 137% of male rates at all ages.
- For females, 115% of female rates at all ages.
- Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

Mississippi Affordable College Savings Program

Notes to the Required Supplementary Information – Pension Schedules

The price inflation assumption was reduced from 3.00% to 2.75%.

The wage inflation assumption was reduced from 3.25% to 3.00%.

Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

B. Changes in Benefit Provisions

2016

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by *The Wall Street Journal* on December 31 of each preceding year with a minimum rate of 1% and a maximum rate of 5%.

C. Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2018 valuation for the June 30, 2020 fiscal year-end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	30.9 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00%
Salary increase	3.25% to 18.50%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mississippi Affordable College Savings Program

Schedules of the Employer's Proportionate Share of the Net OPEB Liability

	2021	2020	2019	2018	2017
Employer's proportion of the net OPEB liability	0.0011%	0.0015%	0.0013%	0.0016%	0.0018%
Employer's proportionate share of the net OPEB liability	\$ 8,744	\$ 12,445	\$ 10,367	\$ 12,484	\$ 14,291
Employer's covered-employee payroll	79,543	92,997	83,949	97,905	79,441
Employer's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	11.0%	13.4%	12.3%	12.8%	18.0%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%

Notes to Schedule:

Information above is presented as of the measurement date.

Information is not currently available for prior years; additional years will be displayed as they become available.

A trust was created June 28, 2018 for the OPEB Plan.

Mississippi Affordable College Savings Program

Schedules of the Employer's OPEB Contributions

	2021	2020	2019	2018	2017
Contractually required contribution	\$ 280	\$ 387	\$ 479	\$ 532	\$ 491
Contributions in relation to the contractually required contribution	<u>280</u>	<u>387</u>	<u>479</u>	<u>532</u>	<u>491</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's covered-employee payroll	\$ 88,851	\$ 79,543	\$ 92,997	\$ 83,949	\$ 97,905
Contributions as a percentage of covered-employee payroll	0.32%	0.49%	0.52%	0.63%	0.50%

Notes to Schedule:

Information above is presented as of the employer's fiscal year.

Information is not currently available for prior years; additional years will be displayed as they become

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

Independent Auditor's Report

Board of Directors
College Savings Plans of Mississippi
Mississippi Affordable College Savings Program
Jackson, Mississippi

We have audited, 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, the financial statements of Mississippi Affordable College Savings Program (the Program), which comprise the statement of fiduciary net position as of June 30, 2021, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 8, 2021, which contained an "Emphasis of Matter" paragraph regarding the entity reflected in the financial statements and an "Other Matter" paragraph regarding the omission and inclusion of required supplementary information.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Program'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 Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Program'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 Program'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 Program'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 Program'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 Program's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Jackson, Mississippi
December 8, 2021