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# **Mississippi Affordable College Savings Program**

**Independent Auditor's Reports and Financial Statements**

**June 30, 2022**

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# Mississippi Affordable College Savings Program

## June 30, 2022

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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 Audit of the Financial Statements

#### **Opinion**

We have audited the financial statements of Mississippi Affordable College Savings Program (the Program) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Program as of June 30, 2022, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

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

#### **Emphasis of Matter**

As discussed in *Note 1*, the 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 are 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, 2022, 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.

We have previously audited the Program's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 8, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Program's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

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

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

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

### ***Required Supplementary Information***

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 basic financial statements. Such missing 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. Our opinion on the basic 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 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2022, 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 effectiveness of the Program'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 Program's internal control over financial reporting and compliance.

**FORVIS,LLP**

Jackson, Mississippi  
November 30, 2022

**Mississippi Affordable College Savings Program**  
**Statement of Fiduciary Net Position**  
**June 30, 2022**  
**(With Summarized Information for 2021)**

	2022				2021
	3318400000	3318300000	3318500000		Total
	Trust	Administrative	Endowment	Total	
	Fund	Fund	Fund		Total
<b>Assets and Deferred Outflows of Resources</b>					
Cash and cash equivalents	\$ -	\$ 48,589	\$ 1,000	\$ 49,589	\$ 68,748
Accounts and other receivables	291,040	-	-	291,040	400,985
Investment securities	271,076,322	-	-	271,076,322	299,892,168
 Total assets	 271,367,362	 48,589	 1,000	 271,416,951	 300,361,901
 Deferred outflows of resources	 -	 32,524	 -	 32,524	 24,973
Total assets and deferred outflows of resources	\$ 271,367,362	\$ 81,113	\$ 1,000	\$ 271,449,475	\$ 300,386,874
 <b>Liabilities, Deferred Inflows of Resources and Fiduciary Net Position (Deficit)</b>					
Liabilities					
Accounts and warrants payable	\$ -	\$ 4,282	\$ -	\$ 4,282	\$ 1,995
Payable for securities transactions, redemptions and management fees	403,870	-	-	403,870	540,819
Compensated absences	-	10,499	-	10,499	10,431
Net other postemployment benefit liability	-	7,997	-	7,997	8,744
Net pension liability	-	147,804	-	147,804	193,588
 Total liabilities	 403,870	 170,582	 -	 574,452	 755,577
 Deferred inflows of resources	 -	 49,203	 -	 49,203	 41,533
 Fiduciary net position (deficit) held in trust	 270,963,492	 (138,672)	 1,000	 270,825,820	 299,589,764
 Total liabilities, deferred inflows of resources and fiduciary net position	 \$ 271,367,362	 \$ 81,113	 \$ 1,000	 \$ 271,449,475	 \$ 300,386,874



**Mississippi Affordable College Savings Program**  
**Statement of Changes in Fiduciary Net Position**  
**Year Ended June 30, 2022**  
**(With Summarized Information for 2021)**

	2022				2021
	3318400000	3318300000	3318500000		Total
	Trust Fund	Administrative Fund	Endowment Fund	Total	
<b>Additions</b>					
Investment earnings					
Interest	\$ -	\$ 326	\$ -	\$ 326	\$ 425
Dividends	7,444,625	-	-	7,444,625	4,877,505
Net realized gain and net appreciation (depreciation) in fair value of investments	(36,826,746)	-	-	(36,826,746)	46,693,320
Subscriptions	39,287,988	-	-	39,287,988	37,674,195
Administrative transfers	-	133,395	-	133,395	178,785
Total additions	9,905,867	133,721	-	10,039,588	89,424,230
<b>Deductions</b>					
Redemptions	37,071,780	-	-	37,071,780	35,140,550
Management fees	1,622,929	-	-	1,622,929	1,486,765
Salaries and travel	-	82,883	-	82,883	100,494
Contractual services	-	25,708	-	25,708	35,830
Commodities and supplies	-	232	-	232	213
Total deductions	38,694,709	108,823	-	38,803,532	36,763,852
<b>Net Increase (Decrease)</b>	(28,788,842)	24,898	-	(28,763,944)	52,660,378
<b>Fiduciary Net Position (Deficit), Beginning of Year</b>	299,752,334	(163,570)	1,000	299,589,764	246,929,386
<b>Fiduciary Net Position (Deficit), End of Year</b>	\$ 270,963,492	\$ (138,672)	\$ 1,000	\$ 270,825,820	\$ 299,589,764

# Mississippi Affordable College Savings Program

## Notes to Financial Statements

June 30, 2022

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

# Mississippi Affordable College Savings Program

## Notes to Financial Statements

June 30, 2022

- **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.

- **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.

# Mississippi Affordable College Savings Program

## Notes to Financial Statements

June 30, 2022

*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 TIAA-CREF Tuition Financing, Inc. (TFI), which is a subsidiary of Teachers Insurance Annuity Association of America (TIAA), 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 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%, 1.10% and 1.60% for the annual periods ending March 31, 2023, 2022 and 2021, 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

# Mississippi Affordable College Savings Program

## Notes to Financial Statements

June 30, 2022

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 2021 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.

#### ***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*.

# Mississippi Affordable College Savings Program

## Notes to Financial Statements

June 30, 2022

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, 2022 and 2021, deferred outflows of resources and deferred inflows of resources were comprised of the following:

	<b>Deferred Outflows of Resources</b>	
	<b>2022</b>	<b>2021</b>
Pension plan (Note 7)	\$ 30,621	\$ 22,966
OPEB plan (Note 8)	1,903	2,007
	<u>\$ 32,524</u>	<u>\$ 24,973</u>

  

	<b>Deferred Inflows of Resources</b>	
	<b>2022</b>	<b>2021</b>
Pension plan (Note 7)	\$ 44,511	\$ 37,796
OPEB plan (Note 8)	4,692	3,737
	<u>\$ 49,203</u>	<u>\$ 41,533</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

# **Mississippi Affordable College Savings Program**

## **Notes to Financial Statements**

**June 30, 2022**

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 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

# Mississippi Affordable College Savings Program

## Notes to Financial Statements

June 30, 2022

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.

### **Note 3: Management Agreements**

For its services as Plan Administrator for the years ended June 30, 2022 and 2021, 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 \$11,849,671 and \$1,696,643 for the years ended June 30, 2022 and 2021, 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.



# Mississippi Affordable College Savings Program

## Notes to Financial Statements

June 30, 2022

### Note 4: Investment Securities

As of June 30, 2022 and 2021, investment securities consisted of the following:

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Schwab Mutual Funds				
Treasury Inflation Protected Securities Fund	\$ 14,500,270	\$ 13,906,249	\$ 13,961,697	\$ 15,054,139
TIAA-CREF Institutional Mutual Funds				
International Equity Fund	7,580,134	7,018,185	7,405,525	8,967,128
International Equity Index Fund	36,882,415	35,053,587	32,937,600	40,406,566
Small-Cap Blend Index Fund	3,501,944	3,156,653	2,519,553	3,604,457
Large-Cap Value Index Fund	34,241,751	37,277,478	34,357,578	43,441,796
Large-Cap Growth Index Fund	19,249,218	20,878,052	15,084,882	25,854,284
S&P 500 Index Fund	11,842,746	12,879,492	8,738,702	11,896,404
Small-Cap Equity Fund	3,759,766	3,226,407	3,065,167	4,030,514
Bond Index Fund	46,296,752	41,362,674	44,363,516	44,752,333
Short-Term Bond Index Fund	9,139,887	8,787,381	9,406,384	9,500,759
Vanguard Mutual Funds				
REIT Index Fund	12,042,211	12,900,147	12,357,183	15,242,238
High-Yield Corporate Fund	2,955,730	2,602,698	2,606,439	2,688,918
Total International Bond Index Fund	3,003,964	2,666,849	2,652,270	2,693,959
Emerging Markets Stock Index Fund	12,768,677	12,190,830	10,903,439	14,030,038
TIAA-CREF Life Insurance Company Funding Agreement	57,169,640	57,169,640	57,728,635	57,728,635
	<u>\$ 274,935,105</u>	<u>\$ 271,076,322</u>	<u>\$ 258,088,570</u>	<u>\$ 299,892,168</u>

At June 30, 2022, the net unrealized depreciation of mutual funds was \$3,858,783, consisting of gross unrealized appreciation of \$6,559,242 and gross unrealized depreciation of \$10,418,025.

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.

### 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.

# Mississippi Affordable College Savings Program

## Notes to Financial Statements

June 30, 2022

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.

### 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, 2022 and 2021.

	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
<b>2022</b>					
Credit rating					
AAA	24%	73%	72%	4%	100%
AA	26%	4%	3%	-	-
A	29%	12%	11%	-	-
BBB	19%	11%	13%	5%	-
BB	2%	-	-	55%	-
B or below	-	-	-	36%	-
Not rated	-	-	1%	-	-
Total	100%	100%	100%	100%	100%
<b>2021</b>					
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%

### 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, 2022

The maturities of the underlying bonds in the bond funds held by MACS consisted of the following at June 30, 2022 and 2021.

	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
<b>2022</b>					
Maturity					
Less than 1 year	2%	4%	1%	7%	-
1-5	40%	96%	38%	28%	50%
6-10	30%	-	40%	60%	36%
More than 10	28%	-	21%	5%	14%
Total	100%	100%	100%	100%	100%
Weighted average maturity in years	9.30	1.98	8.73	6.10	7.38
<b>2021</b>					
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

### 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, 2022, 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, 2022

### 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, 2022 and 2021.

### 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, 2022 and 2021

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>June 30, 2022</b>				
Mutual Funds	\$ 213,906,682	\$ 213,906,682	\$ -	\$ -
<b>June 30, 2021</b>				
Mutual Funds	242,163,533	242,163,533	-	-

### 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,

# Mississippi Affordable College Savings Program

## Notes to Financial Statements

June 30, 2022

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, 2022 or 2021.

### **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, 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.

# Mississippi Affordable College Savings Program

## Notes to Financial Statements

June 30, 2022

### **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, 2022 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, 2022 and 2021, contributions to the pension plan from MACS were \$16,882 and \$15,460, respectively.

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

At June 30, 2022 and 2021, MACS reported a liability of \$147,804 and \$193,588, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and 2020, 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, 2021 and 2020, relative to the total employer contributions of participating employers to PERS. At June 30, 2021, MACS' proportion was 0.001%, which did not change from its proportion measured as of June 30, 2020.

# Mississippi Affordable College Savings Program

## Notes to Financial Statements

June 30, 2022

For the years ended June 30, 2022 and 2021, MACS recognized pension expense (revenue) of \$6,720 and (\$5,340), 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
<b>June 30, 2022</b>		
Difference between expected and actual experience	\$ 2,364	\$ -
Changes of assumptions or other inputs	11,375	-
Net difference between projected and actual earnings on pension plan investments	-	44,511
Contributions subsequent to the measurement date	<u>16,882</u>	<u>-</u>
	<u>\$ 30,621</u>	<u>\$ 44,511</u>
<b>June 30, 2021</b>		
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	-
Change in proportion	-	37,796
Contributions subsequent to the measurement date	<u>15,460</u>	<u>-</u>
	<u>\$ 22,966</u>	<u>\$ 37,796</u>

At June 30, 2022 and 2021, MACS reported \$16,882 and \$15,460, 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, 2023 and 2022, 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
2023	\$ (5,311)
2024	(5,239)
2025	(6,956)
2026	<u>(13,266)</u>
	<u>\$ (30,772)</u>

# Mississippi Affordable College Savings Program

## Notes to Financial Statements

June 30, 2022

### **Actuarial Assumptions**

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Inflation	2.40%
Salary increases	2.65% - 17.95% average, including inflation
Investment rate of return	7.55%, 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, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of the female rates up to age 72 and 100% for ages above 76. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used in the June 30, 2021 valuation were based on the experience investigation for the four-year period ended June 30, 2020.

The total pension liability in the June 30, 2020 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 valuation was based on the experience investigation for the four-year period ended June 30, 2018.

For the years ended June 30, 2021 and 2020, 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.



# Mississippi Affordable College Savings Program

## Notes to Financial Statements

June 30, 2022

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021 and 2020, are summarized in the following tables:

Asset Class	2021	
	Target Allocation Percentage	Long-term Expected Real Rate of Return
Domestic equity	27%	4.60%
International equity	22%	4.50%
Global equity	12%	4.80%
Debt securities	20%	-0.25%
Real assets	10%	3.75%
Private equity	8%	6.00%
Cash	1%	-1.00%
	100%	
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%	

### Discount Rate

The discount rates used to measure the total pension liability were 7.55% and 7.75% at June 30, 2021 and 2020, respectively. 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

# Mississippi Affordable College Savings Program

## Notes to Financial Statements

June 30, 2022

(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 7.55% at June 30, 2021. 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.

	<b>1.00% Decrease (6.55%)</b>	<b>Current Discount Rate (7.55%)</b>	<b>1.00% Increase (8.55%)</b>
Proportionate share of the net pension liability	\$ 209,326	\$ 147,804	\$ 97,106

### ***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, 2022 and 2021, 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).

# Mississippi Affordable College Savings Program

## Notes to Financial Statements

June 30, 2022

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 subsidy, which is essentially the difference between the average cost of providing healthcare benefits to retirees under age 65 and the average cost of providing healthcare 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.

# Mississippi Affordable College Savings Program

## Notes to Financial Statements

June 30, 2022

For the years ended June 30, 2022 and 2021, contributions to the OPEB Plan from MACS were \$282 and \$280, respectively.

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

At June 30, 2022, MACS reported a liability of \$7,997 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, 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 contributed by each employer is the same for any employee regardless of plan participation elections made by an employee. At June 30, 2021, MACS' proportion was 0.0012%, which was an increase of 0.0001% from its proportion measured as of June 30, 2020.

For the years ended June 30, 2022 and 2021, MACS recognized an OPEB expense of \$313 and \$175, respectively. At June 30, 2022, MACS reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<b>June 30, 2022</b>		
Difference between expected and actual experience	\$ 9	\$ 2,501
Changes of assumptions or other inputs	1,295	270
Changes in proportion and differences between MACS' contributions and proportionate share of contributions	317	1,921
Contributions subsequent to the measurement date	282	-
	<u>\$ 1,903</u>	<u>\$ 4,692</u>
<b>June 30, 2021</b>		
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>

# Mississippi Affordable College Savings Program

## Notes to Financial Statements

June 30, 2022

At June 30, 2022 and 2021, MACS reported \$282 and \$280, 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, 2023 and 2022, respectively. Other amounts reported as deferred inflows of resources related to OPEB at June 30, 2022, will be recognized in OPEB expense as follows:

Year Ending June 30	Amount
2022	\$ (849)
2023	(770)
2024	(550)
2025	(653)
2026	(249)
	<u>\$ (3,071)</u>

### Actuarial Methods and Assumptions

Year Ending June 30,	2022	2021
Actuarial valuation date	June 30, 2021	June 30, 2020
Measurement date	June 30, 2021	June 30, 2020
Experience study	April 20, 2021	April 2, 2019
Actuarial assumptions		
Actuarial cost method	Entry Age Normal	Entry Age Normal
Inflation rate	2.40%	2.75%
Long-term expected rate of return	4.50%	4.50%
Discount rate	2.13%	2.19%
Projected cash flows	NA	NA
Projected salary increases	2.65%-17.90%	3.00%-18.25%
Healthcare cost trend rates	6.50% decreasing to 4.50% by 2030	7.00% decreasing to 4.50% by 2030

Mortality rates for the June 30, 2021 measurement date were based on the PubS.H-2010(B) Retiree Table with the following adjustments – for males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of the female rates up to age 72 and 100% for ages above 76. Additionally, the PubG.H-2010 Disabled Table was used for disabled retirees with the following adjustments - 134% of male rates at all ages and 121% of female rates at all ages. Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

# Mississippi Affordable College Savings Program

## Notes to Financial Statements

June 30, 2022

Mortality rates for the June 30, 2020 measurement date 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. Additionally, the PubT.H-2010 Disabled Retiree Table was 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.

### Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2021 and 2020 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 Healthcare Cost Trend Rates

MACS' proportionate share of the net OPEB liability has been calculated using a discount rate of 2.13%. 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 (1.13%)	Current Discount Rate (2.13%)	1.00% Increase (3.13%)
Proportionate share of the net OPEB liability	\$ 8,852	\$ 7,997	\$ 7,269

MACS' proportionate share of the net OPEB liability has been calculated using healthcare trend rates of 6.50% decreasing to 4.50% by 2030. The following presents MACS' proportionate share of the net OPEB liability calculated using healthcare cost trend rates 1% higher and 1% lower than the current health care cost trend rates.

	1.00% Decrease	Current Healthcare Cost Trend Rates	1.00% Increase
Proportionate share of the net OPEB liability	\$ 7,408	\$ 7,997	\$ 8,665

# Mississippi Affordable College Savings Program

## Notes to Financial Statements

June 30, 2022

### ***OPEB Plan Fiduciary Net Position***

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

### ***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, 2022.

### **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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability	0.001%	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	\$ 147,804	\$ 193,588	\$ 175,920	\$ 166,330	\$ 332,468	\$ 178,625	\$ 154,580	\$ 121,382	\$ 138,559
Employer's covered-employee payroll	88,851	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	166.4%	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	70.44%	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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 16,882	\$ 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>16,882</u>	<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>	<u>\$ -</u>
Employer's covered-employee payroll	\$ 97,023	\$ 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%	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.

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

# Mississippi Affordable College Savings Program

## Notes to the Required Supplementary Information – Pension Schedules

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%.

### 2021

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

- For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77.
- For females, 84% of the female rates up to ages 72 and 100% for ages above 76.
- Projection scale MP-2020 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, 134% of male rates at all ages.
- For females, 121% of female rates at all ages.
- Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments:

- For males, 97% of male rates at all ages.
- For females, 110% of female rates at all ages.
- Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 2.75% to 2.40%.

The wage inflation assumption was reduced from 3.00% to 2.65%.

The investment rate of return assumption was changed from 7.75% to 7.55%.

The assume load for administrative expenses was increased from 0.25% to 0.28%.

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 9% to 12%.

# Mississippi Affordable College Savings Program

## Notes to the Required Supplementary Information – Pension Schedules

The percentage of active member deaths assumed to be in the line of duty was decreased from 6% to 4%.

### **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, 2020 valuation for the June 30, 2021 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	28.8 years
Asset valuation method	5-year smoothed market
Price Inflation	2.75%
Salary increase	3.00% 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

	2022	2021	2020	2019	2018	2017
Employer's proportion of the net OPEB liability	0.0012%	0.0011%	0.0015%	0.0013%	0.0016%	0.0018%
Employer's proportionate share of the net OPEB liability	\$ 7,997	\$ 8,744	\$ 12,445	\$ 10,367	\$ 12,484	\$ 14,291
Employer's covered-employee payroll	88,851	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	9.0%	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%	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

	2022	2021	2020	2019	2018	2017
Contractually required contribution	\$ 282	\$ 280	\$ 387	\$ 479	\$ 532	\$ 491
Contributions in relation to the contractually required contribution	<u>282</u>	<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>	<u>\$ -</u>
Employer's covered-employee payroll	\$ 97,023	\$ 88,851	\$ 79,543	\$ 92,997	\$ 83,949	\$ 97,905
Contributions as a percentage of covered-employee payroll	0.29%	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 available.

## **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 Program's statement of fiduciary net position as of June 30, 2022, 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 November 30, 2022, which contained an "Emphasis of Matter" paragraph regarding the entity reflected in the financial statements and an "Required Supplementary Information" paragraph regarding the omission and inclusion of required supplementary information.

#### ***Report on 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 or significant deficiencies may exist that were not identified.



***Report on 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.

**FORVIS,LLP**

Jackson, Mississippi  
November 30, 2022