

MUNICIPAL EMPLOYEES' BENEFIT TRUST

Financial Statements

For the Years Ended December 31, 2021 and 2020

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Independent Auditor's Report

**To the Cities' Municipal Employees' Benefit Trust Committee
Municipal Employees' Benefit Trust
Bellevue, Washington**

Opinion

We have audited the accompanying financial statements of the Municipal Employees' Benefit Trust (the Trust), which comprise the statements of net position as of December 31, 2021 and 2020, and the related statements of changes in net position for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the net position of the Trust as of December 31, 2021 and 2020 and the changes in net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Other Matter - Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 - 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operation, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



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Other Matter - Trust Financial Statements

The accompanying financial statements are those of the Trust, which is established under the employee retirement benefit plans (the Plans) of certain entities in the State of Washington as described in Note 1. These financial statements do not purport to present the net position available for benefits or the changes in net position available for benefits of the participating Plans and do not contain certain information and disclosures necessary for a fair presentation of the financial statements of the participating Plans in accordance with accounting principles generally accepted in the United States of America.

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 Trust's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for a reasonable period of time.

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

Clark Nuber P.S.

Certified Public Accountants
June 27, 2022

MUNICIPAL EMPLOYEES' BENEFIT TRUST

Management's Discussion and Analysis For the Years Ended December 31, 2021 and 2020

The following is an analysis and overview of the financial activities of the Municipal Employees' Benefit Trust (the "Trust") during the years ended December 31, 2021 and 2020. This analysis should be read in conjunction with the accompanying financial statements and the related notes which follow this section.

Overview of the Financial Statements

The following is intended to serve as an introduction to the Trust's financial statements. The basic financial statements contained in this report are described below:

- Statements of net position is a point in time snapshot of account balances at year-end. It reports the assets available for future benefit payments and any current liabilities that are owed as of the statement date.
- Statements of changes in net position displays the effect of transactions that occurred during the year [additions - deductions = net increase (decrease) in net position]. This net increase (decrease) in net position reflects the change in the net assets value of the statements of net position from the prior year to the current year.
- Notes to financial statements are an integral part of the financial statements and provide additional information that is essential for a comprehensive understanding of the data provided in the financial statements. These notes describe the accounting and administrative policies under which the Trust operates and provide additional levels of detail for selected financial statement items.

Net Position

The table below provides a summary of asset and liabilities as of December 31:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Investments at fair value	\$ 1,061,330,146	\$ 983,741,097	\$ 877,436,642
Receivables	9,308,322	9,865,603	10,932,835
Liabilities	<u>(510,272)</u>	<u>(417,909)</u>	<u>(380,087)</u>
Net Position	<u>\$1,070,128,196</u>	<u>\$ 993,188,791</u>	<u>\$ 887,989,390</u>

Changes in Net Position

The table below provides a summary of the changes in net position and reflects the activities of the Trust for the years ended December 31:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Additions:			
Employer contributions	\$ 21,904,023	\$ 21,570,909	\$ 20,787,311
Employee contributions (includes rollovers)	26,157,747	25,089,306	24,215,117
Net investment income	<u>107,297,577</u>	<u>120,196,852</u>	<u>143,726,864</u>
Total Additions	<u>\$ 155,359,347</u>	<u>\$ 166,857,067</u>	<u>\$ 188,729,292</u>

MUNICIPAL EMPLOYEES' BENEFIT TRUST

Management's Discussion and Analysis For the Years Ended December 31, 2021 and 2020

Changes in Net Position - Continued

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Deductions:			
Benefits paid and insurance premiums	\$ 76,277,312	\$ 59,725,376	\$ 56,712,212
Administrative expenses	<u>2,142,630</u>	<u>1,932,290</u>	<u>1,937,659</u>
Total Deductions	<u>\$ 78,419,942</u>	<u>\$ 61,657,666</u>	<u>\$ 58,649,871</u>
Net Increase	<u>\$ 76,939,405</u>	<u>\$ 105,199,401</u>	<u>\$ 130,079,421</u>

Financial Highlights and Analysis

- The Trust's net position on December 31, 2021 was \$1.1 billion. Net position increased by \$76.9 million (7.7%) during 2021 primarily due to investment gains offset by increased benefits paid to participants. Favorable market conditions contributed to 2021 investment gains. Investment performance can vary from year to year depending on the market of the portfolio. With the help of the Trust's investment advisor, the investment advisory committee, and the trust committee, investment performance continues to be carefully monitored and investment replacements are made, when appropriate.
- The Trust's net position on December 31, 2020 was \$993 million. Net position increased by \$105.2 million (11.8%) during 2020 primarily due to investment gains. Favorable market conditions contributed to 2020 investment gains.
- In 2021, employer contributions increased by \$333,000 (1.5%) compared to 2020. In 2020, employer contributions increased by \$784,000 (3.6%) compared to 2019.
- In 2021, employee contributions (including rollovers) increased by \$1.1 million (4.3%) compared to 2020. In 2020, employee contributions (including rollovers) increased by \$874,000 (3.6%) compared to 2019.
- Net investment income was \$107.3 million in 2021 compared to net investment income of \$120.2 million in 2020 and net investment income of \$143.7 million in 2019.
- Benefits paid to participants increased by \$16.5 million (28.7%) in 2021 compared to 2020. Benefits paid to participants increased by \$2.9 million (5.4%) in 2020 compared to 2019. Benefits paid to participants can vary from year to year depending on the number of participants who terminate employment, the timing of when they elect to take a distribution, and the value of their account balance.
- Insurance premiums did not significantly change in 2021 from 2020 or 2019. Administrative expenses in 2021 did not significantly change from 2020 or 2019.

Requests for Information

If you have questions about this report or need additional information, please contact the City of Bellevue's Senior Retirement Analyst at P.O. Box 90012, Bellevue, WA 98009.

MUNICIPAL EMPLOYEES' BENEFIT TRUST

**Statements of Net Position
December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Assets:		
Investments at fair value-		
Mutual funds	\$ 686,553,270	\$ 645,822,302
Collective trust fund	240,635,112	231,647,974
Common and preferred stocks	121,013,250	104,471,246
Money market funds and cash	<u>13,128,514</u>	<u>1,799,575</u>
Total investments at fair value	1,061,330,146	983,741,097
Receivables-		
Employer contributions		43,955
Employee contributions		852
Accrued investment income	945,389	1,055,125
Notes receivable from participants	<u>8,362,933</u>	<u>8,765,671</u>
Total receivables	<u>9,308,322</u>	<u>9,865,603</u>
Total Assets	1,070,638,468	993,606,700
Liabilities:		
Accrued administrative fees	<u>510,272</u>	<u>417,909</u>
Total Liabilities	510,272	417,909
Net Position	<u>\$1,070,128,196</u>	<u>\$ 993,188,791</u>

See accompanying notes.

MUNICIPAL EMPLOYEES' BENEFIT TRUST

**Statements of Changes in Net Position
For the Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Contributions and Investment Returns:		
Contributions-		
Employer	\$ 21,904,023	\$ 21,570,909
Employee	25,747,160	24,752,395
Rollovers	<u>410,587</u>	<u>336,911</u>
Total contributions	48,061,770	46,660,215
Investment income-		
Interest	432,853	499,996
Dividends	27,801,924	22,191,705
Net appreciation in fair value of investments	<u>79,062,800</u>	<u>97,505,151</u>
Net investment income	<u>107,297,577</u>	<u>120,196,852</u>
Total Contributions and Investment Returns	155,359,347	166,857,067
Deductions:		
Benefits paid to participants	73,988,960	57,481,844
Insurance premiums	2,288,352	2,243,532
Administrative expenses	<u>2,142,630</u>	<u>1,932,290</u>
Total Deductions	<u>78,419,942</u>	<u>61,657,666</u>
Net Increase in Net Position	76,939,405	105,199,401
Net Position:		
Beginning of year	<u>993,188,791</u>	<u>887,989,390</u>
End of Year	<u><u>\$1,070,128,196</u></u>	<u><u>\$ 993,188,791</u></u>

See accompanying notes.

MUNICIPAL EMPLOYEES' BENEFIT TRUST

Notes to Financial Statements For the Years Ended December 31, 2021 and 2020

Note 1 - Overview/Description of the Trust

The following description of the Municipal Employees' Benefit Trust (the Trust) is provided for general information purposes only. More complete information regarding the Trust's provisions may be found in the Trust document and individual entity plan documents.

General - The Trust was created to manage the assets of the defined contribution retirement plans (the Plans) of certain entities in the State of Washington, which currently includes the cities of Bellevue, Edmonds, Federal Way, Kirkland, Mill Creek, Redmond, Woodinville and the North East King County Regional Public Safety Communication Agency (NORCOM) (collectively, the Cities). Each entity has an individual plan document, which governs its participation, contributions and disbursements. Each of the Cities withdrew from, or elected not to participate in, coverage under the Federal Old Age, Survivors, Disability and Health Insurance Act (Social Security). In lieu of such coverage, the Cities created the Plans, whereby both the employee and employer make contributions to the Plans to provide retirement, survivor and disability benefits otherwise provided by Social Security. The Trust is comprised of two levels of Social Security replacement. Regular employees participate in MEBT I with benefits invested primarily in a pooled balanced fund. Those participants nearing retirement may choose to invest in a short-term investment fund. Partially benefiting employees who are not eligible for PERS or LEOFF participate in MEBT II with benefits invested in a short-term investment fund. The Trust and Plans are not subject to the provisions of the Employee Retirement Income Security Act of 1974.

The Plans' Administration and Trustee - The Trust is administered by the Cities' Municipal Employees' Benefit Trust Committee (the Committee), which is appointed by the Bellevue City Manager. The Plans' investments are held under a trust agreement with Broadridge Matrix Trust Company (Broadridge Matrix). An Investment Advisory Committee (IAC), which consists of a member from each of the Cities, provides advice to the Committee on the Trust's investment activities. All members are voting members of the IAC if their entity has five or more years of membership in the Trust. A minimum of five IAC members must be present to vote on a recommendation to be considered by the Trust. Each entity participating in the Trust has its own committee with the authority to amend their plan. There were 5,892 and 5,832 Trust participants as of December 31, 2021 and 2020, respectively.

Eligibility - In each entity, all regular (40 hours per week) and part-time (20 hours per week) employees are immediately eligible upon the date of employment. With the exception of Edmonds, Federal Way, Kirkland, NORCOM and Woodinville, all temporary (hourly) employees are also eligible when hired. Bellevue and Redmond PERS hourly/partially benefited employees are not eligible.

Contributions - The Plans generally provide that the employers make contributions equal to those that would be required had the Cities not withdrawn from or elected not to participate in Social Security. Employer contributions to the Plans, which are made according to each entity's Plan, are used to pay administrative expenses, operating costs and other employee benefits, including disability coverage for employees and survivor benefits to beneficiaries.

The Plans also require that the employees contribute 100% of the amount that would be required for Social Security, except for Bellevue, Kirkland and Redmond MEBT I employees, whose contributions to the Plans are optional. Depending on the individual entity's Plan, employees may make their contributions on a before or after tax basis. Additionally, depending on the individual entity's Plan, these employees may elect to make additional voluntary contributions to the Plans on a before or after tax basis, subject to certain conditions and restrictions, as defined in the Plans' documents and subject to certain requirements set forth by the Internal Revenue Code (IRC).

MUNICIPAL EMPLOYEES' BENEFIT TRUST

Notes to Financial Statements For the Years Ended December 31, 2021 and 2020

Note 1 - Continued

Participant Accounts - Each participant's account is credited with the participant's contribution and an allocation of (a) the respective entity's contribution, net of expenses and insurance premiums, (b) forfeitures of terminated participants' nonvested accounts and (c) Trust earnings or losses, participant fees or other listed items. Trust earnings or losses are reflected in each participant's account based on the daily change in the Trust's unit value. The benefit to which a participant is entitled is limited to the participant's vested account balance.

Vesting - Employee contributions to the Trust are fully vested at all times. Employer contributions are vested as follows for each entity:

Bellevue and Kirkland (Effective August 1, 2020) - Employer contributions are subject to a three-year graded vesting schedule.

Edmonds and Mill Creek - Employer contributions vest at 10% at the end of twelve months of participation and then at 1.25% for each additional month of participation. Employees become fully vested after seven years of participation.

Federal Way - Employer contributions vest at 20% per year and become fully vested after five years of service.

Redmond and NORCOM - Employer contributions vest at 20% after twelve months and at 1.66% for each additional month. Employees become fully vested after five years of service.

Woodinville - Employer contributions are 100% vested at all times.

Forfeitures - Forfeitures become part of an unallocated account within each Plan, which is allocated to the Plans' respective participants on a periodic basis based on a prescribed formula related to employer contributions. Total forfeitures allocated in 2021 and 2020 were approximately \$641,000 and \$625,000, respectively.

Temporary/Hourly/Partially Benefited Employees - The Plans (except for the Plans of Edmonds, Federal Way, Kirkland, NORCOM and Woodinville) allow participation by temporary/hourly/partially benefited employees of the Cities. The part of the Plan for the temporary/hourly/partially benefited employees is commonly referred to as MEBT II with benefits invested in a short-term investment fund. Edmonds, Federal Way, Kirkland, NORCOM and Woodinville temporary/hourly employees are covered by Social Security.

Benefit Payments - The Plans provide that participants may make withdrawals of basic and extra after tax contributions, subject to certain conditions and limitations outlined in the Plans' documents. In addition, the Plans provide that in the event of hardship (as defined in the Plans' documents), participants may make withdrawals from their before or after tax contributions, subject to certain limitations and restrictions. Upon termination of service, death, disability or retirement, participants or their beneficiaries may elect to receive their vested account balances in a lump-sum distribution, in monthly, quarterly, or annual installments, or in annuity payments as determined by provisions of the Plans.

Notes Receivable From Participants - Bellevue, Federal Way, Kirkland and Redmond allow participants to obtain loans of up to 50% of their vested account balances, not to exceed \$50,000. The interest rate charged on loans is equal to the prime rate for the city of Federal Way and the prime rate plus 1.0% for the cities of Bellevue, Kirkland and Redmond.

MUNICIPAL EMPLOYEES' BENEFIT TRUST

Notes to Financial Statements For the Years Ended December 31, 2021 and 2020

Note 1 - Continued

Insurance Premiums - Most of the Cities have purchased survivor and disability insurance coverage for plan participants. The insurance carrier, The Standard Insurance Company, provides surviving beneficiaries with coverage in the event of death, and disabled participants with coverage in the event of a disabling condition, as described in such policy.

The premiums for these policies, with the exception of life insurance premiums at Edmonds and Woodinville, are deducted from the Cities overall contributions to the Plans, with the remainder deposited into the Trust. The cities of Edmonds, Woodinville and NORCOM replaced survivor insurance with term life insurance, which is wholly or partially paid by the employees on an after-tax basis.

Plan Termination - Although the Cities have no intent to do so, they have the right to reduce, suspend or completely discontinue contributions to the Plans. Upon such action by any participating entity, participant accounts related to that entity would become fully vested.

Investment Policy - The Committee has established an Investment Policy Statement. The approved target asset allocation of the Trust is as follows at December 31:

	<u>2021</u>	<u>2020</u>
Equities - domestic	33.00%	33.00%
Equities - international	20.75%	20.75%
Equities - emerging markets	5.35%	5.35%
Fixed income	39.90%	39.90%
Cash equivalents	1.00%	1.00%

For any month-end allocation varying more than 20% from the target percentages, the Chair of the Committee may instruct the trustee to sell assets from the asset class in question, sufficient to bring that asset class back to within a 10% deviation from its target, and allocate to the other asset classes to bring those asset classes back towards their targets. A rebalance is not required if the allocation returns within the target percentages prior to rebalancing.

Note 2 - Significant Accounting Policies

Basis of Accounting - The accompanying financial statements are maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Payment of Benefits - Benefit payments are recorded when paid. There was approximately \$530,000 and \$362,000 allocated to the accounts of persons who have elected to withdraw from the plan but have not yet been paid as of December 31, 2021 and 2020, respectively.

MUNICIPAL EMPLOYEES' BENEFIT TRUST

Notes to Financial Statements For the Years Ended December 31, 2021 and 2020

Note 2 - Continued

Investment Valuation and Income Recognition - The Trust's investments are reported at fair value. 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. See Note 3 for discussion of fair value measurements.

Purchases and sales are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation or depreciation in the fair value of investments represents the change in fair value from the beginning to the end of the Trust's fiscal year or from the date of purchase to the end of the Trust's fiscal year, if purchased during the current year, plus realized gains and losses.

Notes Receivable From Participants - Notes receivable from participants are measured at their unpaid principal balance. Accrued but unpaid interest, if any, would not have a material impact on the Plan's financial statements. If a participant ceases to make loan repayments and the plan administrator deems the participant loan to be in default, the participant loan balance is reduced and a benefit payment is recorded.

Administrative Expenses - Several of the investment funds held by the Trust are subject to fees based on a percentage of invested assets, as disclosed in the fund's prospectus. All such fees are charged directly against the fund's investment performance and, therefore, are not separately disclosed in the accompanying financial statements. Costs for administering the Trust are paid by the Trust's assets. Transaction based fees for loans and distributions are charged directly to participant accounts.

Subsequent Events - The Cities have evaluated subsequent events through June 27, 2022, the date on which the financial statements were available to be issued.

Note 3 - Fair Value Measurements

U.S. GAAP provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy are described as follows:

Level 1 - Unadjusted quoted prices available in active markets for identical assets or liabilities;

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities 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; or

Level 3 - Unobservable inputs that are significant to the fair value measurement.

MUNICIPAL EMPLOYEES' BENEFIT TRUST

Notes to Financial Statements For the Years Ended December 31, 2021 and 2020

Note 3 - Continued

A financial instrument's level within the fair value hierarchy is based upon the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2021 and 2020.

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

Collective Trust Funds - Valued at the NAV provided by the funds' trustee. NAV is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the funds less its liabilities. This practical expedient is not used when it is determined to be probable that the funds will sell the investment for an amount different than the reported NAV. Participant transactions (purchases and sales) may occur daily.

Common and Preferred Stocks - Valued at the closing price reported on the active market on which the individual securities are traded.

Money Market Funds and Cash - Money market funds are valued similar to mutual funds as previously described. Cash is valued at cost, which approximates fair value.

The following tables set forth by level, within the fair value hierarchy, the Trust's assets at fair value as of December 31:

	Fair Value Measurements as of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 686,553,270	\$ -	\$ -	\$ 686,553,270
Common and preferred stocks	121,013,250			121,013,250
Money market funds and cash	13,128,514			13,128,514
Total Assets in the Fair Value Hierarchy	\$ 820,695,034	\$ -	\$ -	820,695,034
Investments measured at NAV ^(a)				240,635,112
Total Investments at Fair Value				\$1,061,330,146

MUNICIPAL EMPLOYEES' BENEFIT TRUST

**Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020**

Note 3 - Continued

	Fair Value Measurements as of December 31, 2020			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 645,822,302	\$ -	\$ -	\$ 645,822,302
Common and preferred stocks	104,471,246			104,471,246
Money market funds and cash	1,799,575			1,799,575
Total Assets in the Fair Value Hierarchy	\$ 752,093,123	\$ -	\$ -	752,093,123
Investments measured at NAV ^(a)				231,647,974
Total Investments at Fair Value				\$ 983,741,097

- (a) Investments that were measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of net position.

The following sets forth additional disclosures of the Trust's investments, whose fair value is estimated using NAV per share (or its equivalent), as of December 31:

	2021 Fair Value	2020 Fair Value	Redemption Frequency	Redemption Notice Period
Collective trust funds-				
State Street S&P 500 Flagship Fund ^(b)	\$ 156,398,796	\$ 145,084,561	Daily	None
Wellington II International Quality Growth ^(b)	84,236,316	86,563,413	Daily	None

- (b) The investment objective of the State Street fund is to approximate as closely as practicable, before expenses, the performance of the S&P 500 Index over the long term. The investment objective of the Wellington fund is to provide long-term total returns above the MSCI AC World ex US Growth Index by investing in high quality growth companies which trade at a discount to the market. There were no unfunded commitments for either fund at December 31, 2021 and 2020.

Note 4 - Investments

Investment securities are exposed to various risks that can affect the value of the Trust's investments such as interest rate risk, market risk, credit risk, foreign currency risk, and concentration risk. The Trust invests in mutual funds, common and preferred stocks, and collective trust funds. Market risks include global events such as a pandemic or international conflict. Common and preferred stocks and funds that have underlying holdings in equity securities respond to such factors as economic conditions, individual company earnings performance, and market liquidity, while underlying holdings in debt securities are particularly sensitive to credit risk and changes in interest rates.

MUNICIPAL EMPLOYEES' BENEFIT TRUST

**Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020**

Note 4 - Continued

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a failure by a financial institution or a bank, the Trust may not be able to recover the value of its investments that are in the possession of an outside party. The Trust mitigates custodial credit risk by having its investments registered in the Trust's name.

Interest Rate Risk - Interest rate risk arises from the likelihood that interest rates will rise or fall during the holding period of a fixed rate security and adversely affect the selling price of the security prior to maturity. The price of a debt security typically moves in the opposite direction of the change in interest rates. As of December 31, 2021, the following investments represent 5% or more of the Trust's net position and are subject to interest rate risk:

Investment	Fair Value	Investment Maturities (in years)			
		0 - 3	3 - 5	5 - 10	>10
Fixed Income Mutual Funds-					
Double Line Total Return	\$ 78,427,965	\$ 35,660,411	\$ 22,704,896	\$ 13,670,779	\$ 6,391,879
PGIM Total Return Bond	78,577,566	18,054,701	16,041,811	25,274,538	19,206,516
PIMCO Income Fund	79,403,462	36,555,289	24,388,456	18,459,717	
PIMCO Total Return	78,345,825	14,032,756	21,008,981	33,169,742	10,134,346
	\$ 314,754,818	\$ 104,303,157	\$ 84,144,144	\$ 90,574,776	\$ 35,732,741

Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely impact fair value of an investment. The Trust's currency risk exposures primarily reside within the non-U.S. equity and fixed income investment holdings. The Trust expects these fund managers to maintain adequately diversified portfolios to limit foreign currency risk.

Credit Risk - Credit risk exists when there is a possibility that the issuer or other counterparty to an investment may be unable to fulfill its payments on a security under the original term. As of December 31, 2021, the following investments represent 5% or more of the Trust's net position and are subject to credit risk:

Investment	Fair Value	Ratings						
		AAA	AA	A	BBB	BB	Below BB	Not Rated
Fixed Income Mutual Funds-								
Double Line Total Return	\$ 78,427,965	\$ 48,648,866	\$ 1,270,533	\$ 3,458,673	\$ 4,462,551	\$ 1,223,476	\$ 6,658,534	\$ 12,705,332
PGIM Total Return Bond	78,577,566	30,748,055	6,865,723	9,770,224	16,984,412	6,505,342	4,042,110	3,661,700
PIMCO Income Fund	79,403,462	24,699,400	3,887,355	4,578,880	16,872,362	15,496,221	13,869,244	
PIMCO Total Return	78,345,825	49,434,727	4,094,823	6,740,248	8,596,652	6,955,777	2,523,598	
	\$ 314,754,818	\$ 153,531,048	\$ 16,118,434	\$ 24,548,025	\$ 46,915,977	\$ 30,180,816	\$ 27,093,486	\$ 16,367,032

MUNICIPAL EMPLOYEES' BENEFIT TRUST

Notes to Financial Statements For the Years Ended December 31, 2021 and 2020

Note 4 - Continued

Concentrations - The following investments represent 5% or more of the Trust's net position as of December 31:

	<u>2021</u>	<u>2020</u>
State Street S&P 500 Fund	\$ 156,398,796	\$ 145,084,561
MFS International Value Fund	88,357,520	84,200,544
Wellington II International Quality Growth Fund	84,236,316	86,563,413
PIMCO Income Fund	79,403,462	68,124,897
PGIM Total Return Bond Fund	78,577,566	67,022,851
Double Line Total Return Fund	78,427,965	61,835,365
PIMCO Total Return Fund	78,345,825	65,599,195
American Funds New World Fund	53,511,014	58,326,374
Fidelity Mid Cap Index Fund	*	68,422,991

* Did not exceed 5% of the Trust's net position.

Note 5 - Relative Share of the Trust Assets

The relative share of the Trust's assets for each entity is as follows at December 31:

	<u>2021</u>	<u>2020</u>
Bellevue	46.9%	47.0%
Redmond	19.0%	19.5%
Kirkland	16.4%	16.0%
Federal Way	7.6%	7.3%
Edmonds	7.0%	7.0%
NORCOM	1.3%	1.3%
Mill Creek	1.0%	1.1%
Woodinville	0.8%	0.8%
	<u>100.0%</u>	<u>100.0%</u>

MUNICIPAL EMPLOYEES' BENEFIT TRUST

Notes to Financial Statements For the Years Ended December 31, 2021 and 2020

Note 6 - Administrative Expenses

The administrative expenses charged directly to the Trust consist of the following for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Trustee and recordkeeper	\$ 951,631	\$ 905,927
Legal and accounting	130,068	123,156
Asset management	<u>1,060,931</u>	<u>903,207</u>
	<u><u>\$ 2,142,630</u></u>	<u><u>\$ 1,932,290</u></u>

Administrative expenses as a percentage of average net assets are as follows for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Trustee and recordkeeper	0.09%	0.10%
Legal and accounting	0.01%	0.01%
Asset management and other	<u>0.10%</u>	<u>0.09%</u>
	<u><u>0.20%</u></u>	<u><u>0.20%</u></u>

Note 7 - Federal Income Taxes

Each entity has received a determination letter from the Internal Revenue Service (IRS) stating that its Plan qualifies for exemption from taxation. The Plans have been amended since receiving the latest determination letter; however, the Plan's administrators believe the Plans are designed in compliance with the applicable requirements of the IRC and are being operated as designed. Therefore, no provision for income taxes has been made in the accompanying financial statements.

The Plans are subject to audits by the IRS for certain tax periods based on applicable laws and regulations; however, there are currently no audits for any tax periods in progress.