



**LANSING BOARD OF WATER & LIGHT BOARD OF COMMISSIONERS
FINANCE COMMITTEE MEETING
Tuesday, March 10, 2026 – 6:00 P.M.
Board of Water & Light Headquarters – REO Town Depot
1201 S. Washington Ave., Lansing, MI 48910**

Finance Committee: Dale Schrader, Committee Chairperson; Beth Graham; Chris Harkins; and David Price;
Alternates: Tony Mullen, Semone James

BWL full meeting packets and public notices/agendas are located on the official web site at <https://www.lbwl.com/about-bwl/governance>.

AGENDA- UPDATED

Call to Order

Roll Call

Public Comments on Agenda Items

1. Approval of the Finance Committee Meeting Minutes of January 13, 2026.....**TAB 1**
2. YTD Financial Summary**TAB 2**
 - a. Capital Report
3. DB Plan Investment Policy Statement Revision and Resolution.....**TAB 3**
 - a. Liability Driven Investing Presentation
 - b. DB Plan Investment Policy Statement
 - i. Redline Version
 - ii. Clean Version
 - c. DB Plan Investment Policy Statement Change Resolution
4. Internal Audit Results**TAB 4**
 - a. FY 2026 IT Audit Results
 - b. Penetration Testing Audit Results
 - c. Internal Audit Department Structure Review
 - d. Internal Audit Status Report

Other

Adjourn

FINANCE COMMITTEE
Meeting Minutes
January 13, 2026

Finance Committee: Dale Schrader, Committee Chairperson; Beth Graham, Chris Harkins, David Price; Alternates: Semone James, Tony Mullen.

The Finance Committee of the Board of Water and Light (BWL) met at the BWL Headquarters – REO Town Depot, located at 1201 S. Washington Ave., Lansing, MI on Tuesday, January 13, 2026.

Finance Committee Chairperson Dale Schrader called the meeting to order at 6:00 p.m. and asked the Corporate Secretary to call the roll.

Present: Commissioners Dale Schrader, Chris Harkins, and David Price; Also Present: Commissioners Semone James (Alternate), DeSon Leek and Sandra Zerkle.
Absent: Beth Graham; Alternate: Tony Mullen

Corporate Secretary LaVella Todd declared a quorum.

Public Comments

There were no public comments.

Approval of Minutes

Motion by Commissioner David Price, **Seconded** by Commissioner Chris Harkins, to approve the Finance Committee Meeting minutes of November 6, 2025.

Action: Motion Carried. The minutes were approved.

YTD Financial Summary

Chief Financial Officer (CFO) Scott Taylor gave a full overview of the Year-to-Date Financial Summary for November 2025 – FY26. CFO Taylor reported on Total Cash balances and Days Cash on Hand. Stated our AA- credit rating by S&P and Aa3 credit rating by Moody's was affirmed with updated credit rating reports. In addition, he shared an update on the upcoming Bond Issuance occurring this month that the most recently estimated issuance amount will be approximately \$112,000,000 million dollars with expected interest savings of over \$2,000,000. The YTD Financial Summary overview continued with an update on the Income Statement YTD; Budget Status YTD to include the O&M Budget YTD (excluding fuel) and Capital Budget YTD. CFO Taylor shared the \$14, 306, 147 million dollars Capital Improvement Plan (CIP) overage was attributed to an unbudgeted, unexpected overhaul required for Unit 3 at Delta Energy due to the risk of imminent failure and a similar overhaul will be required for Unit 2 at the same plant in the spring.

Commissioner Leek asked if that was a normal life cycle for Unit 3 and if so, is there a warrantee? GM Peffley responded the normal life cycle is 30,000 hours that can get deregulated each time there is a start-stop. The Units were getting close to running approximately 26, 000 hours and during inspection it was determined a piece was going to fail, which would have been catastrophic for the Unit, therefore the outage was pulled ahead. General Counsel Matus is working on the litigation with Siemens to recover the costs of the pull ahead to stay on budget with hope of wrapping up in 2026.

Commissioner Zerkle asked if the O&M budget money is what has been allocated for projects we already have? CFO Taylor responded, the O&M money is typically for the ongoing departmental spending we need to carry out our normal operations such as labor costs, material costs, outside services (for various services such as IT, licensing), and the Capital covers the large investments. CFO Taylor identified the Budget Status YTD report columns for clarification.

Commissioner Harkins congratulated CFO Taylor on maintaining the credit rating and asked if they also provide an outlook? CFO Taylor responded, yes – we have Stable outlook.

CFO Taylor continued with reporting on the status of the FY26 New Energy Budget and included an overview of a pause in the battery project and a Watertown Solar moratorium resulting in a projected underspend of about \$50,000,000 million dollars for the current fiscal year.

Commissioner Schrader asked about \$13,000,000 million dollars not spent on the Watertown Solar Project? GM Peffley responded following our purchase of the property, we received a Letter of Intent, we then filled a building permit to proceed, and then the Township shared their intent to place a six-month moratorium on the solar project. Asst GM Heather Shawa has been attending their meetings to voice our concerns. Although the individual who signed the Letter of Intent has been terminated, we still have a desire to build. Asst GM Shawa shared they revise the ordinance not allowing large solar projects, following \$16,000,000 million dollars invested in the project with rate payers' dollars.

Commissioner Schrader asked what were the Township's concerns? Asst GM Shawa responded, the properties that we purchased are the last remaining of their tax roll. GM Peffley added that he advised Asst GM Shawa to inform them of his intention that the land will not be sold.

CFO Taylor continued with reporting on the status of the capital Budget YTD to include an overview on anticipated grant dollars from the state of Michigan, FY26 Steam to Hot Water Budget and Return on Assets.

Commissioner James asked how much money are we receiving from the state of Michigan? CFO Taylor responded, about \$3.75 million dollars this month which is the amount we have remaining to receive of our \$5 million dollar grant.

CFO Taylor continued with reporting on the status our Ratios and Employee Data.

Bi-Annual Internal Audit Open Management Response Update

Commissioner Schader introduced Senior Internal Control Analyst Cody Rochefort to present the Bi-Annual Internal Audit Open Management Response Update. Mr. Rochefort presented an overview of open findings, expected dates of completion, and closed findings with dates of closure completion. The response update identified open findings and recommendations for Disaster Recovery, FY25 Payroll; and closed findings and recommendations for FY24 Rules and Regulations, P-Card Audit, PA95 Audit, Disaster Recovery and FY25 Payroll.

External Auditor RIP Bid Award

CFO Scott Taylor share a brief review of the external auditor review process that concluded resulting in the selection of Baker Tilly. For proper perception and assurance of independence, Commissioner David Price asked CFO Taylor to amend the resolution by inserting language noting that Baker Tilly will be required to change their lead auditor.

LBWL External Auditor Recommendation Resolution

Motion by Commissioner David Price, **Seconded** by Commissioner Chris Harkins, to forward the LBWL External Auditor Recommendation Resolution as amended to the full Board for action.

Action: Motion Carried.

Internal Audit Status Report

Director of Internal Audit(DIA) Elisha Franco presented the Internal Audit Status Report for January 2026 which included the Audit Update, Issue Status Update, the FY 2026 Audit Work Plan, and Other Items. The Institute of Internal Auditors recently released the Global Audit Committee Center and this new resource will provide guidance on governance and oversight over internal audit functions. More details and information shared by Internal Audit. DIA Franco stated preliminary business case results indicate the current structure and size of the Internal Audit Department should be expand its in-house by supplementing specialized needs with contracting advisory services as necessary to ensure the departmental office functioning can evolve alongside organization growth, provide needed risk coverage and to continue to deliver high-quality assurance and advisory services. A formal presentation will be provided at the March 2026 COW committee meeting. In addition, the Office of Internal Audit plans to work with management to evaluate the potential benefit of increasing the number of internal auditors in-house and the applicable implementations, with final decisions made by the Board of Commissioners.

Commissioner Harkins commented he appreciates the continued conversation around the IAA availability for us and the willingness to respond to documentation reformatting requests. He also stressed the issue of the use of in-house versus contracted services when looking at departmental budget.

Commissioner Harkins asked if DIA Franco experienced any staffing restraints by pulling the Billing Audit forward? DIA Franco responded, after conferring with management, and with audit assistance from Plante Moran, the department was able to handle the adjustment along with end-of-the-fiscal-year deadline reporting.

Commissioner Zerkle asked if it would be good to complete another follow-up on PA95? Asst GM Shawa stated she would be happy to provide a PA95 update at the next Finance Committee meeting. DIA Franco stated she would be happy to complete an independent verification on the PA95 update to confirm/validate management's numbers.

Commissioner Harkins commented the importance of keeping PA95 before us and suggested a management update first, and then an audit in a few years.

DIA Franco concluded her presentation with a recruitment update and professional development update stating she is actively working toward the completion of one remaining CIA certification tests, after completing two.

Commissioner Price asked GM Peffley, specifically, how large BWL has grown five years ago until now, as it relates to the review of the Internal Audit Departmental staff? GM Peffley responded, 10 years ago BWL was a \$500,000,000 million dollar company and now it has grown to \$2,000,000,000 billion dollars with a lot of growth the horizon.

Commissioner James asked DIA Franco what are you considering for the size of the department, what are you envisioning, as recently you have been hiring students as interns? DIA Franco responded, from the preliminary results we have researched for a company of our size, you're looking at a structure that usually has a director, manager, sometimes a supervisor, and usually two to three auditors. We're looking at most likely two or three more people. Currently, I have a part-time, co-op student and a temporary Administrative Assistant, so I'm looking at three to four auditors.

Commissioner James confirmed that staff total would be five or six FTEs? DIA Franco responded that a conclusion has not been reached yet but it could be possibly five to six FTEs.

Chairperson Schrader thanks DIA Franco for the work being done and shared he is looking forward to the environment compliance audit.

Other

There was no other business.

Adjourn

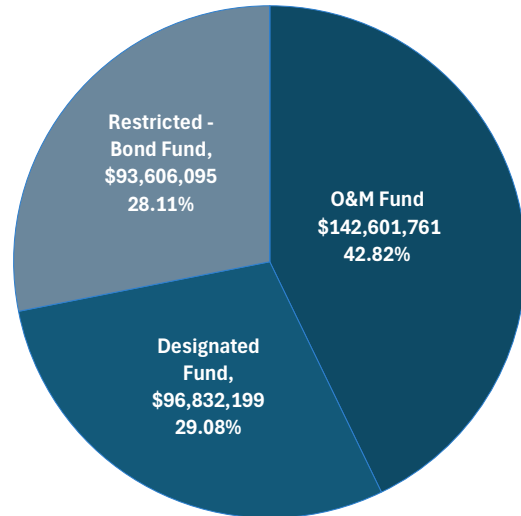
Chairperson Dale Schrader adjourned the meeting at 7:00 p.m.

Respectfully submitted,
Dale Schrader, Chairperson
Finance Committee

Financial Summary - January 2026 - FY26



Cash



Total Cash: \$333,040,055

	Month End	Target
Days Cash on Hand	206	> 170
Credit Rating (S&P/Moody's)	AA-/Aa3	AA-/Aa3
Debt Service Coverage	2.21	> 2.00

Days Cash on Hand:

O&M Fund - Portion Restricted By Bond Covenants + Designated Funds
(Budgeted Operating Expenses - Depreciation + RoE to City) / 365

Debt Service Coverage:

$$\frac{\text{Projected Net Income} + \text{Depreciation Expense} + \text{Interest Expense}}{\text{Debt Principal} + \text{Debt Interest}}$$

Income Statement YTD

	Actual YTD	Budget YTD	Difference	%
Retail	\$ 247,070,071	\$ 252,609,386	\$ (5,539,315)	-2%
Wholesale	\$ 33,544,775	\$ 26,193,989	\$ 7,350,787	28%
Total Revenue	\$ 280,614,846	\$ 278,803,374	\$ 1,811,472	1%
Operating Expenses	\$ 215,731,244	\$ 225,943,596	\$ (10,212,352)	-5%
Non Operating Income/(Exp)	\$ (31,092,289)	\$ (38,278,898)	\$ 7,186,609	-19%
Net Income	\$ 33,791,314	\$ 14,580,881	\$ 19,210,433	132%

FY 2026 Budgeted Net Income \$ 24,783,169

Budget Status YTD

O&M Budget YTD (excluding fuel)

FY26 Approved Budget	Actual YTD	Budget YTD	Difference	%
\$ 190,590,137	\$ 105,560,942	\$ 109,931,505	\$ (4,370,563)	-4%
% of Approved Budget	55%	58%		

Capital Budget YTD

FY26 Approved CIP Budget	Actual YTD	Budget YTD	Difference	%
\$ 74,479,242	\$ 64,652,791	\$ 35,104,074	\$ 29,548,717	84%
% of Approved Budget	87%	47%		

FY26 New Energy Budget

	Actual YTD	Budget YTD	Difference	%
\$ 132,470,182	\$ 32,058,667	\$ 70,380,974	\$ (38,322,307)	-54%
% of Approved Budget	24%	53%		

FY26 Steam to HW Budget

	Actual YTD	Budget YTD	Difference	%
\$ 7,986,167	\$ 4,024,424	\$ 4,116,865	\$ (92,441)	-2%
% of Approved Budget	50%	52%		

Return on Assets

FY26 ROA Budget	Actual YTD	Budget YTD	Target ROA*
4.02%	3.38%	2.42%	4.57%

*BWL forecast to reach target in FY2028

Return on Assets = $\frac{\text{YTD Net Income} + \text{YTD Interest Expense} - \text{YTD Interest Income}}{\text{Net Fixed Assets} + \text{Inventory}}$

Financial Summary - January 2026 - FY26



Ratios

Operating Ratio

O&M Expense	\$	177,479,048	=	0.63	APPA Median 0.76
Total Revenue	\$	280,614,846			

Measures the proportion of revenues to cover the operations and maintenance costs

Current Ratio

Current Assets	\$	299,517,731	=	3.54	APPA Median 1.89
Current Liabilities	\$	84,511,155			

Measures whether current assets are sufficient to pay current liabilities within one year

Debt to Total Assets

LT Debt + Accrued Liabilities	\$	1,278,856,950	=	0.62	APPA Median 0.50
Total Assets	\$	2,063,105,366			

Measures the ability to meet current and long-term liabilities based on the availability of assets

Days Sales Outstanding

Average Accounts Receivable	x Days	\$	29,711,876	x 31 =	26	Prior Year 23
Base Retail Revenue	\$	35,592,581				

Measures the average number of days it takes to collect payment after a sale is made

Bad Debt

12 Month Bad Debt Exp	\$	1,233,505	=	0.29%	Prior Year 0.48%
12 Month Retail Revenue	\$	421,498,819			

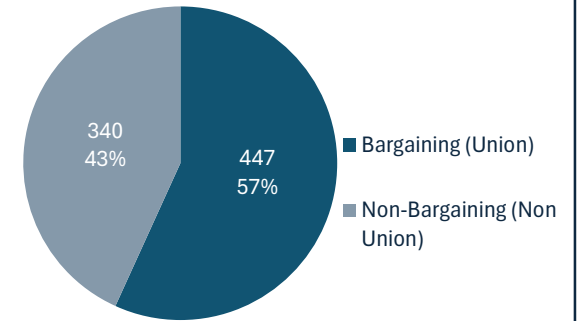
Measures the portion of each retail revenue dollar that will not be collected

Employee Data

Employee Count

Employee Count YTD	787
Budget YTD	828
Over/(Under) #	(41)

Full Time Equivalent Temporary Employees	28
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Payroll Data

	Actual YTD	Budget YTD	Difference	%	Prior Year
Regular	\$ 49,961,424	\$ 50,081,919	\$ (120,495)	-0.2%	\$ 62.92
Overtime	\$ 4,586,413	\$ 4,248,812	\$ 337,600	7.9%	
Total	\$ 54,547,836	\$ 54,330,731	\$ 217,105	0.4%	
Total Hours Worked	823,873				
Labor \$/Hours Worked	\$ 66.21				

Benefits Cost

(Including Retirees)	Actual YTD	Budget YTD	Difference
Health	\$ 11,286,293	\$ 10,228,221	\$ 1,058,072
Rx	\$ 2,438,356	\$ 3,681,531	\$ (1,243,175)
Dental	\$ 897,663	\$ 822,199	\$ 75,464
Life	\$ 267,979	\$ 407,169	\$ (139,190)
FICA	\$ 3,895,289	\$ 4,152,885	\$ (257,596)
Other	\$ 552,379	\$ 824,499	\$ (272,120)
Total	\$ 19,337,960	\$ 20,116,504	\$ (778,544)

February 2026 Report - Actuals through January 2026											
Projects Sorted by the FY26 Projection (Highest to lowest costs)			FY 26		Total Project					Project Period	
Project Name	Current Phase ¹	Budget	Projection	Designed Budget Amount	Current Projection	\$ Variance ²	% Variance ²	Total Cost Incurred To-Date	% Total Cost Incurred To-Date	Start Date	Projected Completion Date
Top Ten Planned Projects											
DEP - CTG 2 B Inspection ³	Phase 4 - Procurement	\$ -	\$ 17,952,120	NA	\$ 17,952,120	\$ -	0.00%	\$ 124,597	0.69%	12/01/2025	06/30/2026
DEP - CTG 3 B Inspection ³	Phase 5 - Closeout	\$ -	\$ 17,756,272	NA	\$ 17,756,272	\$ -	0.00%	\$ 17,742,112	99.92%	11/12/2025	02/13/2026
South Reinforcement - Transmission Line	Phase 4 - Construction	\$ 17,859,874	\$ 14,616,933	\$ 43,503,928	\$ 41,369,329	\$ (2,134,599)	-4.91%	\$ 35,971,440	86.95%	09/20/2017	10/15/2026
LGR Substation	Phase 3 - Design	\$ 307,092	\$ 2,385,466	NA	\$ 27,971,975	\$ -	0.00%	\$ 5,996,981	21.44%	02/27/2024	02/23/2028
Rundle Substation	Phase 3 - Design	\$ 2,950,000	\$ 1,786,251	NA	\$ 35,242,410	\$ -	0.00%	\$ 11,321,472	32.12%	02/27/2024	03/08/2029
Elevated Storage ⁴	Phase 4 - Construction	\$ 1,857,619	\$ 1,685,308	\$ 16,063,520	\$ 15,445,115	\$ (618,405)	-3.85%	\$ 14,826,278	95.99%	05/08/2023	07/31/2026
Magnolia Ave. - 4160V Sub Cutover and Retirement	Phase 3 - Design	\$ 1,348,914	\$ 1,609,427	NA	\$ 6,193,146	\$ -	0.00%	\$ 3,744,314	60.46%	08/17/2020	06/30/2027
Wise Rd. - Bus 2 Distribution	Phase 4 - Construction	\$ 986,254	\$ 1,076,383	\$ 2,550,770	\$ 2,317,311	\$ (233,459)	-9.15%	\$ 1,397,170	60.29%	11/22/2022	08/21/2026
REO STG Overhaul ⁵	Phase 4 - Construction	\$ 1,300,000	\$ 1,054,371	\$ 965,153	\$ 2,510,681	\$ 1,545,528	160.13%	\$ 2,287,390	91.11%	05/14/2024	03/11/2026
Chiller Plant DCS Upgrade	Phase 4 - Construction	\$ 41,082	\$ 622,808	NA	\$ 3,752,629	\$ -	0.00%	\$ 3,192,036	85.06%	05/19/2022	06/01/2026
Total Top Ten Planned Projects		\$ 26,650,835	\$ 60,545,339		\$ 170,510,988			\$ 96,603,790			
Project Watch List - Projects \$150k and 10% over the Designed Budget Amount (Outside of Top Ten Planned Projects)											
-	-	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	0.00%		
Total Project Watch List		\$ -	\$ -		\$ -			\$ -			
Remaining Planned											
Electric		\$ 1,550,886	\$ 3,229,399								
Water		\$ 2,034,017	\$ 1,450,950								
Steam		\$ 103,085	\$ 10,395								
Chilled Water		\$ 119,699	\$ 76,512								
Common		\$ 116,904	\$ 159,428								
Total Remaining Planned		\$ 3,924,591	\$ 4,926,684								
Annual											
Electric		\$ 16,980,000	\$ 17,579,719			\$ 599,719	3.5%				
Water		\$ 18,736,794	\$ 18,880,048			\$ 143,254	0.8%				
Steam		\$ 2,064,000	\$ 1,878,730			\$ (185,270)	-9.0%				
Chilled Water		\$ 52,008	\$ 57,906			\$ 5,898	11.3%				
Common		\$ 5,955,701	\$ 6,352,284			\$ 396,583	6.7%				
Total Annual		\$ 43,788,503	\$ 44,748,687			\$ 960,184	2.2%				
Management Reserve											
Management Reserve		\$ 115,313	\$ -								
Grand Total		\$ 74,479,242	\$ 110,220,709								

Notes:

¹ For projects that are in Stage Gates 1-3, the Current Projections are high level estimates that can have a significant margin of error.

¹ For projects that are in Stage Gates 1-3, the Projected Completion Date is subject to change as organizational priorities or project plans are reassessed.

² Variances highlighted in red are over the \$200k and 15% thresholds.

³ DEP CTG Inspections and related costs were discussed during the January 13, 2026 Finance Committee meeting.

⁴ Total project information excludes grant funding to better highlight project progress.

⁵ Resolution 2025-05-07 approved the REO STG Overhaul for a final total project cost of \$2,595,067.

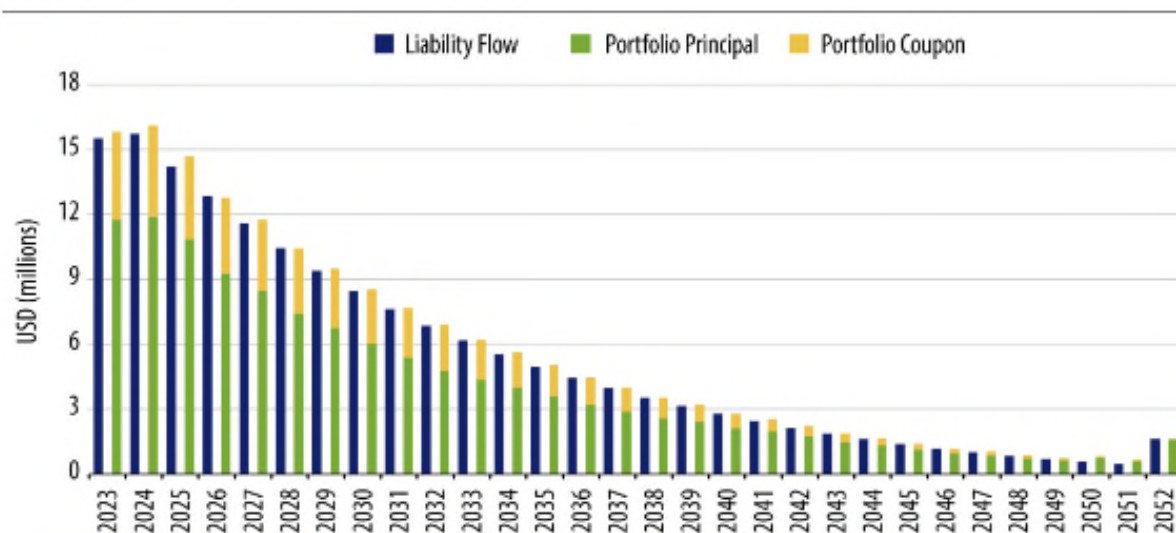
Lansing Board of Water & Light

Liability Driven Investing Discussion

March 10, 2026

- **Liability Driven Investing (LDI)** is an investment strategy that **manages portfolio assets primarily in relation to the fund's future liabilities**, seeking to match or hedge the duration, cash flows, and interest rate sensitivity of pension obligations **to reduce funded status volatility and improve the likelihood of meeting benefit payments as they come due.**
- Below is an illustration of an investment manager matching a portfolio's cash flows (consisting of principal and coupon payments from bonds of varying maturities) to the liability outflow.

Exhibit 1: Portfolio Inflows vs. Projected Outflows



Source: Western Asset. As of 02 Jan 23. [Select the image to expand the view.](#)

Portfolio Inputs and Constraints

The following assumptions and constraints are included in the simulation analysis:

- Analysis is based on a beginning portfolio value of \$49,797 thousand and beginning liability of \$42,884 thousand.
 - The Plan is currently 116% funded, with a liability duration of 7.3 years per actuarial report.
- The "Current" mix is representative of the current target portfolio.
- Future pension liabilities were estimated by ACG using projected cash flows provided by the actuary.

Portfolio Risk Characteristics

	Current Portfolio	80% Duration-Matched Fixed Income/20% Return-Seeking Assets
Asset Allocation		
Fixed Income	50%	80%
Equity	45%	18%
Real Estate	5%	2%
Risk Profile		
Duration of Fixed Income	5.85 Years	7.3 Years
Interest Rate Hedge Ratio	46.5%	92.9%
% Funded Status Volatility	11.4%	4.1%

Funded Status Sensitivity: The Impact of Interest Rate Movements & Equity Market Returns

The tables below provide an analysis of the interplay of interest rates and equity market returns and the resulting impact to funded status. The analysis considers the duration of the fixed income portfolio versus the Plan's liabilities duration to estimate the change in funding status.

The funded status is estimated at **116%** and liability duration is **7.3 years** as of July 01, 2025 per actuary report.

Current Portfolio		Interest Rate Movement									
		-2.0%	-1.5%	-1.0%	-0.5%	0.0%	0.5%	1.0%	1.5%	2.0%	
Equity Market Returns	-20%	97%	99%	101%	102%	105%	107%	109%	112%	114%	
	-15%	100%	101%	103%	105%	107%	110%	112%	115%	118%	
	-10%	102%	104%	106%	108%	110%	113%	115%	118%	121%	
	-5%	105%	107%	109%	111%	113%	116%	118%	121%	125%	
	0	107%	109%	111%	114%	116%	119%	122%	125%	128%	
	5%	110%	112%	114%	116%	119%	122%	125%	128%	131%	
	10%	112%	114%	117%	119%	122%	125%	128%	131%	135%	
	15%	115%	117%	120%	122%	125%	128%	131%	134%	138%	
	20%	117%	120%	122%	125%	128%	131%	134%	138%	142%	

80% Duration-Matched Fixed Income		Interest Rate Movement									
		-2.0%	-1.5%	-1.0%	-0.5%	0.0%	0.5%	1.0%	1.5%	2.0%	
Equity Market Returns	-20%	109%	110%	110%	111%	111%	112%	113%	114%	115%	
	-15%	110%	111%	111%	112%	113%	113%	114%	115%	116%	
	-10%	111%	112%	112%	113%	114%	115%	115%	116%	117%	
	-5%	112%	113%	113%	114%	115%	116%	117%	118%	119%	
	0	113%	114%	115%	115%	116%	117%	118%	119%	120%	
	5%	114%	115%	116%	116%	117%	118%	119%	120%	121%	
	10%	115%	116%	117%	118%	118%	119%	120%	122%	123%	
	15%	116%	117%	118%	119%	120%	121%	122%	123%	124%	
	20%	117%	118%	119%	120%	121%	122%	123%	124%	126%	

Pros

- Reduce funded status volatility.
- "Lock-in" surplus: higher certainty the surplus will not turn into a deficit based on investment performance.
- Cash outflows taken into consideration when constructing the portfolio.
- Fewer active decisions to be made with regard to the strategic asset allocation.
- Lower fees relative to current fixed income investment managers.
- The LDI approach would be very liquid, allowing for future allocation changes if necessary.

Cons

- Lower return expectations.
- Future cash outflow expectations may be understated.
- Less flexibility to provide cost of living adjustments or other benefit changes in the future.
- Investment manager risk with utilization of a single investment manager.
- Funded status measurement mismatch: public plan liabilities are calculated based on the actuarially determined discount rate (6.0%). Market interest rates are constantly adjusting.

Changes

- Investments will have a higher allocation to fixed income.
- The benchmark for the hedged portion of the portfolio is how well liabilities are hedged rather than a policy index.

- **Q:** Why implement LDI now that we're overfunded?
 - LDI helps preserve the surplus you've earned. With a greater hedge to interest-rate risk, the plan is less likely to slip below 100% in an adverse market or interest rate move.
- **Q:** Can changes be made to the asset allocation if LDI implementation is chosen?
 - Yes, the asset allocation will be reviewed at least annually. The RPC will recommend the Board adjust the asset allocation as appropriate.
- **Q:** Will LDI lower our long-term expected returns?
 - Yes, however, the goal of an LDI strategy is not to maximize returns, rather the **goal of LDI is to minimize funded status volatility and maximize the likelihood of maintaining a funded ratio of 100% or higher.**
- **Q:** Will we still own equities and real estate?
 - Yes, since the Plan is overfunded, surplus assets will be invested in return-seeking asset classes such as equities and real estate.
- **Q:** How would a large drawdown in equities and changes in interest rates affect the funded ratio if LDI is implemented?
 - A drawdown in equities will reduce the funded ratio; however, the impact will be less since a larger percentage of the portfolio will be invested in fixed income with an LDI approach.
 - A change in interest rates (up or down) will have limited impact on the funded ratio. The LDI portion of assets will be managed to move in tandem with liabilities as interest rates change.
- **Q:** What are the biggest risks to implementing LDI?
 - There will be less flexibility for future benefit changes as the LDI strategy is implemented based on current future benefits.
 - There will be more investment manager risk as a single investment manager will manage the LDI strategy.

Disclosures and Legal Notice

The views expressed herein are those of Asset Consulting Group (ACG). They are subject to change at any time. These views do not necessarily reflect the opinions of any other firm.

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Certain information herein constitutes forward-looking statements, which can be identified by the use of terms such as "may", "will", "expect", "anticipate", "project", "estimate", or any variations thereof. As a result of various uncertainties and actual events, including those discussed herein, actual results or performance of a particular investment strategy may differ materially from those reflected or contemplated in such forward-looking statements. As a result, you should not rely on such forward-looking statements in making investment decisions. ACG has no duty to update or amend such forward-looking statements.

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Past performance is not indicative of future results. Given the inherent volatility of the securities markets, you should not assume that your investments will experience returns comparable to those shown in the analysis contained in this report. For example, market and economic conditions may change in the future producing materially different results than those shown included in the analysis contained in this report. Any comparison to an index is for comparative purposes only. An investment cannot be made directly into an index. Indices are unmanaged and do not reflect the deduction of advisory fees.

This report is distributed with the understanding that it is not rendering accounting, legal or tax advice. Please consult your legal or tax advisor concerning such matters. No assurance can be given that the investment objectives described herein will be achieved and investment results may vary substantially on a quarterly, annual or other periodic basis. There is no representation or warranty as to the current accuracy of, nor liability for, decisions based on such information.

***LANSING BOARD OF WATER AND LIGHT
DEFINED BENEFIT PLAN AND TRUST
FOR EMPLOYEES' PENSIONS***

***STATEMENT OF INVESTMENT POLICIES,
PROCEDURES AND OBJECTIVES***

Effective ~~January 2024~~ **March 2026**

STATEMENT OF INVESTMENT POLICIES, PROCEDURES AND OBJECTIVES

Table of Contents

Section	Page
Introduction.....	3
Updates to Statement.....	3
Trustees	3
Purpose of the Plan	4
Investment Philosophy	4
Delegation of Responsibilities.....	4
Retirement Plan Committee.....	4
Investment Advisor	5
Investment Manager(s).....	7
Custodian	9
Plan Investment Policy	9
Plan Investment Objectives	10
Asset Allocation Policy	10
Administrative and Investment Review Procedures.....	12
Review of Policies	12
General Review	12
Review of Investment Performance	12
Rebalancing Policy – Overall Fund Allocation	13
Review of Investment Management.....	<u>14</u> 13
Proxy Voting	<u>14</u> 13
Directed Brokerage.....	14
Tenure	14
Conclusion.....	<u>16</u> 15 15
Glossary of Investment Terms	16

Introduction

The Lansing Board of Water and Light (“**BWL**”) is a municipal utility providing drinking water, electricity, steam and chilled water services to the greater Lansing area in mid-Michigan. The Plan receives contributions from the BWL. The Plan pays retirement benefits provided for in the Plan. Plan assets are invested in various types of securities.

This Statement of Investment Policy (“**Statement**”) is issued by the Commissioners of the Lansing Board of Water and Light (the “**Commissioners**”) for the Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees' Pensions (“**Plan**”). The purpose of this Statement is to (i) identify and present a set of investment objectives, an Asset Allocation policy, investment performance standards and procedures for managing the Plan's assets; and (ii) clarify the delegation of certain investment and administrative duties to the Committee (the “Committee”). This document is intended to be consistent with the provisions of Michigan Public Act 314 of 1965 (“**Act 314**”), as amended.

Updates to Statement

The Commissioners retain the authority to approve, revise and update this Statement as necessary to ensure that it is consistent with the BWL's investment philosophy. Any revisions or updates made to the Statement must be formally adopted by the Commissioners through a resolution.

Trustees' and Commissioners' Delegation of Duties

The Commissioners have delegated certain administrative responsibilities to the Committee pursuant to a separate Resolution. Those responsibilities are described in more detail in this Statement.

The Trustees of the Plan are the eight appointed voting Commissioners of the BWL. The Trustees have delegated all investment responsibilities to the Committee pursuant to a separate Resolution. Those investment responsibilities are described in this Statement. All provisions in this Statement relating to the Committee shall be operative until such time the delegation of duties by the Trustees and/or Commissioners is revoked.

Responsibility for selecting and providing direction to Investment Managers, Investment Advisors, custodians, and other administrators required for the management of the Plan's assets and for implementing overall investment decisions has been delegated to the Committee which shall report to the Trustees regarding selections made and investment performance. The Trustees shall act in accordance with the terms of this Statement, as updated from time to time by the Commissioners, and as communicated to the Trustees in writing.

Purpose of the Plan

The Plan was established for the purpose of providing retirement benefits to eligible employees and their beneficiaries. The Plan was closed to new employees hired after December 31, 1996. The Plan is a governmental, defined-benefit pension plan which provides retirement, early retirement, disability, termination, and death benefits based upon a formula that includes final average compensation, years of credited service, and a pension benefit percentage. To this end, an investment portfolio is maintained to invest employer contributions and to reinvest income.

Investment Philosophy

The Commissioners, Trustees and the Committee recognize their respective Fiduciary duties to invest the Plan's assets in formal compliance with the Prudent Man Rule. The Trustees interpret this to mean that, in addition to the specific guidelines and restrictions set forth in this document, the assets of the Plan shall be actively managed -- that is, investment decisions regarding the particular securities to be purchased or sold shall be the result of the conscious exercise of discretion. Further, the Trustees recognize that, commensurate with its overall objective of ~~maximizing long-range returns~~ minimizing funded status volatility while maintaining a high standard of portfolio quality and consistency of return to provide Plan benefits, it is necessary that proper diversification of assets be maintained both among and within the classes of securities held. Within this context of active management and the necessity for adherence to proper diversification, the Trustees and the Committee rely upon appropriate professional advice.

Delegation of Responsibilities

Retirement Plan Committee

The Committee acknowledges its responsibility as a fiduciary to the Plan. In this regard, the Committee must act prudently and for the exclusive interest of the Plan's participants and beneficiaries.

Specifically, the Committee's responsibilities include:

1. Complying with the provisions of pertinent federal, state, and local laws and regulations relating to the investment of Plan assets.
2. Evaluating and appointing a qualified manager(s) and advisor(s) to invest, advise and manage the Plan's assets.
3. Communicating the investment goals, objectives, and standards to the investment managers including any material changes that may subsequently occur.
4. Determining, with the advice of the Investment Advisor ("Advisor"), how Plan assets should be allocated among various asset classes.
5. Reviewing and evaluating the results of the Investment Manager(s) ("Manager(s)") in context with established standards of performance.
6. Taking whatever corrective action is deemed prudent and appropriate when an investment manager fails to perform as mutually expected.
7. Notifying the Manager(s) of:
 - a) Significant changes in the Plan cash flow and/or cash flow needs; and

- b) Any matter which bear upon the proper investment management of the Plan's assets, including pertinent financial, legal, and actuarial information.
- 8. Monitoring all costs associated with the administration of the Plan's investments to ensure that the costs are reasonable with market averages.
- 9. Reviewing any program that may mitigate or offset costs.
- 10. Appointing or removing third party administrators, as deemed prudent.
- 11. Facilitating required communications to Plan participants and third-party administrators.
- 12. Recommending to the Commissioners alterations to the Plan's design to address changes in business needs and industry practices.
- 13. Taking any action necessary to carry out the terms of the Plan.

The Committee has authority to carry out all administrative and investment duties for the Plan but does not have the authority to freeze or terminate the Plan.

The Committee shall give consideration to and have an understanding of the following prior to retaining professionals:

- 1. Establish standards/requirements/appropriateness of services.
- 2. Identify appropriate candidates for the position.
- 3. Solicit bids and proposals.
- 4. Conduct interviews.
- 5. Check references.
- 6. Make reasoned decisions based on all information, including:
 - a) Philosophy/Goals (i.e., Mission Statement)
 - b) Ownership/Management/Organizational Structure/Turnover
 - c) Operational History/Growth Plan
 - d) Infrastructure: Resources/Tools-of-the-Trade
 - e) Financial Condition
 - f) Educational Background/Industry Experience
 - g) Professional Qualifications
 - h) Risk Controls/ Insurance
 - i) Criminal, Civil, Regulatory History
 - j) Fees
 - k) Liquidity
- 7. Document the decision process.
- 8. Verify compliance with federal and state laws; specifically, Act 314, and investment guidelines.
- 9. Establish standards of conduct, terms and conditions of relationship (Written Contract/Agreement).

Investment Advisor

In carrying out its delegated responsibilities, the Committee considers the services of an Advisor as appropriate to assist in the placement of investment funds. The primary role of the Advisor is to provide independent, objective, third-party advice and counsel that will enable the Committee to make well-informed and timely decisions regarding the investment of the Plan's assets.

The Advisor's role is that of an advisor to the Plan. The Advisor acknowledges its responsibilities as a Fiduciary under Act 314. The Advisor acknowledges that it is a registered investment advisor under either the Investment Advisors Act of 1940 or the Michigan Uniform Securities Act.

Investment advice concerning the investment management of Plan assets will be offered by the Advisor, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this statement. In specific terms, the primary responsibilities of the Advisor are as follows:

1. Measure and evaluate investment performance each calendar quarter.
2. Evaluate the Plan's tolerance for risk.
3. Advise regarding appropriate investment objectives and goals based on the Plan's needs and risk tolerance.
4. Determine what degree of potential market volatility should be factored into the investment approach.
5. Provide advice regarding optimal allocation of assets, based on all of the above.

Providing a Range of Capabilities

The Advisor is a third party retained by the Committee to assist in several key areas of the management of financial assets.

The Advisor may be asked to:

1. Gather and evaluate statistical information on the financial assets, investment needs, and risk parameters.
2. Analyze and understand the implications of historic capital market behavior, particularly with regard to the trade-off between total return and investment risk.
3. Maintain data on the universe of available professional investment managers. Categorize (as to investment style and discipline) and evaluate the qualifications of the individual management firms.
4. Provide periodic Asset Allocation studies and updates.
5. Conduct periodic trustee educational workshops.
6. Provide information with respect to alternate investments.
7. Monitor the investment of the Plan's assets for compliance with Act 314.
8. Analyze and evaluate the Plan's investment performance, and the performance of its investment managers, both past and ongoing.
9. Make specific and timely recommendations for the consideration of the Committee during each phase of the investment management process.
10. Monitor all costs associated with the administration of the Plan's investments to ensure that they are reasonable with market averages.

Making Recommendations

Investment Policy - The Advisor may be asked to recommend an appropriate investment policy that will meet the Plan's needs. This includes recommending investment objectives and guidelines that adhere to the goals and tolerance for risk. The Advisor may be asked to provide an appropriate model of Asset Allocation composed of

equity, fixed-income, money market instruments or Alternative Investments designed to meet the established objectives.

Manager Selection - The Advisor may be asked to recommend the best qualified and most appropriate Manager(s) candidates for implementing the established investment policy. The Advisor shall be capable of utilizing a well-established system to select suitable Manager(s) candidates from both a local and national investment manager database.

Manager Performance Review and Evaluation

The Advisor shall provide the Committee with performance reports and ongoing quality control to assure that the standards and investment objectives are maintained. Performance reports generated by the Advisor shall be compiled at least quarterly and communicated to the Committee for review. The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The Committee intends to evaluate the portfolio(s) over at least a three-year period, but reserves the right to terminate a Manager(s) for any reason including the following:

1. Investment performance which is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results.
2. Failure to adhere to any aspect of this Statement of Investment Policy, including communication and reporting requirements.
3. Significant qualitative changes to a Manager(s) organization or strategy.

Manager(s) shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

Investment Manager(s)

Each Manager acknowledges its responsibility as an investment Fiduciary under Act 314. Each Manager acknowledges that it is a registered investment advisor under either the Investment Advisors Act of 1940 or the Michigan Uniform Securities Act. Each Manager will have full discretion to make all investment decisions for the assets placed under its control, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement.

Adherence to Policy Guidelines and Objectives

The assets of the Plan are to be managed in accordance with the policy guidelines and objectives expressed herein as well as any additional guidelines provided separately. Assets shall be invested in strict compliance with Act 314. Each Manager shall manage its individual portfolio in compliance with Act 314.

Discretionary Authority

Each Manager is expected to exercise complete investment discretion. Such discretion includes decisions to buy, hold and sell equities or fixed income securities (including cash equivalents) in amounts and proportions reflective of the Manager's current investment strategy and compatible with the investment guidelines.

Each Manager is expected, within the limitation of the account size, to diversify the portfolio to minimize the risk of large losses unless, under the circumstances, it is clearly prudent not to so diversify. The Manager shall invest the assets of the Plan with the same care, skill, prudence and diligence under the circumstances then prevailing that a prudent man, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with such aims. The investment manager will provide the Committee with suggested strategy which might be changed or adopted to better suit the investment guidelines adopted by the Committee.

Communications

Each Manager is responsible for communicating with the Committee regarding all significant matters pertaining to the investment of the Plan's assets. The Committee shall be kept apprised of substantive changes in investment strategy, asset mix, portfolio structure, and market value of the Plan's assets. If requested, Manager(s) will meet with the Committee on a quarterly basis to review the portfolio and the investment outlook.

Reporting

Each Manager is expected to provide:

1. INITIALLY, a written statement (per management agreement) acknowledging their acceptance of the guidelines and performance standards herein stated.
2. AT LEAST QUARTERLY, a portfolio composition report to the Committee of the funds under their management. The report shall contain as a minimum the following data:
 - a. Investment Review
 - i. Account characteristics;
 - ii. Investment summary to include asset description, cost, date, unit value, market value, percent of market, current yield, unrealized gains/losses, and estimated annual income;
 - iii. A measurement of portfolio duration (for fixed-income investments); and
 - b. Summary and statement of assets under management.
3. At the request of the Committee, participation in a review meeting, the agenda to include, but not restricted to -
 - a. A review and re-appraisal of the herein contained Statement;
 - b. A brief review of the recent capital market environment to include discussion of any event particularly pertinent to the management of this portfolio;
 - c. A commentary on investment results in light of the appropriate standards of performance as stated herein;
 - d. A synopsis of key investment decisions made by the Manager, the underlying rationale, and how those decisions could impact future results;

- e. Recommendations as to changes in goals or standards, based upon material and sustained changes in the capital markets;
- 4. UPON WRITTEN OR ORAL REQUEST -
 - a. Copies of all documentation in support of any investment activity;
 - b. A summary of receipts and disbursements;
 - c. A listing of assets acquired and disposed of;
 - d. Evidence of suitable insurance coverage of the Manager's fiduciary responsibilities.
- 5. IMMEDIATE NOTIFICATION -
 - a. Notice of material changes in the Manager's outlook, policy, and tactics
 - b. Notice of material changes in ownership, organizational structure, financial condition, senior staffing and management of the Manager's organization.

Each manager's investment guidelines and performance objectives are made a part of their investment management agreement. Compliance with these guidelines and objectives is evaluated during the quarterly investment performance evaluation process.

Custodian

The primary responsibilities of the custodian ("Custodian") are to:

- 1. Provide adequate safekeeping services.
- 2. Settle securities transactions on time.
- 3. Collect trust fund income when due.
- 4. Provide adequate accounting services.
- 5. Prepare useful, accurate, and timely investment reports.
- 6. Provide adequate cash-management services.
- 7. Provide adequate administrative support.
- 8. Develop and maintain adequate data processing capabilities.
- 9. Handle proxy administration promptly and accurately.
- 10. Complete and file timely proof of claims for settlements of security class action suits and monitor the processing to ensure claims are received.

Plan Investment Policy

The Plan is maintained to provide retirement benefits for the participants and their beneficiaries. The Plan is established in accordance with the laws of the State of Michigan whereby it operates and is controlled, as to its investments, by PA 314.

The Trustees (or their delegate) are authorized and permitted by the Plan Document and under Michigan law to engage the services of a Manager(s), Advisor and Custodian and to set the direction for the investments. The Trustees have delegated these duties to the Committee.

The Trustees require that the Manager(s), Advisor and Custodian comply with all applicable laws, rules and regulations. Manager(s) will be given full discretion in managing the funds within this Statement.

Plan Investment Objectives

The Trustee outlook regarding Plan assets is intended to result in moderate, long-term capital appreciation through moderate risk-taking. The Trustees recognize that risk (i.e., the uncertainty of future events), volatility (i.e., the potential for variability of asset values), and the potential of loss in purchasing power (due to inflation) are present to some degree with all types of investment vehicles. While high levels of risk are to be avoided, the assumption of a moderate level of risk is warranted and encouraged in order to allow the opportunity to achieve satisfactory results consistent with the objectives and character of the Plan. The policies and restrictions contained in this Statement should not impede the Manager to attain the overall Plan objectives, nor should they exclude the Manager from appropriate investment opportunities.

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

The Plan's objective is based on the expected returns under the Strategic Asset Allocation policy, which follows. This Strategic Asset Allocation policy is likely to result in normal fluctuation in the Plan's actual return, year to year. The expected level of risk (volatility, i.e. return fluctuation) is appropriate given the Plan's current and expected tolerance for short-term return fluctuations. Appropriate diversification of Plan assets will reduce the Plan's investment return volatility.

Asset Allocation Policy

This Strategic Asset Allocation policy is consistent with the achievement of the Plan's financial needs and overall investment objectives. Asset classes are selected based on the expected long-term returns, individual reward/risk characteristics, and correlation with other asset classes, manager roles, and fulfillment of the Plan's long-term financial needs. Conformance with PA 314 of 1965 and amendments thereof is also considered.

The Commissioners established an allocation range for each asset class in recognition of the need to vary exposure within and among different asset classes, based on investment opportunities and changing capital market conditions. The Commissioners selected the target allocation for each asset class based on the Plan's current financial condition, expected future contributions, withdrawals, plan expenses and current investment opportunities, notwithstanding short-term performance. The Commissioners intend to review these allocation targets at least annually, focusing on changes in the Plan's financial needs, investment objectives, and asset class performance.

Target Asset Allocation

<u>Asset Class</u>	<u>Manager Role</u>	<u>Allocation Range</u>	<u>Target Allocation</u>
Total Equity	Active/Passive	30-10 to 60-30 %	45 <u>18</u> %
US Large Cap Equity	Active/Passive	15-5 to 25-15 %	20 <u>8</u> %
US SMID Cap Equity	Active/ Passive	5-0 to 45-10 %	40 <u>4</u> %
Non-U.S. Equities	Active, Broad or Focused/ Passive	40-0 to 20-10 %	45 <u>6</u> %
Total Fixed Income	Active/Passive Core, Active Opportunistic, Short, Intermediate, Long Diversified <u>LDI</u>	30-70 to 60-90 %	50 <u>80</u> %
Core Fixed Income	Active/Passive Core, Short, Intermediate, Long Diversified <u>LDI</u>	15 to 35 <u>70</u> to 90 %	25 <u>80</u> %
Multi-Sector Fixed Income	Active Fixed Income	10 to 20%	15%
Liquid Absolute Return Fixed Income	Active Fixed Income	5 to 15%	10%
Real Estate	<u>Private</u> Core <u>Real Estate</u>	0 to 10%	50 <u>2</u> %
Cash Equivalents	Active, money market fund	0 to 5%	0%
Total Fund			<u>100.0%</u>

The Trustees recognize that the transition to the above target allocations will be achieved over an appropriate period of time, based upon manager availability, selection and approval as well as portfolio needs and constraints.

The Trustees acknowledge that alternative asset classes are available and intend to periodically evaluate the merits of using different asset classes. The Trustees also recognize the benefits of diversifying manager roles within a given asset class and intend to periodically evaluate this decision as well as the active versus passive management decision.

In order to preserve capital gains and protect principal during periods of market duress, a short-term U.S. government and/or high-quality credit securities fund may be used. Given the infrequent short-term use and specialized purpose of this fund, it is not included in either the Policy Index or Target Asset Allocation.

Administrative and Investment Review Procedures

Review of Policies

All investment policies and investment management guidelines will be reviewed annually by the Trustees, or whenever circumstances change to the extent that the policies may be ineffective or inappropriate.

General Review

All those responsible for investment of the Plan's assets shall submit a report or meet with the Committee to review their activities for the current year and discuss proposed changes that are anticipated.

Review of Investment Performance

The Committee will monitor the investment performance of each manager and the overall deployment of the Plan's assets. Monitoring may include periodic meetings with the Manager(s), and a quarterly performance evaluation performed by the Advisor.

Each performance evaluation will include:

1. The present and prospective economic climate;
2. Current period and historical, time-weighted rates of return for the overall Plan, including an evaluation against the previously specified performance standards;
3. Current period and historical, time-weighted rates of return for each Manager, including an evaluation against the previously specified performance standards;
4. Additional quantitative measures and analysis will be employed to objectively monitor each Manager's compliance with investment policies and guidelines.
5. An understanding of the strategy being used by each Manager to carry out the current Investment Policy; and
6. Opportunities available within current and prospective asset categories.

The Committee requests that all documents, exhibits, written materials, etc. to be used during the meetings be submitted in advance.

Individual Investment Manager Objectives

1. On a quarterly basis, the performance of each of the active equity and private real estate investment managers will be compared to a relevant Benchmark Index and to a relevant universe of investment management firms. The ongoing review and evaluation of investment manager results will be the responsibility of the Committee, with the assistance of the Advisor.

The primary emphasis of the review of each active equity and private real estate investment manager will be placed on relative rates of return and risk as compared against relevant benchmarks, peers and expectations for each specific manager.

Over a market cycle (usually 3-5 years), the following are the performance expectations for each portfolio:

- The total return of each portfolio should exceed the total return of the relevant index.
- The total return of each portfolio should rank median or higher when compared to the relevant peer group.

In addition to relative rates of return each portfolio's performance will be evaluated based on its relative risk profile as measured by its standard deviation and other benchmark relative statistics; risk adjusted returns as measured by the portfolio's Sharpe ratio and performance in up and down markets.

2. Passive portfolio allocations are expected to approximate the risk and return profile of the appropriate benchmark.

3. The LDI investment manager will be directed to manage assets under a liability driven approach. The objective of the LDI portion of the Plan assets should be to provide a relatively stable value of portfolio assets relative to the Plan's total liability and limit volatility of funded status.

The LDI investment manager will invest exclusively in high quality (investment grade) fixed income instruments such as US Treasury/Agencies, Mortgage-Backed Securities, Corporate Bonds, and Asset Backed Securities.

The investment manager is expected to ensure adequate investment diversification. The investment manager will achieve this diversification by including an appropriate number of securities in the portfolio and will limit exposure to specific companies, industries, and sectors within reasonable parameters.

Performance will be evaluated based on the change in LDI assets relative to the change in a custom liability benchmark.

Rebalancing Policy – Overall Fund Allocation

The system of Asset Allocation rebalancing to be utilized involves a target asset mix around which variance is allowed within prescribed limits. Rebalancing will be addressed when an asset-class limit is reached or exceeded. In addition to monitoring target and actual allocations quarterly, the Committee will formally review the policy and actual allocations in consideration of anticipated cash flow.

Review of Investment Management

Manager(s) are responsible for frequent and open communication (in writing) with the Committee and the Advisor on all significant matters pertaining to Investment Policy and the management of the Plan's assets, including, but not limited to:

1. A quarterly report of major changes in each Manager's investment outlook, investment strategy and portfolio structure.
2. Any significant changes in ownership, organizational structure, financial conditions, or senior personnel staffing of each Manager's organization.
3. Any investment guidelines which inhibit the fulfillment of a Manager's Fiduciary duties, inappropriately restrict performance, or prevent the manager from meeting their performance standards.

Proxy Voting

The Trustees confer the right to vote proxies to the Manager(s), unless the Manager(s) are otherwise notified by the Committee in writing. It is expected that Manager(s) will vote for the sole benefit of the Plan participants and beneficiaries, considering those factors that may affect the value of the Plan's investments and not subordinate the interests of the participants and beneficiaries in their retirement income to unrelated objectives.

A summary of votes cast shall be submitted to the Committee on an annual basis. This summary must identify the company, number of shares held, subject proxy issues, actual vote (whether for or against the Committee's recommendation), and justification.

Directed Brokerage

Regarding directed brokerage, the Trustees do not require the Manager(s) to trade securities through an individual or set of broker-dealers. The Trustees wish to give the Manager(s) full discretion over their choice of broker-dealers, so long as the Plan's total cost or proceeds of transactions are the most favorable under the circumstances.

Tenure

While the relationship with Manager(s) is expected to be ongoing, the Committee reserves the right to terminate their relationship with any retained Manager at any time they deem appropriate.

In General Managers are fiduciaries with discretion to implement the guidelines within the direction provided by this Statement. All Managers are expected to be familiar with and follow the investment guidelines established under Michigan PA Act 314 with amendments.

Managers should present (and obtain approval on) material changes in their investment style, philosophy or process to the Committee before implementing any changes on behalf of the Plan.

Managers (except commingled funds) are prohibited from using warrants, options, futures, collectibles, leverage, mutual funds (money market funds exempted), LLCs, ETFs, unit investment trusts, margin purchases or short sales, securities of Plan service providers (custodial bank notwithstanding), and loaning or pledging securities (certain index funds exempted). While commingled funds are exempt from the prohibited securities noted above, they are expected to be managed within the guidelines set forth for each fund. Commingled fund managers are required to comply with the appropriate performance standards and reporting requirements contained in this document.

If a Manager would like to purchase a security that falls outside of this Plan's investment guidelines (commingled funds exempted), or is in doubt as to the goal and intent of these guidelines, they should submit a written request for clarification to the Committee prior to purchase. Any security not specifically defined or permitted within is prohibited for investment on behalf of this Plan.

Cash Equivalents The cash equivalents Manager may invest in any institutional money market fund ("Fund") that follows the following objectives and policies:

1. The Fund seeks to provide current income while maintaining liquidity and a stable share price of \$1.
2. The Fund invests primarily in high-quality, short-term money market instruments, including certificates of deposit, Bankers Acceptances, commercial paper (except ABS commercial paper), and other money market securities.
3. To be considered high-quality, a security generally must be rated in one of the two highest credit-quality categories for short-term securities by at least two nationally recognized rating services (or by one, if only one rating service has rated the security).
4. If unrated, the security rating must be determined by the manager, subject to the limitations in item 3.
5. The Fund maintains a dollar-weighted average maturity of 90 days or less.

Total Plan Performance

Given the overfunded status of the Plan, the primary investment objective is to ~~meet the long-term financial goals of the Plan~~ minimize funded status volatility. The Plan's Asset Allocation will be used as the primary tool to achieve this goal.

The Plan is expected to meet or exceed the following objectives over a full market cycle (usually three to five years):

- 1) Earn a rate of return after all expenses that equals or exceeds the ~~current~~ actuarial assumed rate of return ~~of 6.0%.~~
- 2) To assess total plan performance, an allocation index will be used. This will consist of individual manager benchmarks weighted in the same proportion as the actual portfolio's asset allocation. The individual manager benchmarks are the following:

- a. S&P 500
- b. Russell 2500
- c. MSCI ACWI ex-US
- d. Custom Liability Benchmark
- e. NFI ODCE (net) Index

~~2) The individual benchmarks will be weighted in the same proportion as the actual portfolio asset allocation. The Plan's total return should exceed the total return of the Policy index comprised of the following:~~

Index	Percent
S&P 500	20%
Russell 2500	10%
MSCI ACWI ex-US	15%
Bloomberg US Aggregate <u>Custom</u> <u>Liability Benchmark</u>	50%
NFI ODCE (net) Index	5%

~~3) The Plan's total return should rank at median or above when compared to a universe of other portfolios with a similar equity allocation.~~

4) 3) In addition to relative rates of return the Plan's performance will be evaluated based on its relative risk profile as measured by its standard deviation, beta, correlation to the Policy Index, risk adjusted returns as measured by the Plan's Sharpe ratio and performance in up and down markets.

Conclusion

It is in the intent of this Statement to state an attitude and/or philosophy which will guide Managers toward the performance desired. It is further intended that these objectives be sufficiently specific, but also sufficiently flexible.

It is the opinion of the Commissioners that these limitations and guidelines will not prevent a Manager from achieving the objectives set forth.

Glossary of Investment Terms

Alternative Investments - These investments are typically made through the purchase of limited partner units in a private limited partnership. Alternative investments include hedge funds, managed futures and commodities, private equity, real assets and other.

Asset Allocation - A process used to determine the optimal allocation of a fund's portfolio among broad asset classes.

Benchmark Index - An index against which the investment performance of a Manager can be compared for the purpose of determining the value added by the Manager. A benchmark portfolio must be of the same style as the Manager, and in particular, similar in terms of risk.

Fiduciary - Indicates the relationship of trust and confidence where one person (the Fiduciary) holds or controls property for the benefit of another person.

Liability Driven Investing (LDI) - an investment strategy that manages portfolio assets primarily in relation to the fund's future liabilities, seeking to match or hedge the duration, cash flows, and interest rate sensitivity of pension obligations to reduce funded status volatility and improve the likelihood of meeting benefit payments as they come due.

Liquidity - In general, liquidity refers to the ease by which a financial asset can be converted into cash. Liquidity is often more narrowly defined as the ability to sell an asset quickly without having to make a substantial price concession.

Standard Deviation - A statistical measure of portfolio risk. It reflects the average deviation of the observations from their sample mean. Standard deviation is used as an estimate of risk since it measures how wide the range of returns typically are. The wider the range of returns, the higher the standard deviation of returns, and the higher the portfolio risk. If returns are normally distributed (i.e. has a bell-shaped curve distribution) then approximately two-thirds of the returns would occur within plus or minus one standard deviation from the sample mean.

Strategic Asset Allocation – The strategic mix of assets designed to accomplish a long-term goal such as funding pension benefits. Generally, policy targets are set for the strategic asset classes with allowable ranges around those targets. The allowable ranges are established to allow flexibility in the management of the investment portfolio.

Tactical Asset Allocation – The tactical mix of assets is short-term in nature with a goal of maximizing returns. This strategy is used to take advantage of current market conditions that may be more favorable for one asset class over another.

Time-weighted Return - A method of measuring the performance of a portfolio over a particular period of time. It is the cumulative compounded rate of return of the portfolio, calculated on each date that cash flow moves into or out of the portfolio.

Universe - A group of Managers/Funds chosen to have an investment style similar to the Manager/Fund and used for comparison purposes.

***LANSING BOARD OF WATER AND LIGHT
DEFINED BENEFIT PLAN AND TRUST
FOR EMPLOYEES' PENSIONS***

***STATEMENT OF INVESTMENT POLICIES,
PROCEDURES AND OBJECTIVES***

Effective March 2026

STATEMENT OF INVESTMENT POLICIES, PROCEDURES AND OBJECTIVES

Table of Contents

Section	<u>Page</u>
Introduction.....	3
Updates to Statement.....	3
Trustees	3
Purpose of the Plan	4
Investment Philosophy	4
Delegation of Responsibilities.....	4
Retirement Plan Committee.....	4
Investment Advisor	5
Investment Manager(s).....	7
Custodian	9
Plan Investment Policy	9
Plan Investment Objectives	10
Asset Allocation Policy	10
Administrative and Investment Review Procedures.....	12
Review of Policies	12
General Review	12
Review of Investment Performance	12
Rebalancing Policy – Overall Fund Allocation	13
Review of Investment Management.....	14
Proxy Voting	14
Directed Brokerage.....	14
Tenure	14
Conclusion.....	16
Glossary of Investment Terms	16

Introduction

The Lansing Board of Water and Light (“**BWL**”) is a municipal utility providing drinking water, electricity, steam and chilled water services to the greater Lansing area in mid-Michigan. The Plan receives contributions from the BWL. The Plan pays retirement benefits provided for in the Plan. Plan assets are invested in various types of securities.

This Statement of Investment Policy (“**Statement**”) is issued by the Commissioners of the Lansing Board of Water and Light (the “**Commissioners**”) for the Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees' Pensions (“**Plan**”). The purpose of this Statement is to (i) identify and present a set of investment objectives, an Asset Allocation policy, investment performance standards and procedures for managing the Plan's assets; and (ii) clarify the delegation of certain investment and administrative duties to the Committee (the “Committee”). This document is intended to be consistent with the provisions of Michigan Public Act 314 of 1965 (“**Act 314**”), as amended.

Updates to Statement

The Commissioners retain the authority to approve, revise and update this Statement as necessary to ensure that it is consistent with the BWL's investment philosophy. Any revisions or updates made to the Statement must be formally adopted by the Commissioners through a resolution.

Trustees' and Commissioners' Delegation of Duties

The Commissioners have delegated certain administrative responsibilities to the Committee pursuant to a separate Resolution. Those responsibilities are described in more detail in this Statement.

The Trustees of the Plan are the eight appointed voting Commissioners of the BWL. The Trustees have delegated all investment responsibilities to the Committee pursuant to a separate Resolution. Those investment responsibilities are described in this Statement. All provisions in this Statement relating to the Committee shall be operative until such time the delegation of duties by the Trustees and/or Commissioners is revoked.

Responsibility for selecting and providing direction to Investment Managers, Investment Advisors, custodians, and other administrators required for the management of the Plan's assets and for implementing overall investment decisions has been delegated to the Committee which shall report to the Trustees regarding selections made and investment performance. The Trustees shall act in accordance with the terms of this Statement, as updated from time to time by the Commissioners, and as communicated to the Trustees in writing.

Purpose of the Plan

The Plan was established for the purpose of providing retirement benefits to eligible employees and their beneficiaries. The Plan was closed to new employees hired after December 31, 1996. The Plan is a governmental, defined-benefit pension plan which provides retirement, early retirement, disability, termination, and death benefits based upon a formula that includes final average compensation, years of credited service, and a pension benefit percentage. To this end, an investment portfolio is maintained to invest employer contributions and to reinvest income.

Investment Philosophy

The Commissioners, Trustees and the Committee recognize their respective Fiduciary duties to invest the Plan's assets in formal compliance with the Prudent Man Rule. The Trustees interpret this to mean that, in addition to the specific guidelines and restrictions set forth in this document, the assets of the Plan shall be actively managed -- that is, investment decisions regarding the particular securities to be purchased or sold shall be the result of the conscious exercise of discretion. Further, the Trustees recognize that, commensurate with its overall objective of minimizing funded status volatility while maintaining a high standard of portfolio quality and consistency of return to provide Plan benefits, it is necessary that proper diversification of assets be maintained both among and within the classes of securities held. Within this context of active management and the necessity for adherence to proper diversification, the Trustees and the Committee rely upon appropriate professional advice.

Delegation of Responsibilities

Retirement Plan Committee

The Committee acknowledges its responsibility as a fiduciary to the Plan. In this regard, the Committee must act prudently and for the exclusive interest of the Plan's participants and beneficiaries.

Specifically, the Committee's responsibilities include:

1. Complying with the provisions of pertinent federal, state, and local laws and regulations relating to the investment of Plan assets.
2. Evaluating and appointing a qualified manager(s) and advisor(s) to invest, advise and manage the Plan's assets.
3. Communicating the investment goals, objectives, and standards to the investment managers including any material changes that may subsequently occur.
4. Determining, with the advice of the Investment Advisor ("Advisor"), how Plan assets should be allocated among various asset classes.
5. Reviewing and evaluating the results of the Investment Manager(s) ("Manager(s)") in context with established standards of performance.
6. Taking whatever corrective action is deemed prudent and appropriate when an investment manager fails to perform as mutually expected.
7. Notifying the Manager(s) of:
 - a) Significant changes in the Plan cash flow and/or cash flow needs; and

- b) Any matter which bear upon the proper investment management of the Plan's assets, including pertinent financial, legal, and actuarial information.
- 8. Monitoring all costs associated with the administration of the Plan's investments to ensure that the costs are reasonable with market averages.
- 9. Reviewing any program that may mitigate or offset costs.
- 10. Appointing or removing third party administrators, as deemed prudent.
- 11. Facilitating required communications to Plan participants and third-party administrators.
- 12. Recommending to the Commissioners alterations to the Plan's design to address changes in business needs and industry practices.
- 13. Taking any action necessary to carry out the terms of the Plan.

The Committee has authority to carry out all administrative and investment duties for the Plan but does not have the authority to freeze or terminate the Plan.

The Committee shall give consideration to and have an understanding of the following prior to retaining professionals:

- 1. Establish standards/requirements/appropriateness of services.
- 2. Identify appropriate candidates for the position.
- 3. Solicit bids and proposals.
- 4. Conduct interviews.
- 5. Check references.
- 6. Make reasoned decisions based on all information, including:
 - a) Philosophy/Goals (i.e., Mission Statement)
 - b) Ownership/Management/Organizational Structure/Turnover
 - c) Operational History/Growth Plan
 - d) Infrastructure: Resources/Tools-of-the-Trade
 - e) Financial Condition
 - f) Educational Background/Industry Experience
 - g) Professional Qualifications
 - h) Risk Controls/ Insurance
 - i) Criminal, Civil, Regulatory History
 - j) Fees
 - k) Liquidity
- 7. Document the decision process.
- 8. Verify compliance with federal and state laws; specifically, Act 314, and investment guidelines.
- 9. Establish standards of conduct, terms and conditions of relationship (Written Contract/Agreement).

Investment Advisor

In carrying out its delegated responsibilities, the Committee considers the services of an Advisor as appropriate to assist in the placement of investment funds. The primary role of the Advisor is to provide independent, objective, third-party advice and counsel that will enable the Committee to make well-informed and timely decisions regarding the investment of the Plan's assets.

The Advisor's role is that of an advisor to the Plan. The Advisor acknowledges its responsibilities as a Fiduciary under Act 314. The Advisor acknowledges that it is a registered investment advisor under either the Investment Advisors Act of 1940 or the Michigan Uniform Securities Act.

Investment advice concerning the investment management of Plan assets will be offered by the Advisor, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this statement. In specific terms, the primary responsibilities of the Advisor are as follows:

1. Measure and evaluate investment performance each calendar quarter.
2. Evaluate the Plan's tolerance for risk.
3. Advise regarding appropriate investment objectives and goals based on the Plan's needs and risk tolerance.
4. Determine what degree of potential market volatility should be factored into the investment approach.
5. Provide advice regarding optimal allocation of assets, based on all of the above.

Providing a Range of Capabilities

The Advisor is a third party retained by the Committee to assist in several key areas of the management of financial assets.

The Advisor may be asked to:

1. Gather and evaluate statistical information on the financial assets, investment needs, and risk parameters.
2. Analyze and understand the implications of historic capital market behavior, particularly with regard to the trade-off between total return and investment risk.
3. Maintain data on the universe of available professional investment managers. Categorize (as to investment style and discipline) and evaluate the qualifications of the individual management firms.
4. Provide periodic Asset Allocation studies and updates.
5. Conduct periodic trustee educational workshops.
6. Provide information with respect to alternate investments.
7. Monitor the investment of the Plan's assets for compliance with Act 314.
8. Analyze and evaluate the Plan's investment performance, and the performance of its investment managers, both past and ongoing.
9. Make specific and timely recommendations for the consideration of the Committee during each phase of the investment management process.
10. Monitor all costs associated with the administration of the Plan's investments to ensure that they are reasonable with market averages.

Making Recommendations

Investment Policy - The Advisor may be asked to recommend an appropriate investment policy that will meet the Plan's needs. This includes recommending investment objectives and guidelines that adhere to the goals and tolerance for risk. The Advisor may be asked to provide an appropriate model of Asset Allocation composed of

equity, fixed-income, money market instruments or Alternative Investments designed to meet the established objectives.

Manager Selection - The Advisor may be asked to recommend the best qualified and most appropriate Manager(s) candidates for implementing the established investment policy. The Advisor shall be capable of utilizing a well-established system to select suitable Manager(s) candidates from both a local and national investment manager database.

Manager Performance Review and Evaluation

The Advisor shall provide the Committee with performance reports and ongoing quality control to assure that the standards and investment objectives are maintained. Performance reports generated by the Advisor shall be compiled at least quarterly and communicated to the Committee for review. The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The Committee intends to evaluate the portfolio(s) over at least a three-year period, but reserves the right to terminate a Manager(s) for any reason including the following:

1. Investment performance which is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results.
2. Failure to adhere to any aspect of this Statement of Investment Policy, including communication and reporting requirements.
3. Significant qualitative changes to a Manager(s) organization or strategy.

Manager(s) shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

Investment Manager(s)

Each Manager acknowledges its responsibility as an investment Fiduciary under Act 314. Each Manager acknowledges that it is a registered investment advisor under either the Investment Advisors Act of 1940 or the Michigan Uniform Securities Act. Each Manager will have full discretion to make all investment decisions for the assets placed under its control, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement.

Adherence to Policy Guidelines and Objectives

The assets of the Plan are to be managed in accordance with the policy guidelines and objectives expressed herein as well as any additional guidelines provided separately. Assets shall be invested in strict compliance with Act 314. Each Manager shall manage its individual portfolio in compliance with Act 314.

Discretionary Authority

Each Manager is expected to exercise complete investment discretion. Such discretion includes decisions to buy, hold and sell equities or fixed income securities (including cash equivalents) in amounts and proportions reflective of the Manager's current investment strategy and compatible with the investment guidelines.

Each Manager is expected, within the limitation of the account size, to diversify the portfolio to minimize the risk of large losses unless, under the circumstances, it is clearly prudent not to so diversify. The Manager shall invest the assets of the Plan with the same care, skill, prudence and diligence under the circumstances then prevailing that a prudent man, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with such aims. The investment manager will provide the Committee with suggested strategy which might be changed or adopted to better suit the investment guidelines adopted by the Committee.

Communications

Each Manager is responsible for communicating with the Committee regarding all significant matters pertaining to the investment of the Plan's assets. The Committee shall be kept apprised of substantive changes in investment strategy, asset mix, portfolio structure, and market value of the Plan's assets. If requested, Manager(s) will meet with the Committee on a quarterly basis to review the portfolio and the investment outlook.

Reporting

Each Manager is expected to provide:

1. INITIALLY, a written statement (per management agreement) acknowledging their acceptance of the guidelines and performance standards herein stated.
2. AT LEAST QUARTERLY, a portfolio composition report to the Committee of the funds under their management. The report shall contain as a minimum the following data:
 - a. Investment Review
 - i. Account characteristics;
 - ii. Investment summary to include asset description, cost, date, unit value, market value, percent of market, current yield, unrealized gains/losses, and estimated annual income;
 - iii. A measurement of portfolio duration (for fixed-income investments); and
 - b. Summary and statement of assets under management.
3. At the request of the Committee, participation in a review meeting, the agenda to include, but not restricted to -
 - a. A review and re-appraisal of the herein contained Statement;
 - b. A brief review of the recent capital market environment to include discussion of any event particularly pertinent to the management of this portfolio;
 - c. A commentary on investment results in light of the appropriate standards of performance as stated herein;
 - d. A synopsis of key investment decisions made by the Manager, the underlying rationale, and how those decisions could impact future results;

- e. Recommendations as to changes in goals or standards, based upon material and sustained changes in the capital markets;
- 4. UPON WRITTEN OR ORAL REQUEST -
 - a. Copies of all documentation in support of any investment activity;
 - b. A summary of receipts and disbursements;
 - c. A listing of assets acquired and disposed of;
 - d. Evidence of suitable insurance coverage of the Manager's fiduciary responsibilities.
- 5. IMMEDIATE NOTIFICATION -
 - a. Notice of material changes in the Manager's outlook, policy, and tactics
 - b. Notice of material changes in ownership, organizational structure, financial condition, senior staffing and management of the Manager's organization.

Each manager's investment guidelines and performance objectives are made a part of their investment management agreement. Compliance with these guidelines and objectives is evaluated during the quarterly investment performance evaluation process.

Custodian

The primary responsibilities of the custodian ("Custodian") are to:

- 1. Provide adequate safekeeping services.
- 2. Settle securities transactions on time.
- 3. Collect trust fund income when due.
- 4. Provide adequate accounting services.
- 5. Prepare useful, accurate, and timely investment reports.
- 6. Provide adequate cash-management services.
- 7. Provide adequate administrative support.
- 8. Develop and maintain adequate data processing capabilities.
- 9. Handle proxy administration promptly and accurately.
- 10. Complete and file timely proof of claims for settlements of security class action suits and monitor the processing to ensure claims are received.

Plan Investment Policy

The Plan is maintained to provide retirement benefits for the participants and their beneficiaries. The Plan is established in accordance with the laws of the State of Michigan whereby it operates and is controlled, as to its investments, by PA 314.

The Trustees (or their delegate) are authorized and permitted by the Plan Document and under Michigan law to engage the services of a Manager(s), Advisor and Custodian and to set the direction for the investments. The Trustees have delegated these duties to the Committee.

The Trustees require that the Manager(s), Advisor and Custodian comply with all applicable laws, rules and regulations. Manager(s) will be given full discretion in managing the funds within this Statement.

Plan Investment Objectives

The Trustee outlook regarding Plan assets is intended to result in moderate, long-term capital appreciation through moderate risk-taking. The Trustees recognize that risk (i.e., the uncertainty of future events), volatility (i.e., the potential for variability of asset values), and the potential of loss in purchasing power (due to inflation) are present to some degree with all types of investment vehicles. While high levels of risk are to be avoided, the assumption of a moderate level of risk is warranted and encouraged in order to allow the opportunity to achieve satisfactory results consistent with the objectives and character of the Plan. The policies and restrictions contained in this Statement should not impede the Manager to attain the overall Plan objectives, nor should they exclude the Manager from appropriate investment opportunities.

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

The Plan's objective is based on the expected returns under the Strategic Asset Allocation policy, which follows. This Strategic Asset Allocation policy is likely to result in normal fluctuation in the Plan's actual return, year to year. The expected level of risk (volatility, i.e. return fluctuation) is appropriate given the Plan's current and expected tolerance for short-term return fluctuations. Appropriate diversification of Plan assets will reduce the Plan's investment return volatility.

Asset Allocation Policy

This Strategic Asset Allocation policy is consistent with the achievement of the Plan's financial needs and overall investment objectives. Asset classes are selected based on the expected long-term returns, individual reward/risk characteristics, and correlation with other asset classes, manager roles, and fulfillment of the Plan's long-term financial needs. Conformance with PA 314 of 1965 and amendments thereof is also considered.

The Commissioners established an allocation range for each asset class in recognition of the need to vary exposure within and among different asset classes, based on investment opportunities and changing capital market conditions. The Commissioners selected the target allocation for each asset class based on the Plan's current financial condition, expected future contributions, withdrawals, plan expenses and current investment opportunities, notwithstanding short-term performance. The Commissioners intend to review these allocation targets at least annually, focusing on changes in the Plan's financial needs, investment objectives, and asset class performance.

Target Asset Allocation

<u>Asset Class</u>	<u>Manager Role</u>	<u>Allocation Range</u>	<u>Target Allocation</u>
Total Equity	Active/Passive	10 to 30%	18%
US Large Cap Equity	Active/Passive	5 to 15%	8%
US SMID Cap Equity	Active/Passive	0 to 10%	4%
Non-U.S. Equities	Active, Broad or Focused/Passive	0 to 10%	6%
Total Fixed Income	LDI	70 to 90%	80%
Core Fixed Income	LDI	70 to 90%	80%
Real Estate	Private Core Real Estate	0 to 10%	2%
Cash Equivalents	Active, money market fund	0 to 5%	0%
Total Fund			100.0%

The Trustees recognize that the transition to the above target allocations will be achieved over an appropriate period of time, based upon manager availability, selection and approval as well as portfolio needs and constraints.

The Trustees acknowledge that alternative asset classes are available and intend to periodically evaluate the merits of using different asset classes. The Trustees also recognize the benefits of diversifying manager roles within a given asset class and intend to periodically evaluate this decision as well as the active versus passive management decision.

In order to preserve capital gains and protect principal during periods of market duress, a short-term U.S. government and/or high-quality credit securities fund may be used. Given the infrequent short-term use and specialized purpose of this fund, it is not included in either the Policy Index or Target Asset Allocation.

Administrative and Investment Review Procedures

Review of Policies

All investment policies and investment management guidelines will be reviewed annually by the Trustees, or whenever circumstances change to the extent that the policies may be ineffective or inappropriate.

General Review

All those responsible for investment of the Plan's assets shall submit a report or meet with the Committee to review their activities for the current year and discuss proposed changes that are anticipated.

Review of Investment Performance

The Committee will monitor the investment performance of each manager and the overall deployment of the Plan's assets. Monitoring may include periodic meetings with the Manager(s), and a quarterly performance evaluation performed by the Advisor.

Each performance evaluation will include:

1. The present and prospective economic climate;
2. Current period and historical, time-weighted rates of return for the overall Plan, including an evaluation against the previously specified performance standards;
3. Current period and historical, time-weighted rates of return for each Manager, including an evaluation against the previously specified performance standards;
4. Additional quantitative measures and analysis will be employed to objectively monitor each Manager's compliance with investment policies and guidelines.
5. An understanding of the strategy being used by each Manager to carry out the current Investment Policy; and
6. Opportunities available within current and prospective asset categories.

The Committee requests that all documents, exhibits, written materials, etc. to be used during the meetings be submitted in advance.

Individual Investment Manager Objectives

1. On a quarterly basis, the performance of each of the active equity and private real estate investment managers will be compared to a relevant Benchmark Index and to a relevant universe of investment management firms. The ongoing review and evaluation of investment manager results will be the responsibility of the Committee, with the assistance of the Advisor.

The primary emphasis of the review of each active equity and private real estate investment manager will be placed on relative rates of return and risk as compared against relevant benchmarks, peers and expectations for each specific manager.

Over a market cycle (usually 3-5 years), the following are the performance expectations for each portfolio:

- The total return of each portfolio should exceed the total return of the relevant index.
- The total return of each portfolio should rank median or higher when compared to the relevant peer group.

In addition to relative rates of return each portfolio's performance will be evaluated based on its relative risk profile as measured by its standard deviation and other benchmark relative statistics; risk adjusted returns as measured by the portfolio's Sharpe ratio and performance in up and down markets.

2. Passive portfolio allocations are expected to approximate the risk and return profile of the appropriate benchmark.

3. The LDI investment manager will be directed to manage assets under a liability driven approach. The objective of the LDI portion of the Plan assets should be to provide a relatively stable value of portfolio assets relative to the Plan's total liability and limit volatility of funded status.

The LDI investment manager will invest exclusively in high quality (investment grade) fixed income instruments such as US Treasury/Agencies, MortgageBacked Securities, Corporate Bonds, and Asset Backed Securities.

The investment manager is expected to ensure adequate investment diversification. The investment manager will achieve this diversification by including an appropriate number of securities in the portfolio and will limit exposure to specific companies, industries, and sectors within reasonable parameters.

Performance will be evaluated based on the change in LDI assets relative to the change in a custom liability benchmark.

Rebalancing Policy – Overall Fund Allocation

The system of Asset Allocation rebalancing to be utilized involves a target asset mix around which variance is allowed within prescribed limits. Rebalancing will be addressed when an asset-class limit is reached or exceeded. In addition to monitoring target and actual allocations quarterly, the Committee will formally review the policy and actual allocations in consideration of anticipated cash flow.

Review of Investment Management

Manager(s) are responsible for frequent and open communication (in writing) with the Committee and the Advisor on all significant matters pertaining to Investment Policy and the management of the Plan's assets, including, but not limited to:

1. A quarterly report of major changes in each Manager's investment outlook, investment strategy and portfolio structure.
2. Any significant changes in ownership, organizational structure, financial conditions, or senior personnel staffing of each Manager's organization.
3. Any investment guidelines which inhibit the fulfillment of a Manager's Fiduciary duties, inappropriately restrict performance, or prevent the manager from meeting their performance standards.

Proxy Voting

The Trustees confer the right to vote proxies to the Manager(s), unless the Manager(s) are otherwise notified by the Committee in writing. It is expected that Manager(s) will vote for the sole benefit of the Plan participants and beneficiaries, considering those factors that may affect the value of the Plan's investments and not subordinate the interests of the participants and beneficiaries in their retirement income to unrelated objectives.

A summary of votes cast shall be submitted to the Committee on an annual basis. This summary must identify the company, number of shares held, subject proxy issues, actual vote (whether for or against the Committee's recommendation), and justification.

Directed Brokerage

Regarding directed brokerage, the Trustees do not require the Manager(s) to trade securities through an individual or set of broker-dealers. The Trustees wish to give the Manager(s) full discretion over their choice of broker-dealers, so long as the Plan's total cost or proceeds of transactions are the most favorable under the circumstances.

Tenure

While the relationship with Manager(s) is expected to be ongoing, the Committee reserves the right to terminate their relationship with any retained Manager at any time they deem appropriate.

In General Managers are fiduciaries with discretion to implement the guidelines within the direction provided by this Statement. All Managers are expected to be familiar with and follow the investment guidelines established under Michigan PA Act 314 with amendments.

Managers should present (and obtain approval on) material changes in their investment style, philosophy or process to the Committee before implementing any changes on behalf of the Plan.

Managers (except commingled funds) are prohibited from using warrants, options, futures, collectibles, leverage, mutual funds (money market funds exempted), LLCs, ETFs, unit investment trusts, margin purchases or short sales, securities of Plan service providers (custodial bank notwithstanding), and loaning or pledging securities (certain index funds exempted). While commingled funds are exempt from the prohibited securities noted above, they are expected to be managed within the guidelines set forth for each fund. Commingled fund managers are required to comply with the appropriate performance standards and reporting requirements contained in this document.

If a Manager would like to purchase a security that falls outside of this Plan's investment guidelines (commingled funds exempted), or is in doubt as to the goal and intent of these guidelines, they should submit a written request for clarification to the Committee prior to purchase. Any security not specifically defined or permitted within is prohibited for investment on behalf of this Plan.

Cash Equivalents The cash equivalents Manager may invest in any institutional money market fund ("Fund") that follows the following objectives and policies:

1. The Fund seeks to provide current income while maintaining liquidity and a stable share price of \$1.
2. The Fund invests primarily in high-quality, short-term money market instruments, including certificates of deposit, Bankers Acceptances, commercial paper (except ABS commercial paper), and other money market securities.
3. To be considered high-quality, a security generally must be rated in one of the two highest credit-quality categories for short-term securities by at least two nationally recognized rating services (or by one, if only one rating service has rated the security).
4. If unrated, the security rating must be determined by the manager, subject to the limitations in item 3.
5. The Fund maintains a dollar-weighted average maturity of 90 days or less.

Total Plan Performance

Given the overfunded status of the Plan, the primary investment objective is to minimize funded status volatility. The Plan's Asset Allocation will be used as the primary tool to achieve this goal.

The Plan is expected to meet or exceed the following objectives over a full market cycle (usually three to five years):

- 1) Earn a rate of return after all expenses that equals or exceeds the actuarial assumed rate of return of 6.0%.
- 2) To assess total plan performance, an allocation index will be used. This will consist of individual manager benchmarks weighted in the same proportion as the actual portfolio's asset allocation. The individual manager benchmarks are the following:

- a. S&P 500
- b. Russell 2500
- c. MSCI ACWI ex-US
- d. Custom Liability Benchmark
- e. NFI ODCE (net) Index

- 3) In addition to relative rates of return the Plan's performance will be evaluated based on its relative risk profile as measured by its standard deviation, beta, correlation to the Policy Index, risk adjusted returns as measured by the Plan's Sharpe ratio and performance in up and down markets.

Conclusion

It is in the intent of this Statement to state an attitude and/or philosophy which will guide Managers toward the performance desired. It is further intended that these objectives be sufficiently specific, but also sufficiently flexible.

It is the opinion of the Commissioners that these limitations and guidelines will not prevent a Manager from achieving the objectives set forth.

Glossary of Investment Terms

Alternative Investments - These investments are typically made through the purchase of limited partner units in a private limited partnership. Alternative investments include hedge funds, managed futures and commodities, private equity, real assets and other.

Asset Allocation - A process used to determine the optimal allocation of a fund's portfolio among broad asset classes.

Benchmark Index - An index against which the investment performance of a Manager can be compared for the purpose of determining the value added by the Manager. A benchmark portfolio must be of the same style as the Manager, and in particular, similar in terms of risk.

Fiduciary - Indicates the relationship of trust and confidence where one person (the Fiduciary) holds or controls property for the benefit of another person.

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Standard Deviation - A statistical measure of portfolio risk. It reflects the average deviation of the observations from their sample mean. Standard deviation is used as an estimate of risk since it measures how wide the range of returns typically are. The wider the range of returns, the higher the standard deviation of returns, and the higher the portfolio risk. If returns are normally distributed (i.e. has a bell-shaped curve distribution) then approximately two-thirds of the returns would occur within plus or minus one standard deviation from the sample mean.

Strategic Asset Allocation – The strategic mix of assets designed to accomplish a long-term goal such as funding pension benefits. Generally, policy targets are set for the strategic asset classes with allowable ranges around those targets. The allowable ranges are established to allow flexibility in the management of the investment portfolio.

Tactical Asset Allocation – The tactical mix of assets is short-term in nature with a goal of maximizing returns. This strategy is used to take advantage of current market conditions that may be more favorable for one asset class over another.

Time-weighted Return - A method of measuring the performance of a portfolio over a particular period of time. It is the cumulative compounded rate of return of the portfolio, calculated on each date that cash flow moves into or out of the portfolio.

Universe - A group of Managers/Funds chosen to have an investment style similar to the Manager/Fund and used for comparison purposes.

RESOLUTION 2026-03-XX

Revised Defined Benefit Plan Statement of Investment Policies, Procedures and Objectives

WHEREAS, the Lansing Board of Water & Light (the “Sponsor”) sponsors the Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees’ Pensions (the “Defined Benefit Plan”); and

WHEREAS, the Retirement Plan Committee, established by the Sponsor and delegated certain duties by the Trustees related to the investment of Defined Benefit Plan assets, periodically reviews the asset allocation of the plan and, as a result of its most recent review, recommends the total target allocation to equity investments be reduced to 18% of the plan from the current target allocation of 45%, the total target allocation to fixed income investments be increased to 80% of the plan from the current target of 50%, and the target allocation to real estate investments be reduced to 2% of the plan from the current target allocation of 5%; and

WHEREAS, this recommended allocation change will allow for the transition to a Liability Driven Investing (LDI) strategy intended to focus on funded status stability and improve the likelihood of meeting benefit payments as they come due and manages portfolio assets primarily in relation to the fund’s future liabilities, seeking to match or hedge the duration, cash flows, and interest rate sensitivity of pension obligations; and

WHEREAS, the Retirement Plan Committee along with the General Manager recommends the Sponsor adopt the revisions which reflect these recommendations in the attached Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees’ Pensions Statement of Investment Policies, Procedures and Objectives; and

WHEREAS, the Sponsor wants to adopt the revisions reflected in the attached Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees’ Pensions Statement of Investment Policies, Procedures and Objectives;

THEREFORE, it is:

RESOLVED, that, after its review, and based on the recommendation from the Retirement Plan Committee along with the General Manager, the Sponsor adopts and approves the attached Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees’ Pensions Statement of Investment Policies, Procedures and Objectives.

Motion by Commissioner _____, **Seconded** by Commissioner ____ to approve the Resolution for Revised Defined Benefit Plan Investment Policy Statement at a Board meeting held on March 24, 2026.

Action: Motion Carried.

FY 2026 Information Technology Audit Results

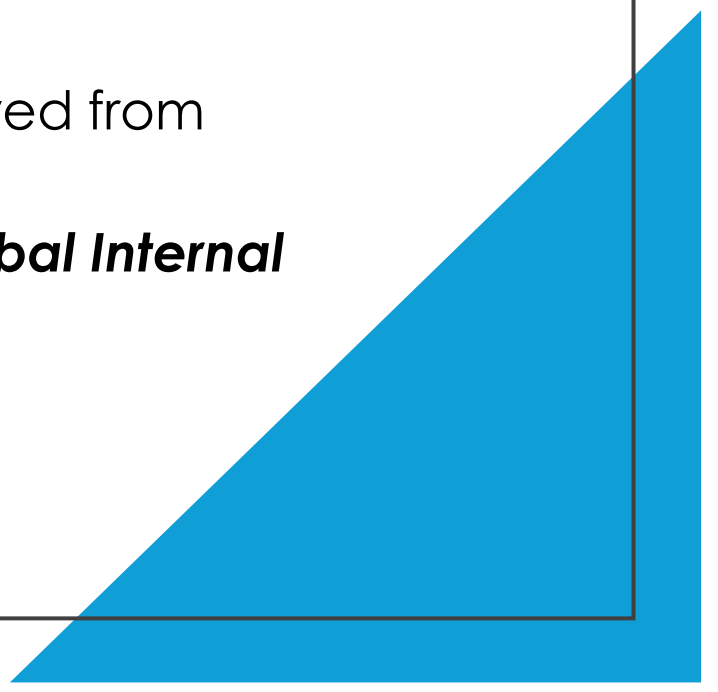
Presented by:

Elisha Franco, Director of Internal Audit



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Audit Scope & Methodology

- The **audit scope** was to perform an examination of the Information Technology(IT) processes, procedures, and documentation at the Lansing Board of Water & Light.
 - Audit procedures, documents, and data were reviewed from October 15, 2025, to November 24, 2025.
 - The audit was carried out in compliance with the **Global Internal Audit Standards**.
- 

Audit Objectives

Determine whether:

- Assess the effectiveness of IT governance, policies, and procedures and determine its adherence to a generally accepted control framework.
- Evaluate the adequacy of IT general controls, including logical access, change management, and system operations, to ensure the confidentiality, integrity, and availability of information assets.
- Review the effectiveness of cybersecurity controls, incident response processes, and user awareness training to mitigate risks related to data breaches and cyber threats.

Audit Themes

Number	Area	Theme
1	Policy Management	Regular review and communication of IT policies support a consistent governance framework across the BWL.
2	System Operations	Redundant data centers and structured backup routines help maintain reliable IT operations and business continuity.
3	Access Controls	Role-based access procedures are not formally established, which can lead to inconsistent assignments and retention of unnecessary access rights.



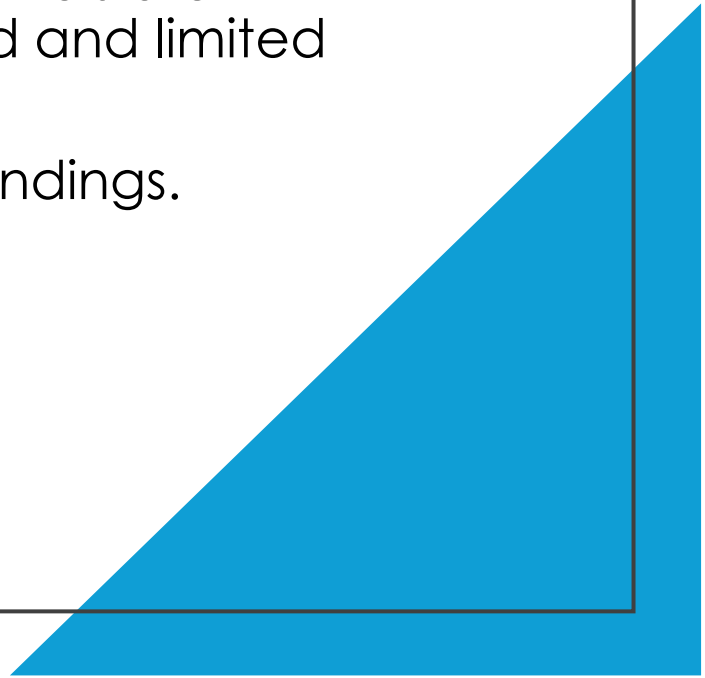
Audit Issues

Finding Type	Quantity
Medium-Risk Findings	1
Process Improvements	2
Total Item Identified	3

General Opinion

Overall opinion rating of **Sufficient**:

- No critical or high-level risk areas were identified. Controls are generally effective, with minor improvements needed and limited risk exposure.
- Some management effort is required to correct the findings.





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Lansing Board of Water & Light

2025-26 Network Security Assessment Finance Committee Summary



Agenda

- Introductions
- Project Objective & Scope
- Summary themes
- Benchmarking
- Attack Chain Flow Diagram
- Findings
- Recognition
- Q&A



Plante Moran IT assessment team



Allen Allos, CISA
Manager, Cybersecurity



Brent MacLaren, PJPT
Senior Consultant, Cybersecurity



Project Objective & Scope

Objectives:

- Conduct an information security assessment to provide LBWL with a representative analysis of its security exposure from external and internal sources.
- Provide substantive proof of vulnerabilities and recommend effective countermeasures to mitigate the identified risks.

Scope:

- External Network Penetration Testing
 - Simulated attacks against internet-facing assets like firewalls, routers, and web pages.
- Internal Network Penetration Testing
 - Simulated attacks against internal assets like servers, workstations, printers, etc. Vulnerability exploitation and privilege escalation was explored.
- Network Vulnerability Assessment
 - Automated vulnerability scan of the external and internal networks to assess patch management procedures and identify additional vulnerabilities.

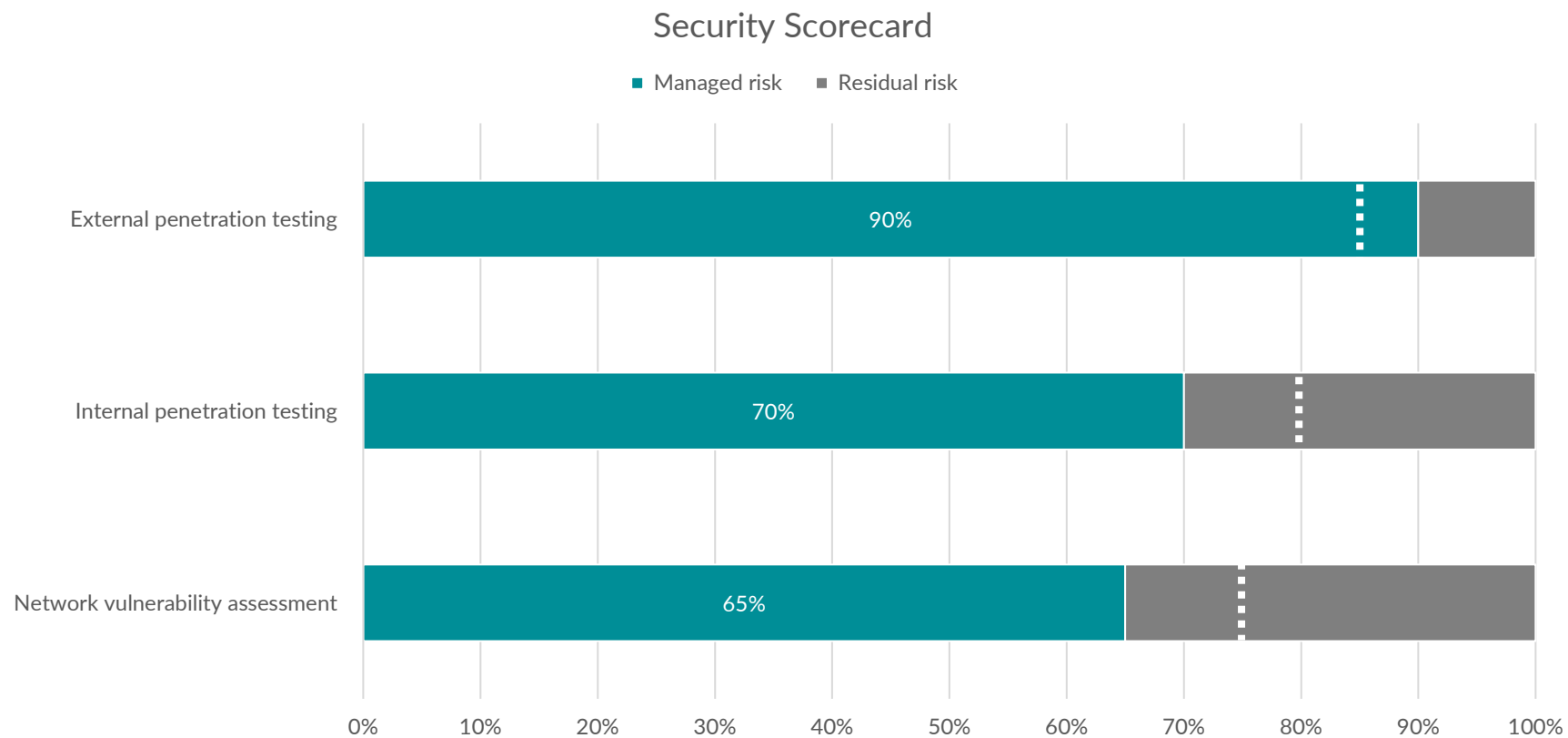


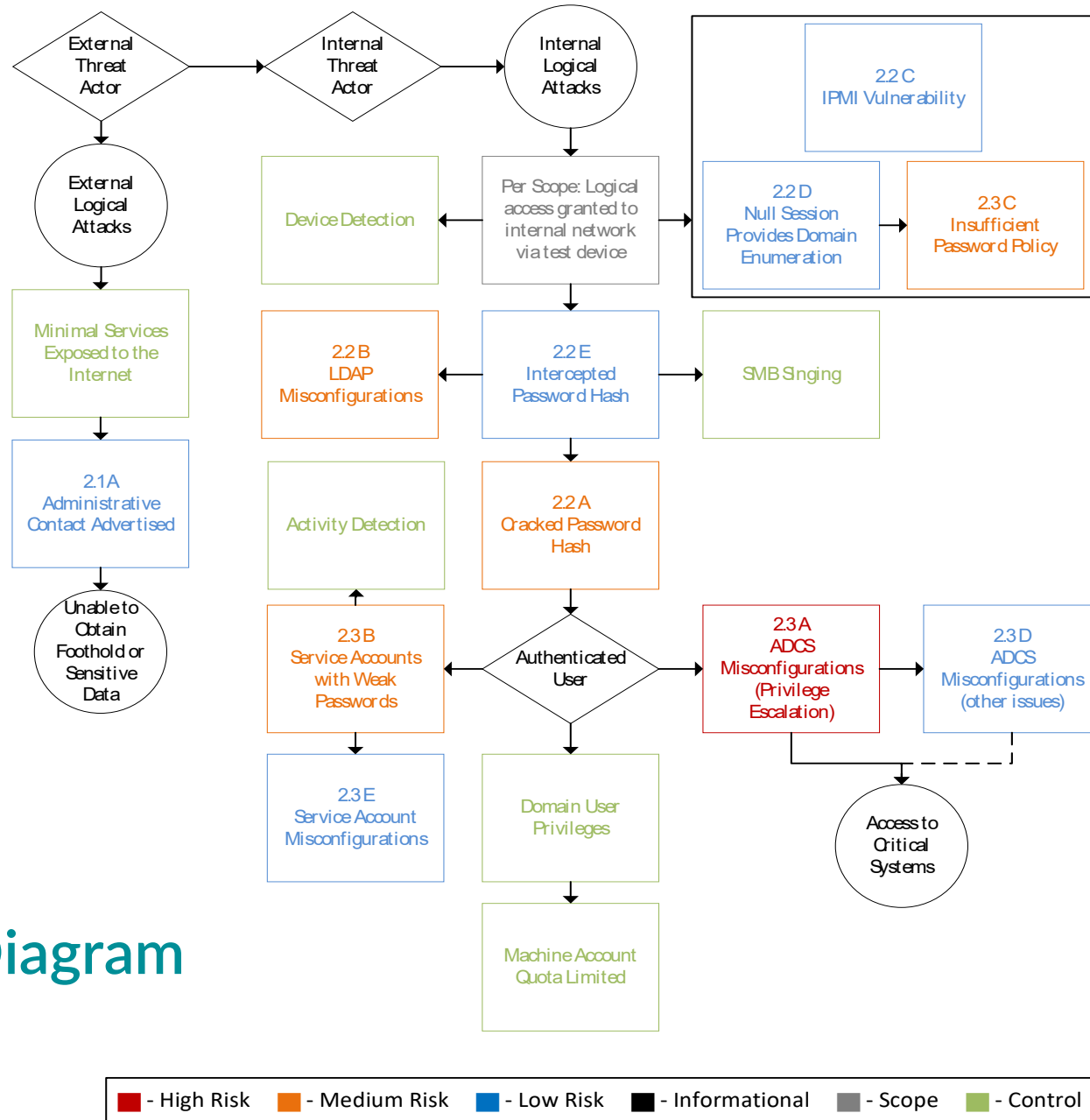
Summary themes

No.	Area	Theme
1	Consistent Alerting and Activity Detection	During testing, the IT management team was consistently being alerted to our penetration testing activities. They also demonstrated the ability to isolate devices on the network, if we were a legitimate threat. This serves as a good protection against internal threat actors.
2	Minimal External Network Exposure	The External network had a very limited attack surface. This significantly hinders an attacker's ability to breach internet-facing systems and gain access to the internal network. This is a strong protection against threat actors and highlights LBWL's commitment to security hardening.
3	Privilege Escalation	Misconfigurations and vulnerabilities on the internal network enabled a standard user to escalate their privileges and compromise a Domain Administrator account. Domain Administrators have access to any and all network devices and resources, potentially allowing an attacker to deploy malware, make unauthorized changes, steal sensitive information, etc. Please note that several layers were disabled in order for testing to progress. The IT department has fixed these issues after testing was completed.



Benchmarking





Attack Chain Flow Diagram



Findings

Category	High Priority	Moderate Priority	Low Priority	Total Findings
Findings	2	4	6	12

Finding Summary	Risk Level
Network Vulnerability Scanning	High Risk
ADCS Misconfigurations (Privilege Escalation)	High Risk
LDAP Misconfigurations	Medium Risk
Service Accounts with Weak Passwords	Medium Risk
Cracked Password Hash	Medium Risk
Insufficient Password Policy	Medium Risk



Recognition

- **Immediate rogue device detection**
 - Testing device was immediately detected and isolated from the network by default. In order to proceed with testing, the device had to be explicitly allowed by temporarily enabling the required port without security enforcement.
- **Continuous malicious activity detection and alerting**
 - Penetration testing activity was consistently detected and generated alerts, demonstrating continuous monitoring and effective threat detection.
- **Properly configured user permissions**
 - Standard users did not have administrative access to any devices or network resources. Administrative access is role-based and follows the principle of least privilege.
- **Network protocol hardening**
 - Strong network protocol configurations significantly reduced the effectiveness of some attacks during testing.
- **Minimal external network exposure**
 - The internet attack surface is small, reducing the likelihood of an attacker compromising the Organization from the outside.
- **Domain user privileges**
 - Domain Admin access is restricted and protected by MFA for domain-wide tasks. System administrators use separate accounts for different privilege levels (e.g., standard user, workstation admin, server admin, and domain admin).



Q&A



Thank You

Internal Audit Department Structure Review

Elisha Franco, Director of Internal Audit



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Rationale for Review

Goal: Develop a strategic plan for the Internal Audit Department structure

Drivers for Change

- The organization continues to expand in size, complexity, and risk exposure
- New Global Internal Audit Standards introduce additional compliance requirements:
 - Quality Assurance and Improvement Program (QAIP)
 - Internal Audit Strategic Plan
 - Internal Assessments
 - Risk Assessment Process

Current State

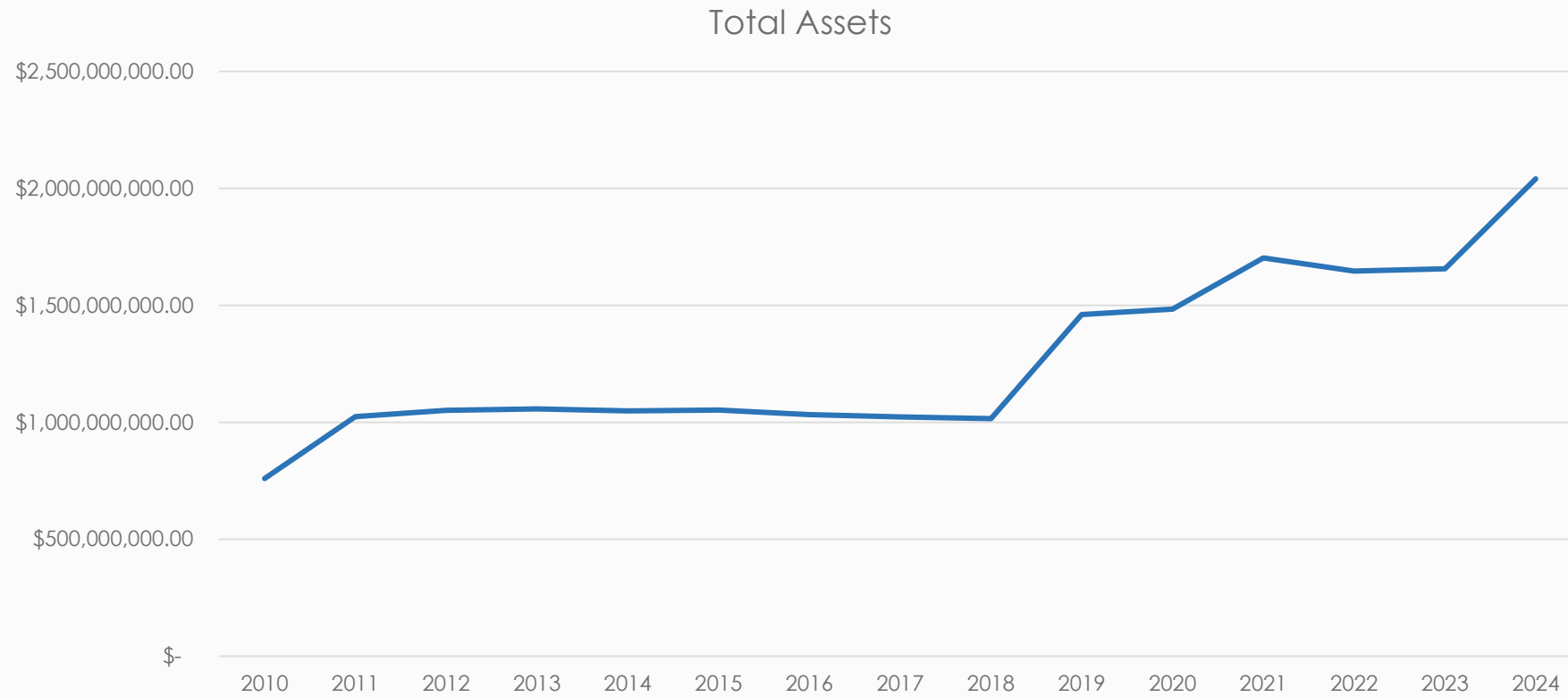
- The Internal Audit structure has remained largely unchanged for several years
- There is limited depth in succession planning and knowledge continuity

Planning Consideration

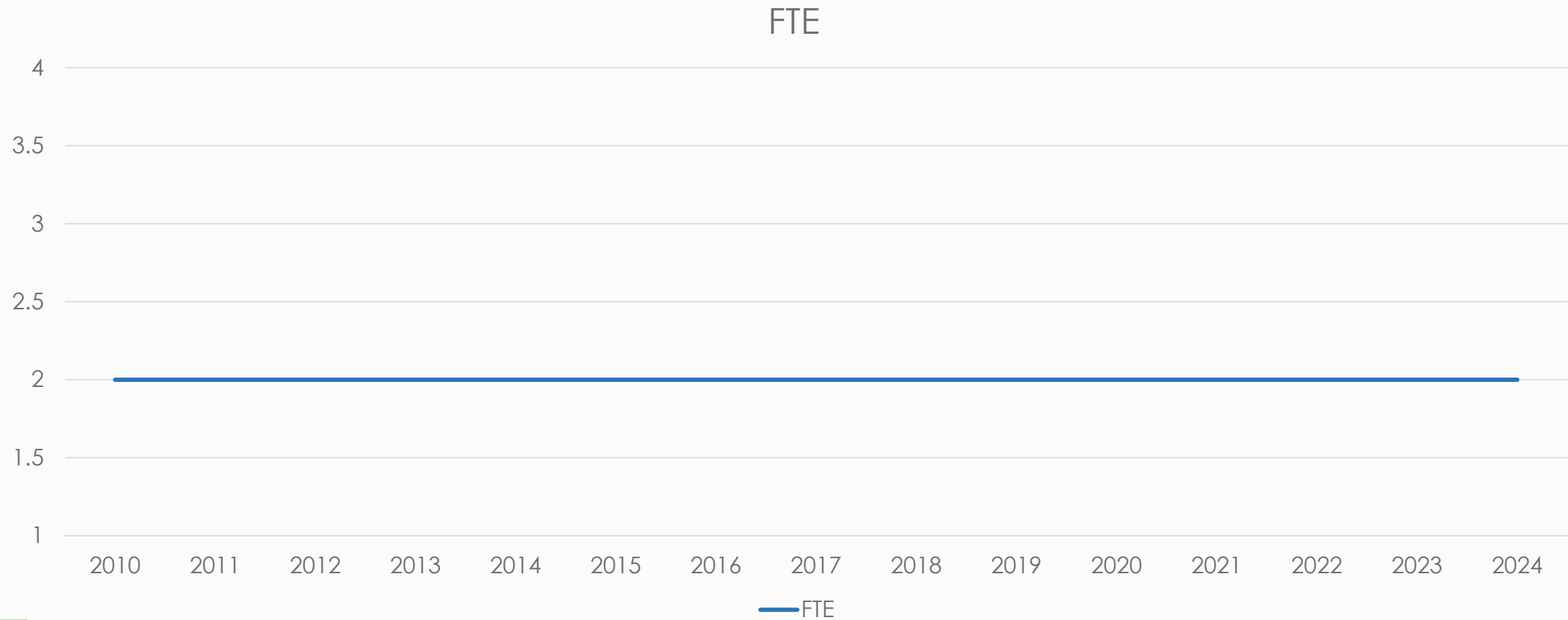
- No planned increase in the total number of audits performed annually
- Focus on optimizing structure, efficiency, and strategic alignment

BWL Financial Growth

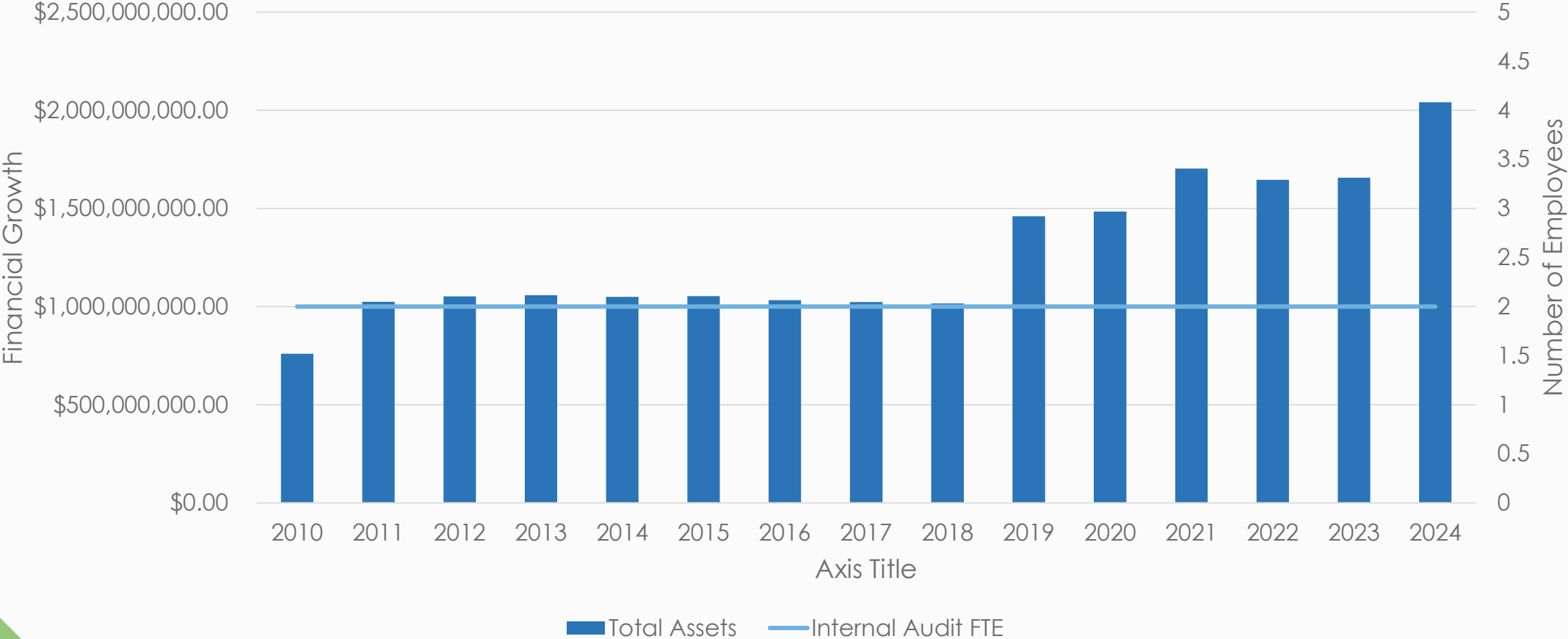
BWL's total assets increased from approximately \$760 million in 2010 to approximately \$2.0 billion in 2024.



BWL Internal Audit Growth



Growth Comparison



Internal Audit Department Structure Models

Hybrid Approach- Combines an internal audit team with external consulting resources. This model allows the organization to maintain core audit capabilities internally while engaging external specialists when additional expertise or capacity is needed

In House Approach- All internal audit activities are performed by employees of the organization. The function is fully staffed internally, with no reliance on external consultants or outsourcing providers

Co-Sourcing- Internal audit services are delivered through a partnership between in-house staff and an external service provider. Internal auditors work alongside external consultants or audit firms to conduct audits (*Current model*)

Comparing Structure Models

In House Function

PRO

Internal Audit maintains full control of audit approach

Staff has strong institutional knowledge

Collaborative environment within Internal Audit and other departments

Succession planning for the Board of Commissioners

CON

Can be costly depending on department size

May lack technical expertise due to less diverse workflow

Co-Sourced Function

PRO

Control remains in Internal Audit and will help upskill in-house employees

Outside expertise due to diverse audit experience

CON

Less organizational knowledge

Less collaborative and requires internal oversight

Delayed communication between in-house and external company

Hybrid Function

PRO

Flexibility and Scalability

Access to Specialized Expertise

Cost Efficiency

Succession Planning for the Board of Commissioners

CON

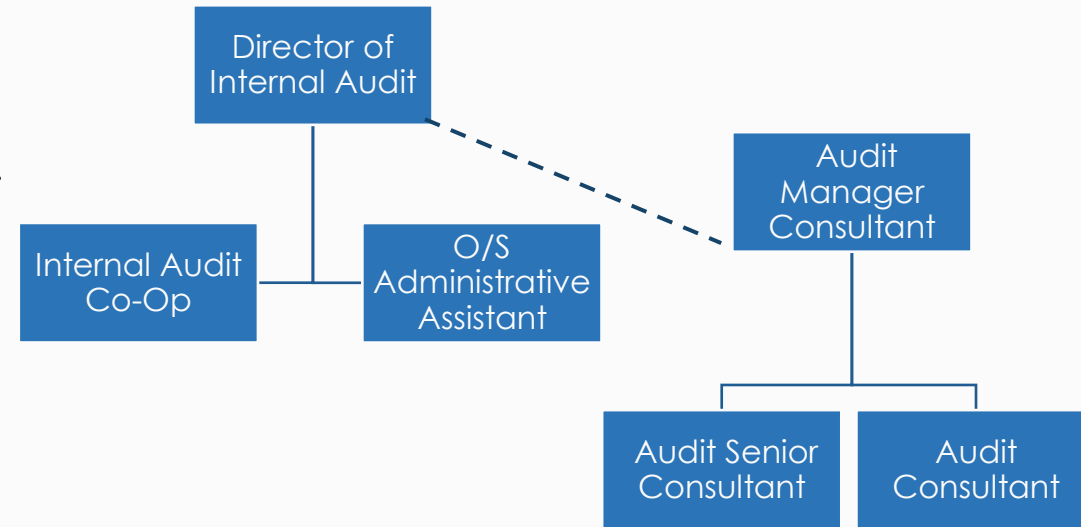
Coordination and Oversight Requirements

Potential Knowledge Gaps

Variable Cost Uncertainty

Current Internal Audit Structure

- Director of Internal Audit
 - Internal Audit Co-op (Full-time June 2026)
 - Outside Service Temporary Administrative Assistant
- Internal Audit function co-sourced with Consultant
 - Audit Manager Consultant
 - Audit Senior Consultant
 - Audit Consultant



Evaluating Other Utility Structures

City Utilities of Springfield, Missouri

Internal Audit Structure

- Chief Internal Auditor
- 2 Senior Internal Auditors
- Part-time Internal Audit Intern

Customers Served (2023)

- Missouri- 120,554
- BWL- 99,449

Evaluating Other Utility Structures

Chelan County Public Utility District, Washington

Internal Audit Structure

- Internal Audit Manager
- 2 Senior Internal Auditors
- Staff Auditor

Customers Served (2023)

- Chelan County- 49,579
- BWL- 99,449

Evaluating BWL: Structural Comparison

NERC/CIP Compliance

- The Reliability Compliance team ensures BWL operates in a way that meets mandatory reliability and security requirements under NERC and CIP.
- Current department structure:
 - Manager, Environmental Services
 - Supervisor, NERC Compliance
 - NERC Compliance Engineer III
 - NERC Compliance Engineer I
 - CIP Specialist

Evaluating BWL: Structural Comparison

Asset Management Department

- The Asset Management department performs a systematic process to acquire, operate, maintain, and dispose of assets in the most cost-effective manner while managing risk.
- Current department structure:
 - Manager, Asset Management
 - Supervisor, Asset Management
 - Analyst, Asset Management
 - 3 – Quality Assurance Business Process

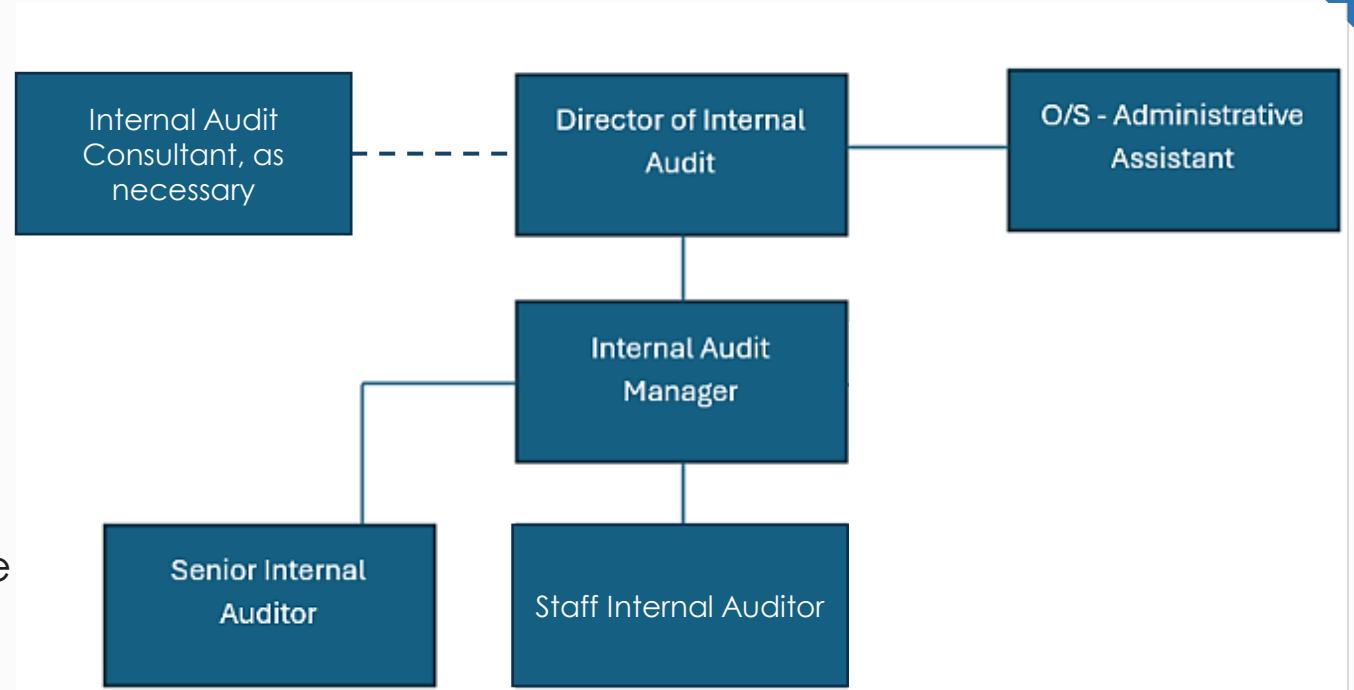
Hybrid Structure Recommendation

Internal Team

- Director of Internal Audit
- Internal Audit Manager
- Senior Internal Auditor
- Staff Internal Auditor

Consultant Team

- Outside Service Temporary Administrative Assistant
- Use of an Internal Audit Consultant for specialty or expertise, as necessary.



Preliminary Budget Comparison

	Co-Sourced Model	Hybrid Model
Existing Budgeted Positions		
Director of Internal Audit	\$143,200-\$217,700	\$143,200-\$217,700
Staff Internal Auditor	\$76,200-\$106,800	\$76,200-\$106,800
Consultant Cost	\$350,000	
Proposed Positions		
Internal Audit Manager		\$116,000-\$171,700
Senior Internal Auditor		\$94,000- \$135,400
Consultant Cost (as necessary)		\$100,000
Total	\$569,400- \$674,500	\$529,400- \$730,900

Proposed phased implementation: This request does not assume immediate addition of new employees, but rather a structured, staged approach aligned with operational needs and budget capacity.

The background is a vibrant blue watercolor splash with various shades of blue and teal, featuring soft, organic edges and some darker, more saturated areas. The text 'thank you' is written in a large, elegant, white cursive script, centered horizontally and slightly overlapping the watercolor background. The word 'thank' is on the top line and 'you' is on the bottom line, with the 'y' in 'you' extending downwards. A horizontal white bar with a thin blue border runs across the middle of the image, partially obscuring the bottom of the 'y' in 'you'.

thank
you

Q&A

Internal Audit Status Report



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Finance Committee Meeting

March 2026

Overview

- Audit Update
- Issue Status Update
- FY 2026 Audit Work Plan
- Other Items

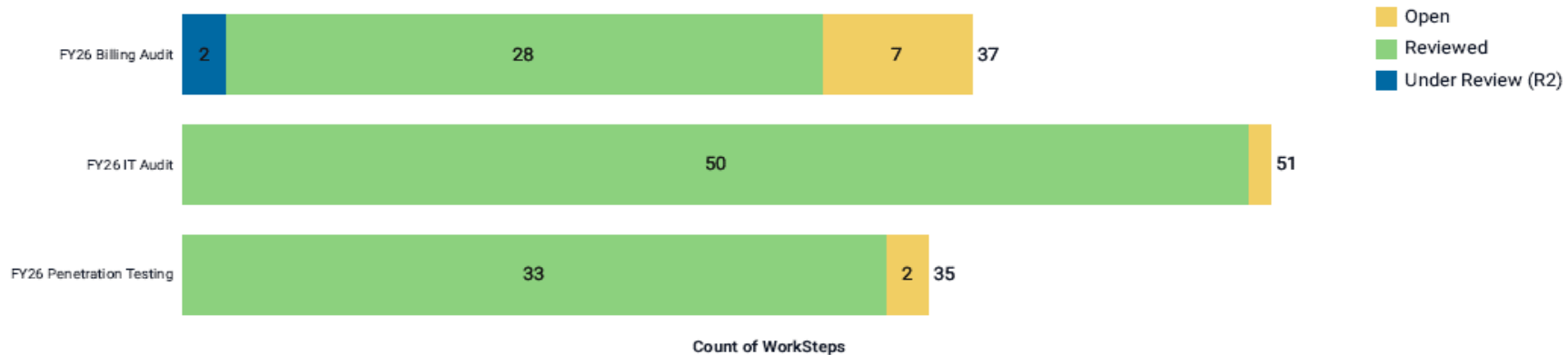
Audit Update

Total Worksteps
123

Percent (%) In Progress / Not Begun
9.76%

Percent (%) Complete
90.24%

Audit Status



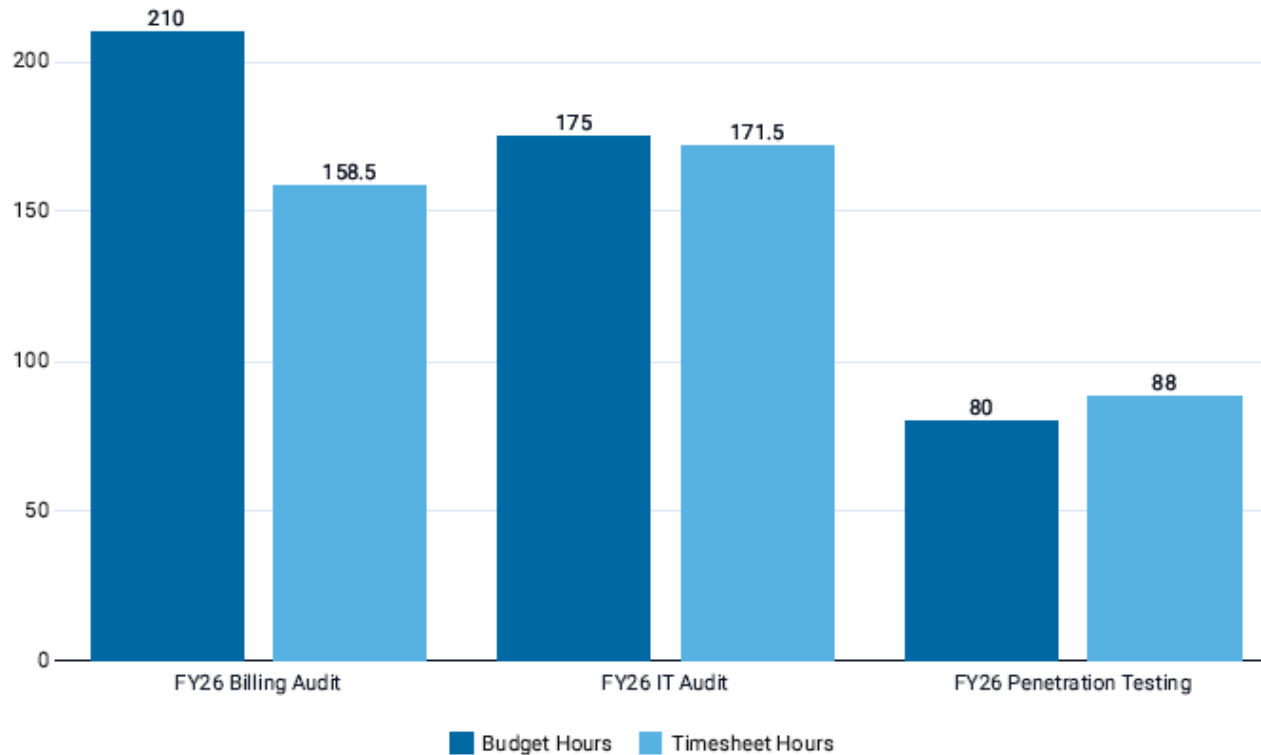
Open: WorkStep is pending completion

Under Review (R2): WorkStep is undergoing final review

Reviewed: WorkStep has been completed and fully reviewed

Audit Update

Budget vs. Timesheets



3

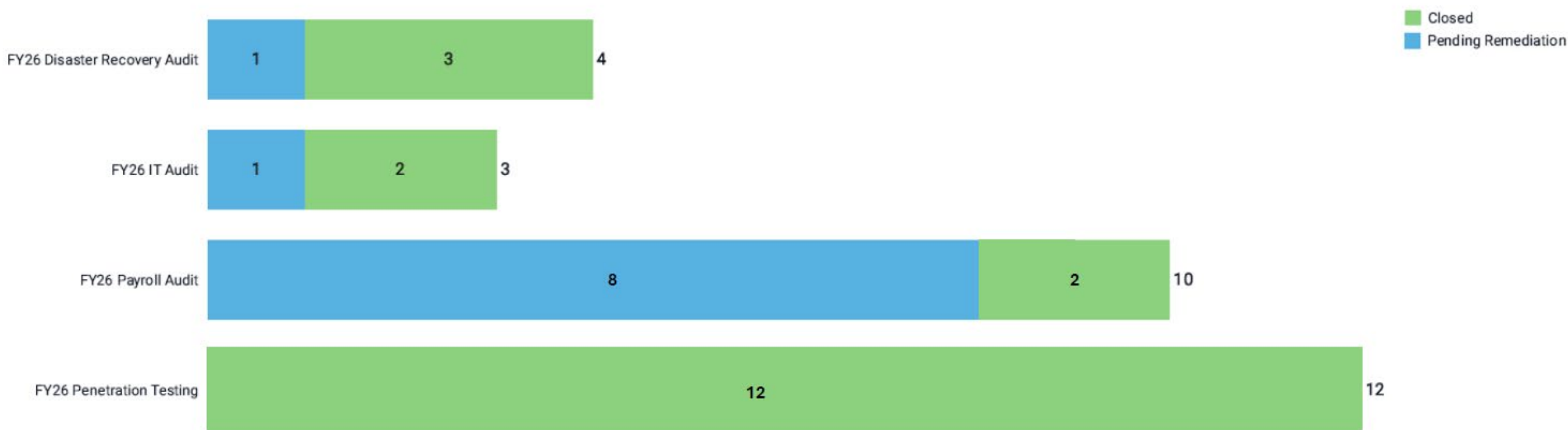
Audits Under Budget or On Track

0

Audits Over Budget or At Risk

Issue Status Update

Issue Status by Audit



Closed: Issue has been fully remediated and reviewed by Internal Audit

Pending Remediation: Issue is pending Management's remediation

FY 2026 Audit Plan



Payroll

- July 2025- October 2025
- Report Final

Disaster Recovery

- August 2025- September 2025
- Report Final

IT Audit (Data Security Assessment)

- October 2025- November 2025
- Report Final

Penetration Testing

- November 2025- January 2026
- Report Final

Billing Audit

- January 2026-March 2026
- Fieldwork Completed
- Closing Meeting held on March 5th, 2026.

Environmental Compliance

- March 2026- June 2026
- Audit kick-off meeting is scheduled for March 11, 2026.

Other Items

Department Items

Internal Audit Department Governance and Oversight:

- The Global Audit Committee Center link has been placed on the Commissioner dashboard
- Internal Audit is available to assist with navigation of the site if needed

FY2027 Risk Assessment and Work Plan:

- The FY2027 risk assessment is underway, results will assist in developing our FY2027 Internal Audit Work Plan

Other Items

Department Items

Local Community Outreach

- Visit to Lansing Community College on March 19th by Director and co-op student
- Introducing LCC accounting students to the role and impact of Internal Audit
- Exploring career pathways and opportunities within Internal Audit

Other Items

Department Items

FY2027 Budget:

- Internal Audit has started constructing the budget for FY2027.
- Expected additional costs for FY2027:
 - Additional Global Internal Audit Requirements begin FY2027
 - Internal assessment of the IA department during the Fall of 2026.
 - Independent external assessment throughout late Winter/early Spring of 2027.
 - Full risk assessment needs to be completed again
- Proposed budget increases to ensure the Office of Internal Audit conforms with the IIA standards.
- This reinforces Internal Audit's independence, objectivity and credibility.

Other Items

Department Items

2026 IIA Leadership Academy Conference

- The director will attend the 2026 IIA Leadership Academy Conference in Orlando, FL, in April 2026
- Three days of training and networking to help equip leaders with the tools to lead with impact and success
- The IIA Lansing Chapter, on whose board I serve, will cover the cost of the training

Professional Development:

- Director has earned the Certified Internal Auditor (CIA) certification