

Metropolitan Pier and Exposition Authority

Basic Financial Statements as of and
for the Year Ended June 30, 2023, Required
Supplementary Information,
and Independent Auditor's Reports

METROPOLITAN PIER AND EXPOSITION AUTHORITY

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Independent Auditor's Report

To The Board of Directors:

Opinion

We have audited the financial statements of the business-type activities and fiduciary activities of the Metropolitan Pier and Exposition Authority (the "Authority"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the Authority as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Metropolitan Pier and Exposition Authority Plan (the "Plan"), which represents 100% of the fiduciary activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Metropolitan Pier Exposition Authority Plan, is based solely on the report of the other auditors.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of changes in net pension liability and related ratios, and schedules of contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the

methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Deloitte & Touche LLP

November 7, 2023

METROPOLITAN PIER AND EXPOSITION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

Management's Discussion and Analysis

As management of the Metropolitan Pier and Exposition Authority (the "Authority" or "MPEA"), we offer readers of the basic financial statements this narrative overview and analysis of the Authority's financial performance during the fiscal year ended June 30, 2023. Please read it in conjunction with the Authority's basic financial statements that follow this section.

Financial Highlights

Fiscal Year 2023 Compared to Fiscal Year 2022

Total assets and deferred outflows at June 30, 2023, of \$2.4 billion were less than total liabilities and deferred inflows of \$5.2 billion for a deficit net position of \$2.8 billion.

Total assets and deferred outflows decreased from June 30, 2022 to June 30, 2023, by \$76.1 million. Investments decreased by \$30.1 million, which reflects decreased balances caused by investment in U.S. treasury securities. Authority taxes receivable decreased by \$6.2 million, driven primarily by a \$4.1 million lower ending balance in the Authority Tax Fund. The decreases in lease receivable of \$1.8 million and right to use lease asset of \$1.6 million are due to amortization of lease agreements due to the prior year implementation of GASB 87. Capital assets decreased by \$95.6 million due to an increase in accumulated depreciation that was greater than the overall increase in capital asset additions for the year. Cash and cash equivalents increased by \$37.9 million due to the increase in activity on our campus and a decrease in investments. Accounts receivable increased by \$17.4 million and prepaid expenses increased by \$2.4 million due to events returning post COVID-19. Net position decreased by \$127.6 million, which included an operating loss of \$70.7 million and net non-operating expenses of \$56.9 million.

The Authority's deficit net position of \$2.8 billion primarily reflects \$1.5 billion of accreted interest on outstanding capital appreciation bonds and its net investment in capital assets (land, buildings, etc., less the related debt used to acquire those assets) of \$1.4 billion. The Authority uses its capital assets to fulfill its mission of promoting conventions and tourism in the City of Chicago and the State of Illinois (the "State"). The resources to repay the debt are derived from tax collections and other grants from the State, and not the operating revenue of the Authority.

A portion of the Authority's current assets (\$61.6 million in the Authority's taxes receivable) represents resources that are subject to restrictions and required to be used for debt service.

An allocated portion of the State sales tax is available to service the Authority's Expansion Project Bonds in the event of shortfalls in the Authority's taxes. In the past, collections of Authority taxes have at times been inadequate to fund annual debt service transfers as required, thus requiring deposits by the State funded with State sales tax revenues. At the beginning of Fiscal Year 2023, the Authority had a balance of approximately \$10 million due to the State from past deposits of State Sales Taxes. During fiscal 2023, the Authority repaid the balance of \$10 million due to the State.

The Authority completed restructurings of its outstanding debt in October 2010, July 2012, September 2015, December 2017, December 2019, March 2020, September 2020, July 2021, March 2022, and December 2022 and as a result, expects that it will not be necessary to draw on the State sales taxes to cover debt service in future years. On December 7, 2022, the Authority issued its Series 2022B McCormick Place Expansion Project Refunding Bonds for a par amount of \$23.4 million. Proceeds of the Series 2022B Bonds were used to refund a portion of the outstanding Series 1996A Expansion Project Bonds. The proceeds for the Series 2022B Bonds were placed in an irrevocable trust used to service the remaining debt requirements of the refunded bonds.

Operating revenues in fiscal year 2023 of \$334.5 million are \$129.8 million higher than fiscal year 2022. This is attributable to increases in guest services revenues of \$54.9 million, hospitality revenues of \$42.1 million, exposition facilities revenues of \$29.2 million, other revenues of \$5.3 million, parking revenues of \$3.6 million, resulting from the increase in event activity compared to prior year, offset by lower heating and cooling revenues of \$5.2 million due to a refund of services.

Operating expenses in fiscal year 2023 of \$405.1 million increased by \$91.1 million as compared to fiscal year 2022. This is due to higher outsourced operations of \$68.9 million, salaries, wages, and benefits of \$13.5 million, general and administrative of \$5.5 million, supplies, repairs, and maintenance of \$3.8 million, utilities of \$0.7 million, offset by lower depreciation of \$1.4 million. Operating expenses are in line with the increase in business on campus.

The operating loss in fiscal year 2023 of \$70.7 million decreased by \$38.7 million as compared to an operating loss of \$109.4 million in fiscal year 2022 given the aforementioned factors.

Nonoperating revenues in fiscal year 2023 of \$213.6 million increased by \$25.3 million as compared to fiscal year 2022 primarily due to an increase in Authority's tax revenue of \$33.4 million, investment income of \$6.5 million and other income of \$465 thousand, offset by a decrease in state government grant revenue of \$15.0 million.

Nonoperating expenses in fiscal year 2023 of \$270.5 million decreased by \$4.8 million as compared to 2022 due to a decrease of \$4.8 million in interest and amortization expense incurred on bonds payable.

Basic Financial Statements

The Authority's basic financial statements for the business type activities are prepared using proprietary fund (enterprise fund) accounting. The Authority is operated under one enterprise fund. Under this method of accounting, an economic resources measurement focus and the accrual basis of accounting is used. Revenue is recorded when earned, and expenses are recorded when incurred. The basic financial statements also include the Authority's pension plan reported as fiduciary activity. The basic financial statements include a statement of net position; statement of revenues, expenses, and changes in net position; statement of cash flows; statement of fiduciary net position; and statement of changes in fiduciary net position. Notes to the basic financial statements are also included.

The statement of net position present information on the assets, deferred outflows and inflows, and liabilities of the Authority. The excess of liabilities and deferred inflows over assets and deferred outflows is reported as the Authority's total net position.

The statement of revenues, expenses, and changes in net position reports revenues and expenses of the Authority for the fiscal year. The difference between revenues and expenses (net income or loss) is reported as the change in net position for the fiscal year.

The statement of cash flows reports activities in cash and cash equivalents for the fiscal year resulting from operating activities, capital and related financing activities, and investing activities. Net cash flows from these activities account for the change in the Authority's cash and cash equivalents balance during the year.

The notes to the basic financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the basic financial statements. The notes present information concerning the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events.

Included in the Authority's reporting entity is the Metropolitan Pier and Exposition Authority Retirement Plan (the "Plan"), a single-employer defined benefit plan established under the authority of the board of directors of the Authority. The Plan is reported as a Pension Trust Fund in these basic financial statements. Separate financial statements and management's discussion and analysis for the Plan can be obtained from the administrative office located at 330 East Cermak Road, Chicago, Illinois 60616.

Financial Information (Amounts in Thousands)

The following schedule presents a summary of business-type activities assets, deferred outflows, liabilities, deferred inflows, and net position as of and for the fiscal years ended June 30, 2023 and 2022:

	2023	2022
Current and other assets	\$ 355,385	\$ 326,557
Capital assets	1,916,282	2,011,912
Deferred outflows	<u>121,189</u>	<u>130,460</u>
Total assets and deferred outflows	<u>\$ 2,392,856</u>	<u>\$ 2,468,929</u>
Current liabilities	\$ 280,846	\$ 237,248
Noncurrent liabilities	4,943,286	4,931,739
Deferred inflows	<u>14,063</u>	<u>17,678</u>
Total liabilities and deferred inflows	<u>5,238,195</u>	<u>5,186,665</u>
Net position:		
Net investment in capital assets	(1,418,251)	(1,351,750)
Restricted for debt service	72,492	62,728
Unrestricted	<u>(1,499,580)</u>	<u>(1,428,714)</u>
Total net position	<u>(2,845,339)</u>	<u>(2,717,736)</u>
Total liabilities, deferred inflows, and net position	<u>\$ 2,392,856</u>	<u>\$ 2,468,929</u>

The following schedule presents a summary of business-type activities revenues for the fiscal years ended June 30, 2023 and 2022:

	2023	2022
Operating revenues	<u>\$ 334,457</u>	<u>\$ 204,632</u>
Nonoperating revenues:		
State and local government grants	31,700	46,700
Other income	2,552	2,087
Interest income from leases	387	455
Investment income	6,691	243
Authority taxes	<u>172,229</u>	<u>138,811</u>
Total nonoperating revenues	<u>213,559</u>	<u>188,296</u>
Total revenues	<u>\$ 548,016</u>	<u>\$ 392,928</u>

The following schedule presents a summary of business-type activities expenses for the fiscal years ended June 30, 2023 and 2022:

	2023	2022
Operating expenses:		
Salaries, wages, and benefits	\$ 62,613	\$ 46,647
Supplies, repairs, and maintenance	34,204	24,750
Outsourced operations	177,464	110,457
Depreciation	100,615	101,975
Interest and amortization expense—leases	2,767	2,781
Utilities	12,748	14,176
General and administrative	<u>14,702</u>	<u>13,263</u>
Total operating expenses	405,113	314,049
Nonoperating expenses—interest and amortization expense and miscellaneous	<u>270,506</u>	<u>275,350</u>
Total expenses	<u>\$ 675,619</u>	<u>\$ 589,399</u>

Capital Acquisitions

During fiscal year 2023, the Authority spent \$18.1 million for capital expenditures. The expenditures were primarily related to improvements to the campus, the LED Lighting Retrofit project and various projects across the campus.

A summary of changes in fixed assets is included in Note 3 to the basic financial statements.

Debt

In order to allow the Authority to expand and maintain its facilities, the Authority was granted taxing authority to fund annual debt service payments on its bonds (the “MPEA Tax”). The four components of the

MPEA Tax are a 1% tax on restaurant sales in a downtown Chicago district, a 2.5% tax on hotel and motel rooms in Chicago, a 6% tax on auto rentals in Cook County, and an airport departure tax at O'Hare and Midway airports. Outstanding expansion debt totaled \$4.6 billion as of June 30, 2023. Outstanding original issue yields on the Authority's expansion bonds ranged from 0.44% to 6.70% during fiscal year 2023.

The credit rating from S&P Global Ratings on the Authority's outstanding Expansion Project Bonds was A/Stable as of June 30, 2023. The credit rating from Fitch Ratings on the Authority's Expansion Project Bonds was BBB/Positive Outlook as of June 30, 2023. The credit rating from Moody's Investor Services on the Authority's Expansion Project Bonds was Baa2/Stable as of June 30, 2023. The rating from Kroll Bond Rating Agency was AA-/Stable as of June 30, 2023.

A summary of changes in debt is included in Note 5 to the basic financial statements.

Economic Outlook

The Authority is continuing its recovery of the effects the COVID-19 pandemic had on financial conditions. In Fiscal Year 2023, the Authority's actual operating revenues exceeded operating revenues for Fiscal Year 2019, with operating revenues exceeding operating expenses (before depreciation). It is not possible for the Authority to quantify with certainty the full extent of any such impacts in the future on Authority operations.

In Fiscal Years 2023, the State appropriated \$15 million to the Authority to be used to fund certain corporate purposes of the Authority, specifically for the Authority's incentive grant program. Incentive grants received by the Authority from the State will be used by the Authority to directly offset lost revenue that resulted from offering rental discounts to McCormick Place customers. During Fiscal Year 2023, MPEA used \$11.6 million of the \$15 million appropriation for its incentive grant program. During the 2023 Spring legislative session, MPEA received an additional \$15 million appropriation for Fiscal Year 2024.

Based solely upon internally prepared estimates, the Authority expects that the combination of current funds on hand, receipt of its earned portion of the \$15 million of 2024 State appropriations for corporate purposes, and receipt of anticipated operational revenues in Fiscal Year 2024 will provide sufficient liquidity for the coming year.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Executive Officer at 330 East Cermak Road, Chicago, Illinois 60616.

METROPOLITAN PIER AND EXPOSITION AUTHORITY

BUSINESS-TYPE ACTIVITIES STATEMENT OF NET POSITION AS OF JUNE 30, 2023 (Dollars in thousands)

ASSETS AND DEFERRED OUTFLOWS

CURRENT ASSETS:

Cash and cash equivalents—unrestricted	\$ 101,294
Investments—unrestricted	42,121
Investments—restricted	10,277
Accounts receivable—net of allowance for doubtful accounts of \$207	47,120
Lease receivable	1,959
Prepaid expenses	14,614
Authority taxes receivable—restricted	<u>61,642</u>
Total current assets	<u>279,027</u>

NONCURRENT ASSETS:

Investments—restricted	34,390
Lease receivable	4,672
Prepaid bond insurance	12,732
Right to use lease asset—net	24,564

Capital assets:

Land	253,936
Buildings and improvements	3,520,580
Furniture and fixtures	74,716
Machinery and equipment	132,185
Construction in progress	9,089
Accumulated depreciation	<u>(2,074,224)</u>

Capital assets—net 1,916,282

Total noncurrent assets 1,992,640

Total assets 2,271,667

DEFERRED OUTFLOWS 121,189

TOTAL ASSETS AND DEFERRED OUTFLOWS \$ 2,392,856

(Continued)

METROPOLITAN PIER AND EXPOSITION AUTHORITY

BUSINESS-TYPE ACTIVITIES STATEMENT OF NET POSITION AS OF JUNE 30, 2023 (Dollars in thousands)

LIABILITIES, DEFERRED INFLOWS, AND NET POSITION

CURRENT LIABILITIES:

Accounts payable and accrued expenses	\$ 62,749
Advance deposits	19,280
Lease payable	517
Retainage payable	2,279
Workers' compensation	1,697
Accrued interest	4,264
Bonds payable and net premium	<u>190,060</u>

Total current liabilities 280,846

NONCURRENT LIABILITIES:

Workers' compensation	2,671
Lease payable	26,345
Bonds payable and net premium	4,831,656
Net pension liability	4,663
Other noncurrent liabilities	<u>77,951</u>

Total noncurrent liabilities 4,943,286

Total liabilities 5,224,132

DEFERRED INFLOWS 14,063

NET POSITION:

Net investment in capital assets	(1,418,251)
Restricted for debt service	72,492
Unrestricted	<u>(1,499,580)</u>

Total net position (2,845,339)

TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION \$ 2,392,856

See accompanying notes to basic financial statements.

(Concluded)

METROPOLITAN PIER AND EXPOSITION AUTHORITY

BUSINESS-TYPE ACTIVITIES STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2023 (Dollars in thousands)

OPERATING REVENUES:	
Use of exhibition facilities	\$ 61,453
Hospitality revenues	122,102
Guest services	105,247
Parking	14,913
Heating and cooling revenues	9,951
Other	<u>20,791</u>
Total operating revenues	<u>334,457</u>
OPERATING EXPENSES:	
Salaries, wages, and benefits	62,613
Supplies, repairs, and maintenance	34,204
Outsourced operations:	
Hotel and other	82,627
Parking	8,719
Guest service	<u>86,118</u>
Subtotal—outsourced operations	177,464
Depreciation	100,615
Interest and amortization expense for leases	2,767
Utilities	12,748
General and administrative	<u>14,702</u>
Total operating expenses	<u>405,113</u>
OPERATING LOSS	<u>(70,656)</u>
NONOPERATING REVENUES (EXPENSES):	
State grants	31,700
Investment income	6,691
Interest income from leases	387
Authority taxes	172,229
Other income	2,552
Interest and amortization expense	(270,499)
Miscellaneous	<u>(7)</u>
Total nonoperating expenses—net	<u>(56,947)</u>
CHANGE IN NET POSITION	(127,603)
NET POSITION—Beginning of year	<u>(2,717,736)</u>
NET POSITION—End of year	<u>\$ (2,845,339)</u>

See accompanying notes to basic financial statements.

METROPOLITAN PIER AND EXPOSITION AUTHORITY

BUSINESS TYPE ACTIVITIES STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2023 (Dollars in thousands)

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 316,093
Cash payments for goods and services	(230,709)
Cash payments to or for employees	<u>(61,313)</u>

Net cash flows provided by in operating activities 24,071

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Authority tax receipts and draw on sales tax	168,512
Grant receipts	31,700
Bond proceeds and proceeds from notes	24,337
Payments for bond refundings	(23,250)
Payment for bond issuance costs	(176)
Bond principal repayments	(99,770)
Interest paid	(105,330)
Payments for capital acquisitions	(9,017)
Other income	<u>1,400</u>

Net cash used by capital and related financing activities (11,594)

CASH FLOWS FROM INVESTING ACTIVITIES:

Investment purchases	(255,247)
Investment sales, maturities, and other receipts	274,007
Receipt of interest and dividends	<u>6,691</u>

Net cash provided by in investing activities 25,451

NET INCREASE IN CASH AND CASH EQUIVALENTS 37,928

CASH AND CASH EQUIVALENTS—Beginning of year 63,366

CASH AND CASH EQUIVALENTS—End of year \$ 101,294

NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:

Accounts payable and accrued expenses for capital acquisitions \$ 780

Accreted interest on bonds \$ 179,581

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METROPOLITAN PIER AND EXPOSITION AUTHORITY

BUSINESS TYPE ACTIVITIES STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2023 (Dollars in thousands)

RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:

Operating loss	\$ (70,656)
Adjustments to reconcile operating loss to net cash provided by:	
Depreciation	100,615
Amortized expense-leases	1,557
Pension expense other than contribution	1,370
Other	(7)
Changes in operating assets and liabilities:	
Accounts receivable—(increase)	(17,403)
Prepaid expenses—(increase)	(2,372)
Advance deposits—(decrease)	(954)
Workers compensation liability (decrease)	(70)
Accounts payable, accrued expenses, and other current liabilities increase	11,991
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Total adjustments	94,727
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NET CASH USED IN OPERATING ACTIVITIES	\$ 24,071
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See accompanying notes to basic financial statements.

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METROPOLITAN PIER AND EXPOSITION AUTHORITY

FIDUCIARY ACTIVITIES—PENSION TRUST FUND— STATEMENT OF FIDUCIARY NET POSITION— METROPOLITAN PIER AND EXPOSITION AUTHORITY RETIREMENT PLAN FOR THE YEAR ENDED JUNE 30, 2023 (Dollars in thousands)

ASSETS:

Investments—at fair value:

Equity mutual funds	\$ 23,169
Common/collective trusts-equity	31,158
Common/collective trusts-fixed income	15,041
Fixed income securities—separate account	14,411
Money market mutual fund—separate account	190
Money market mutual funds	<u>2,721</u>

Total investments—at fair value 86,690

Deposit with paying agent 474

NET POSITION RESTRICTED FOR PENSION BENEFITS \$ 87,164

See accompanying notes to basic financial statements.

METROPOLITAN PIER AND EXPOSITION AUTHORITY

FIDUCIARY ACTIVITIES—PENSION TRUST FUND— STATEMENT OF CHANGES IN FIDUCIARY NET POSITION— METROPOLITAN PIER AND EXPOSITION AUTHORITY RETIREMENT PLAN FOR THE YEAR ENDED JUNE 30, 2023 (Dollars in thousands)

INVESTMENT INCOME—Net (decrease) increase in fair value of plan’s interest in:	
Equity mutual funds	\$ 2,035
Common/collective trusts-equity	5,060
Common/collective trusts-fixed income	168
Fixed income separate account	(556)
Interest income	564
Dividend income	496
Other income	2
Less investment expense	<u>(168)</u>
Net investment income	7,601
EMPLOYER CONTRIBUTIONS	<u>645</u>
Total additions	<u>8,246</u>
DEDUCTIONS FROM NET POSITION ATTRIBUTED TO:	
Benefits paid to participants	5,839
Administrative expenses	<u>57</u>
Total deductions	<u>5,896</u>
INCREASE IN NET POSITION RESTRICTED FOR PENSION BENEFITS	2,350
NET POSITION RESTRICTED FOR PENSION BENEFITS:	
Beginning of year	<u>84,814</u>
End of year	<u>\$ 87,164</u>

See accompanying notes to basic financial statements.

METROPOLITAN PIER AND EXPOSITION AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Illinois General Assembly created the Metropolitan Fair and Exposition Authority in 1955 and renamed it as the Metropolitan Pier and Exposition Authority (the “Authority”) in 1989 when it was established as a municipal corporation pursuant to the Metropolitan Pier and Exposition Authority Act. The purpose of the Authority is to promote, operate, and maintain fairs, expositions, meetings, and conventions in the Chicago metropolitan area and, in connection therewith, to construct, equip, and maintain buildings for such purposes.

To facilitate the understanding of data included in the basic financial statements, summarized below are the more significant accounting policies.

Reporting Entity—As defined by accounting principles generally accepted in the United States of America, the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit’s board and either (a) the ability to impose will by the primary government or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government
- 2) Fiscal dependency on the primary government

Based upon the application of these criteria, the Authority has no component units and is not a component unit of any other entity.

The Authority’s reporting entity includes one fiduciary component activity, Metropolitan Pier and Exposition Authority Retirement Plan (the “Plan”), a single employer defined benefit plan established under the authority of the Board of Directors of the Authority. The Plan is reported as a Pension Trust Fund in these basic financial statements. Separate financial statements for the Plan can be obtained from the administrative offices located at 330 East Cermak Road, Chicago, Illinois 60616.

Basis of Accounting and Financial Statement Presentation—The basic financial statements provide information about the Authority’s business-type and fiduciary (Plan) activities. Separate statements for each category—business-type and fiduciary—are presented.

Business-Type Activities—The basic financial statements for the Authority’s business-type activities are used to account for the Authority’s activities that are financed and operated in a manner similar to a private business enterprise. Accordingly, the basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues from operations, investments, and other sources are recorded when earned, and expenses (including depreciation and amortization) are recorded when incurred, regardless of the timing of the related cash flows.

Nonexchange transactions, in which the Authority receives value without directly giving equal value in return, include grants from federal, state, and local governments. On an accrual basis, revenue from state grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis. Revenue from Authority taxes is recognized during the period when the exchange transaction on which the tax is imposed occurs.

Fiduciary Activities—The basic financial statements for the fiduciary activities are used to account for the assets held by the Authority in trust for the payment of future retirement benefits under the Plan. The assets of the Plan cannot be used to support Authority operations. The basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Employer contributions to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the Plan.

Cash and Cash Equivalents—Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with maturities when purchased of three months or less.

Investments—Investments, including short-term money market investments and U.S. treasuries, are reported at fair value.

Capital Assets—Capital assets are reported at cost. Capital assets are defined as assets that have a useful life of more than one year and a unit cost of more than \$10,000. Group asset purchases (such as construction or renovation projects) are capitalized when the cost exceeds \$50,000 regardless of the cost of individual items. Cost includes major expenditures for improvements and replacements that extend useful lives or increase capacity and interest cost associated with significant capital additions. Interest is capitalized on constructed assets. The amount of interest to be capitalized is calculated by multiplying the amount of capital expenditures by the interest rate of the bonds used to fund the capital projects.

Depreciation of capital assets is computed using the straight-line method assuming the following useful lives:

	Years
Buildings	25–40
Building improvements	3–25
Furniture and fixtures	7
Machinery and equipment	3–15

Compensated Absences—Vested or accumulated vacation and compensatory time is recorded as an accrued expense. The Authority’s sick leave policy provides for an accumulation of earned sick leave. Sick leave does not vest and the Authority has no obligation for the accumulated sick leave until it is actually taken. Thus, no accrual for sick leave has been made.

Pension—For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Related pension investments are reported at fair value.

Bond Insurance Costs, Bond Premiums, and Deferred Loss on Refunding—Prepaid bond insurance costs, bond premiums, and losses on refunding transactions are deferred and amortized using the effective interest method over the life of the related debt, except in the case of refunding transactions where the amortization period is over the term of the new debt or refunded debt, whichever is shorter. Deferred losses on refunding of \$110.8 million as of June 30, 2023, are recorded as deferred outflows on the statement of net position.

Capital Grants—The Authority reports capital grants as capital contributions on the statement of revenues, expenses, and changes in net position. Capital grants are received on a reimbursement basis and revenues are recognized to the extent of the allowable expenditures incurred.

Leases—The Authority is both the lessee and lessor in several contracts. As a lessee, the Authority recognizes a lease liability and an intangible right to use lease asset, and as a lessor, the Authority recognizes a lease receivable and a deferred inflow of resources. Right of use leased facilities and equipment are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Deferred Inflows and Outflows—In accordance with GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Authority reports deferred outflows of resources in the Statement of Net Position in a separate section following Assets and similarly reports deferred inflows of resources in the Statement of Net Position following Liabilities. The deferred outflows and inflows reflect pension, bond refunding and lease activities. A summary of the activities is presented below (dollars in thousands):

Deferred outflows of resources:	
Deferred outflows from pension activities	\$ 10,329
Unamortized deferred bond refunding costs	<u>110,860</u>
Total deferred outflows of resources	<u>\$ 121,189</u>
Deferred inflows from resources:	
Deferred inflows from pension activities	\$ 7,772
Deferred inflows from leases	<u>6,291</u>
Total deferred inflows from resources	<u>\$ 14,063</u>

Net Position—Net position is categorized as follows:

Net Invested in Capital Assets—This consists of capital assets, net of accumulated depreciation, less the outstanding debt that is attributable to the acquisition, construction, or improvement of those assets.

Restricted—This consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Authority’s policy to use restricted resources first, and then unrestricted resources when they are needed.

Unrestricted—This consists of net position that does not meet the definition of “restricted” or “net invested in capital assets.”

Authority Tax Revenue—Authority tax revenue consists of Authority taxes collected (restaurant, hotel, car rental, and airport departure) by the City of Chicago, Illinois (the “City”) and the State and held by the State in the Authority Tax Fund as funds available to pay future debt service for the 1994, 1996A, 1998, 2002, 2010, 2012, 2015, 2017, 2020BCD and 2022AB Expansion Project Bonds. Amounts recognized are reported as restricted, as amounts are to be used to fund debt service for outstanding Expansion Project Bonds. The taxes receivable balance is classified as current as it is expected to be received within one year. If the Authority taxes are not sufficient to pay the debt service payments for the Expansion Project Bonds and cash is not available in the reserve balance, the Authority is authorized to draw on state sales tax advanced from the State, which is repaid when the Authority taxes begin to generate surplus taxes. Any draw on state sales taxes advanced from the state and is recorded as Due to State on the statements of net position as needed. The Authority considers the Authority taxes to be derived tax revenues as defined by Governmental Accounting Standards Board.

GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Accordingly, the Authority recognizes the Authority tax revenue in the period when the exchange transaction on which the tax is imposed occurred.

State Grant Revenue—State grant revenue consists of revenues received from the State used for the payment of debt service. The funds are derived from sales taxes as specified in State statute.

Classification of Revenue and Expenses—Revenues from space rental, utility services, food and beverage, parking, and other recurring activities are reported as operating revenues in the basic financial statements. Transactions that are related to financing, investing, intergovernmental agreements, taxes, and other nonoperating events are reported as nonoperating revenues and/or expenses.

Management’s Use of Estimates—The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

New Accounting Pronouncements—

Effective This Year

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations 2021*. This Statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting an financial reporting of additional

commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirement of this Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The Authority has determined this statement is not applicable and has no impact on its basic financial statements or disclosures.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). A PPP is an arrangement in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset, for a period of time in an exchange or exchange-like transaction. The Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in exchange or exchange-like transaction. This Statement will improve financial reporting by establishing the definitions of PPPs and APAs and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. This Statement will enhance the decision usefulness of a government’s financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government’s PPPs and evaluate a government’s future obligations and assets resulting from PPPs. The Authority has determined this statement is not applicable and has no impact on its basic financial statements or disclosures.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement defines a subscription-based information technology arrangements (SBITAs), establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and to corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires not disclosures regarding a SBITA. The standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The primary objectives are to increase consistency and will enhance the relevance and reliability of the financial statements by requiring a subscription asset and subscription liability for a SBITA to be reported and to disclose essential information about the arrangement. The Authority adopted GASB 97 effective July 1, 2022 and determined it does not have a material impact on its basic financial statements or disclosures.

Accounting Standards Issued But Not Yet Adopted—

GASB Statement		Required Fiscal Year of Adoption
No.	GASB Accounting Standard	
99	<i>Omnibus 2022</i>	2024
100	<i>Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62</i>	2024
101	<i>Compensated Absences</i>	2025

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

A summary of cash, cash equivalents, and investments as of June 30, 2023, is as follows (dollars in thousands):

Business-type activities:	
Cash and demand deposits	\$ 101,294
Certificate of deposit	526
Government money market funds	81,859
U.S. treasury securities	<u>4,403</u>
Total business-type activities	<u>\$ 188,082</u>
Fiduciary activities:	
Equity mutual funds	\$ 23,169
Common/collective trusts-equity	31,158
Common/collective trusts-fixed income	15,041
Fixed income securities—separate account	14,411
Money market mutual fund—separate account	190
Money market mutual funds	<u>2,721</u>
Total	86,690
Deposit with paying agent	<u>474</u>
Total fiduciary activities	<u>\$ 87,164</u>

Business-Type Activities

Investment Policy—Authority investments are made in accordance with the Public Funds Investment Act (30 ILCS 235/1) (the “Act”) and, as required under the Act, the Authority’s Investment Policy (the “Investment Policy”). The Investment Policy does not apply to the Plan, which is directed by the Investment Policy of the Retirement Plan as established by the plan trustees.

In accordance with the Act and the Investment Policy, the Authority may invest in the following types of securities:

1. United States Treasury Securities (Bonds, Notes, Certificates of Indebtedness, and Bills). The Authority may invest in obligations of the United States government, which are guaranteed by the full faith and credit of the United States of America as to principal and interest.
2. United States Agencies. The Authority may invest in bonds, notes, debentures, or other similar obligations of the United States or its agencies. Agencies include: (a) federal land banks, federal intermediate credit banks, banks for cooperative, federal farm credit bank, or other entities authorized to issue debt obligations under the Farm Credit Act of 1971, as amended; (b) federal home loan banks and the federal home loan mortgage corporation; and (c) any other agency created by an act of Congress.

3. Bank Deposits. The Authority may invest in interest-bearing savings accounts, interest-bearing certificates of deposit, or interest-bearing time deposits or other investments constituting direct obligations of any bank as defined by the Illinois Banking Act (205 ILCS 5/1 et seq.), provided that any such bank must be insured by the Federal Deposit Insurance Corporation (the FDIC).
4. Commercial Paper. The Authority may invest in short-term obligations (commercial paper) of corporations organized in the United States with assets exceeding \$500 million, provided that: (a) such obligations are at the time of purchase at the highest classification established by at least two standard rating services and which mature not later than 180 days from the date of purchase; and (b) such purchases do not exceed 10% of the corporation's outstanding obligations.
5. Mutual Funds. The Authority may invest in mutual funds, which invest exclusively in United States government obligations and agencies.
6. Discount Obligations. The Authority may invest in short-term discount obligations of the Federal National Mortgage Association.
7. Investment Pool. The Authority may invest in a Public Treasurers' Investment Pool created under Section 17 of the State Treasurer Act (15 ILCS 505/17).
8. Investment Certificates. The Authority may invest in investment certificates issued by FDIC-insured savings banks or FDIC-insured savings and loan associations.

Custodial Credit Risk—Deposits—Custodial credit risk for deposits is the risk that, in the event of a financial institution failure, the Authority's deposits may not be returned. The Authority's investment policy requires that deposits, which exceed the amount insured by the FDIC, be collateralized, at the rate of 102% of such deposits, by bonds, notes, certificates of indebtedness, treasury bills, or other securities, which are guaranteed by the full faith and credit of the U.S. government.

Interest Rate Risk—Interest rate risk is the risk that the fair value of the Authority's investments will decrease as a result of an increase in interest rates. The Authority's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Authority manages interest rate exposure by matching the maturities of investments with its expected cash flow needs. For investments intended to be used for operations and capital maintenance, the Authority purchases investments so that the maturity dates are in line with anticipated cash flow needs. For investments restricted for capital projects, the Authority invests in maturities that meet the projected draw schedule for the related project.

The maturities for the Authority's fixed-income investments as of June 30, 2023, are as follows (dollars in thousands):

	Investment Maturities (Years)				
	Fair Value	Less than 1	1–5	6–10	More than 10
Government money market funds	\$ 81,859	\$ 81,859	\$	\$	\$
U.S. Treasuries	<u>4,403</u>	<u>4,403</u>	_____	_____	_____
	<u>\$ 86,262</u>	<u>\$ 86,262</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

Concentration of Credit Risk—Concentration of credit risk is the risk of loss attributed to the magnitude of investment in any one single issuer. The Authority’s policy does not limit the amounts that it may invest in any one issuer. The Authority is considered to have a concentration of credit risk if its investment in any one single issuer is greater than 5% of the total fixed-income investments. As of June 30, 2023, the Authority did not have any investments subject to concentration of credit risk.

Credit Risk—Credit risk is the risk that the Authority will not recover its investments due to the failure of the counterparty to fulfill its obligation. State law limits investments in commercial paper and corporate bonds to the top three ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the Authority’s policy to limit its investments in these investment types to the top two ratings issued by NRSROs. As of June 30, 2023, the Authority held no commercial paper. The Authority’s investments in money market funds were rated AAA by S&P Global Ratings and the U.S. treasuries were rated AA+ by S&P Global Ratings.

Custodial Credit Risk—Investments—Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of a third party. The Investment Policy requires that investment securities be held by an authorized custodial bank pursuant to a written custodial agreement.

Fair Value of Investments—The Authority measures and records its investments using the fair value measurement guidelines established by GAAP. These guidelines recognize a three-tiered fair value hierarchy, as follows:

Level 1—Quoted prices for identical investments in active markets;

Level 2—Observable inputs other than quoted market prices; and

Level 3—Unobservable inputs.

Money market mutual fund securities and cash and cash equivalents classified in Level 1 of the fair value hierarchy are valued using the net asset value (NAV) per share quoted in active markets for those securities. U.S. treasury securities classified in Level 2 of the fair value hierarchy are valued using quoted prices for identical and similar securities in active markets.

The Authority has the following recurring fair value measurements as of June 30, 2023 (dollars in thousands):

Investments Measured at Fair Value

Investments by Fair Value Level		Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Government money market mutual funds	\$ 81,859	\$ 81,859	\$	\$
Total money market mutual funds	81,859	81,859		
Debt securities—U.S. Treasury securities	4,403		4,403	
Total debt securities	4,403		4,403	
Total investments by fair value level	\$ 86,262	\$ 81,859	\$ 4,403	\$

As of June 30, 2023, \$81.9 million of the Authority’s investments consist of money market mutual funds classified in Level 1 of the fair value hierarchy, while \$4.4 million consist of U.S. Treasuries classified in Level 2 of the fair value hierarchy.

Fiduciary Activities

Investment Policy—The Plan’s investments are made in accordance with the Investment Policy of the Plan as established by the Plan Trustees. The Pension Trust Fund investments are invested according to the targeted investment mix in the investment policy of the Plan. These long-term targets seek to achieve the Plan’s assumed rate of return in conjunction with the overall asset/liability structure of the Plan.

Interest Rate Risk—Interest rate risk is the risk that the fair value of the Plan’s investments will decrease as a result of an increase in interest rates. The Plan’s investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The fixed-income portfolio has an effective duration of 5.91 years at June 30, 2023.

Concentration of Credit Risk—Concentration of credit risk is the risk of loss attributed to the magnitude of investment in any one single issuer. The Plan’s policy limits investments of any single issuer (except for U.S. government and agency securities) to 5% of the Plan’s fixed-income market value. Securities in any one industry may not exceed 25% of the fixed-income portfolio. The Plan is considered to have a concentration of credit risk if its investment in any one single issuer is greater than 5% of the total fixed-income investments. The Plan does not have any concentration of credit risk as of June 30, 2023.

Credit Risk—Credit risk is the risk that the Plan will not recover its investments due to the failure of the counterparty to fulfill its obligation. The Plan’s policy limits securities falling below a credit rating of BBB from Standard and Poor’s and/or Baa from Moody’s to 10% of the fixed-income portfolio. The Plan’s government money market mutual funds were unrated as of June 30, 2023. The ratings of the Plan’s investments in the fixed-income separate account are as follows at June 30, 2023 (dollars in thousands):

Credit Ratings	Corporate Bonds	Government Securities	Municipal Obligations	Money Market	Total
Aaa/AAA	\$ 628	\$	\$ 327	\$	\$ 955
Aa/AA	574	7,813	283		8,670
A/A	2,530				2,530
Baa/BBB	2,256				2,256
Not rated				190	190
Total	<u>\$ 5,988</u>	<u>\$ 7,813</u>	<u>\$ 610</u>	<u>\$ 190</u>	<u>\$ 14,601</u>

Custodial Credit Risk—Investments—Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of a third party. The Investment Policy requires that investment securities be held by an authorized custodial bank pursuant to a written custodial agreement.

Deposit with Paying Agent—The amount reflected as Deposit with Paying Agent represents funds deposited with the Plan’s payroll processor as of June 30, 2023, for the purpose of paying retirement benefits due on July 1, 2023.

Fair Value of Investments—The Plan measures and records its investments using the fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

Level 1—Quoted prices for identical investments in active markets;

Level 2—Observable inputs other than quoted market prices; and

Level 3—Unobservable inputs.

Money market mutual fund securities classified in Level 1 of the fair value hierarchy are valued using the net asset value (NAV) per share quoted in active markets for those securities. U.S. treasury securities classified in Level 2 of the fair value hierarchy are valued using quoted prices for identical and similar securities in active markets. Investments in participating interest-earning investment contracts that have remaining maturity at the time of purchase of one (1) year or less are measured at amortized cost.

The Plans has the following recurring fair value measurements as of June 30, 2023 (dollars in thousands):

Investments Measured at Fair Value	Fair Value Measurements Using			
		Level 1	Level 2	Level 3
Investments by fair value level—				
Money market mutual fund	\$ 2,911	\$ 2,911	\$	\$
Total money market mutual funds	2,911	2,911		
Equity securities—equity mutual funds	23,169	23,169		
Total equity securities	23,169	23,169		
Debt securities:				
US treasuries	955		955	
Government agencies	8,670		8,670	
Corporate bonds	2,530		2,530	
Muni obligations	2,256		2,256	
Total debt securities	14,411		14,411	
Total investments by fair value level	40,491	\$ 26,080	\$ 14,411	\$
Investments measured at the net asset value (NAV):				
Common/collective trust—equity securities	31,158			
Common/collective trust—fixed income	15,041			
Total investments measured at the NAV	46,199			
Total investments measured at fair value	\$ 86,690			

Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using the following approaches:

- U.S. treasuries: Quoted prices for identical and similar securities in active markets;

- Government agencies and Corporate bonds: Pricing is determined using a matrix pricing technique from a third party pricing service. Matrix pricing creates a bullet, non-call spread scale for each issuer for maturities up to 40 years based on a number of factors including the new issue market, secondary trading, dealer quotes, and option adjusted spreads. Final spreads are then added to the closing U.S. treasury curve to calculate prices; and
- Municipal bonds: Pricing is determined using a matrix pricing technique from a third party pricing service. Municipal bonds with similar characteristics are grouped together in market sectors and each day, yield curves are adjusted based on trades, other pertinent market information, and a number of other factors including pricing levels on bellwether issues, established trading spreads between similar issuers, historical trading spreads over market benchmarks, and new issue scales.

Investments measured at the net asset value (NAV) as of June 30, 2023, are presented in the following table (dollars in thousands).

Investments Measured at the NAV	Fair Value	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Investments measured at the NAV:			
Common/collective trust—equity securities ⁽¹⁾	\$ 31,158	Daily	None to 15 business days
Common/collective trust—fixed income ⁽²⁾	<u>15,041</u>	Daily	None
Total investments measured at the NAV	<u>\$ 46,199</u>		

⁽¹⁾ *Common/Collective Trust—Equity Securities.* This type includes investments in four common/collective trusts that seek to maximize long-term capital growth by investing in equity securities across a broad capitalization range. Eighty-six percent (86%) of the value of the investments of this type invest in US equity securities while 14% of the value of the investments of this type invest in non-US equity securities. The fair values of the investments of this type have been determined using the NAV per unit. The NAV per unit of the trusts is calculated on each business day by dividing the total value of assets, less liabilities, by the number of units outstanding. The trust declarations for two of the funds, representing 50% of the value of the investments of this type, require the trustee to pay the proceeds of a withdrawal in no case more than 10 business days after such trade date for any of the funds. The trustee for one fund, representing 36% of the value of the investments of this type, in its discretion, may require the participating plan to send a withdrawal notice up to 5 business days before the withdrawal date. The trustee for two of the funds, representing 50% of the value of the investments of this type, in its discretion, may require the participating plan to send a withdrawal notice up to 15 business days before the withdrawal date. There are currently no redemption restrictions.

⁽²⁾ *Common/Collective Trust—Fixed Income.* This type includes an investment in a common/collective trust with an objective of seeking high total investment return through a combination of current income and capital appreciation by investing in public or private debt obligations issued or guaranteed by US or foreign issuers. At least 80% of the market value of the fund will be invested in investment grade fixed income securities as determined at the time of purchase, counting cash and cash equivalents toward such percentage. The fair values of the investments of this type have been determined using the NAV per unit. The NAV per unit of the trust is calculated on each business day by dividing the total value of assets, less liabilities, by the number of units outstanding. The declaration of trust states that for a withdrawal of all or substantially all of the assets of a participating trust in the fund, payment of the withdrawal may be made up to four business days after the date of withdrawal.

3. CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2023, are as follows (dollars in thousands):

	Balance June 30, 2022	Additions/ Accruals	Deletions	Balance June 30, 2023
Capital assets not being depreciated:				
Land	\$ 253,936	\$ -	\$ -	\$ 253,936
Construction in progress	<u>44,501</u>	<u>10,720</u>	<u>(46,132)</u>	<u>9,089</u>
Total capital assets not being depreciated	<u>298,437</u>	<u>10,720</u>	<u>(46,132)</u>	<u>263,025</u>
Capital assets being depreciated:				
Buildings and improvements	3,481,140	39,440	-	3,520,580
Furniture and fixtures	74,716	-	-	74,716
Machinery and equipment	<u>131,309</u>	<u>964</u>	<u>(88)</u>	<u>132,185</u>
Total capital assets being depreciated	<u>3,687,165</u>	<u>40,404</u>	<u>(88)</u>	<u>3,727,481</u>
Less accumulated depreciation:				
Buildings and improvements	(1,802,054)	(87,574)	-	(1,889,628)
Furniture and fixtures	(58,345)	(5,810)	-	(64,155)
Machinery and equipment	<u>(113,291)</u>	<u>(7,231)</u>	<u>81</u>	<u>(120,441)</u>
Total accumulated depreciation	<u>(1,973,690)</u>	<u>(100,615)</u>	<u>81</u>	<u>(2,074,224)</u>
Total capital assets being depreciated—net	<u>1,713,475</u>	<u>(60,211)</u>	<u>(7)</u>	<u>1,653,257</u>
Total capital assets—net	<u>\$ 2,011,912</u>	<u>\$ (49,491)</u>	<u>\$ (46,139)</u>	<u>\$ 1,916,282</u>

During fiscal year 2023, the Authority commenced various projects across campus, of which \$9.1 million is included in construction in progress at June 30, 2023. Construction in progress also includes retainage and construction costs related to the Marriott Marquis Chicago hotel of \$2.3 million at June 30, 2023.

4. AGREEMENT WITH NPI

Effective July 1, 2011, the Authority entered into an agreement (the “Agreement”) with NPI to manage, operate, and develop Navy Pier. Accordingly, beginning July 1, 2011, the financial activity of Navy Pier is no longer reflected in the accompanying basic financial statements. The Authority retains ownership of Navy Pier and NPI has the authority to make key decisions related to the operations, maintenance, and the implementation of the Pier’s revitalization. These activities are defined as “Approved Operations” in the Agreement, and are summarized as follows:

- (a) implementation of the Framework Plan (defined hereafter),
- (b) maintaining, repairing, operating, designing, financing, subleasing, licensing, developing, redeveloping, and/or demolishing the grounds, buildings and facilities consistent with the Framework Plan, and

- (c) supporting and benefiting the Authority through developing and operating Navy Pier for the achievement of the Authority's governmental purposes.

The "Framework Plan" is a comprehensive long-term plan to maintain Navy Pier as a high-profile public attraction and to guide the redevelopment of Navy Pier. The Framework Plan sets forth business objectives (including the intent to maintain the public nature of Navy Pier), a master land use plan, investment priorities, development costs and potential sources of private and public funding along with the conditions to be satisfied by NPI in order to maintain public funding. The Framework Plan was developed during the transition period (from approximately February 2011 until the effective date of the Agreement of July 1, 2011) and can be amended by the parties throughout the term in accordance with the provisions of the Agreement.

Significant terms of the Agreement are as follows:

- The Agreement term is from July 1, 2011 through June 30, 2036, with four renewal options of 20 years each, for a total possible term of 105 years. The Agreement requires NPI to pay the Authority rent of \$1 per year and to operate Navy Pier in accordance with the Framework Plan.
- The Authority shall deposit a mutually agreed-upon amount into an account established by NPI for the sole and exclusive benefit, and under the sole and exclusive control of NPI to be used for the implementation of the Approved Operations as defined in the Agreement. The mutually agreed-upon amount shall not be more than \$75 million and not less than \$60 million dependent upon the amount of the Authority's available funds after determining the costs of certain Authority improvements and other expenses. The Authority may also make its bonding capacity available to NPI or to consent to financing the Approved Operations with debt obligations that extend beyond the term of the Agreement.
- The Authority will loan NPI \$5,000,000 to help fund the initial operating costs.
- NPI can terminate the Agreement at any time. The Authority can terminate the agreement only upon default by NPI. Events of default include (a) failure by NPI to comply in any material respect with the Framework Plan, or with the terms of the Agreement (if failure is not remedied within 90 days after written notice); (b) failure by NPI to pay the Promissory Note when due, and such failure continues for more than 60 days; (c) NPI abandons the premises; or (d) NPI is bankrupt or insolvent.
- At termination, all assets, including the premises and revenues from all sources, must be returned to the Authority. If donations cannot be legally transferred due to the intention of the donor, NPI and the Authority must mutually agree to the disposition.

Since the inception of the agreement, the Authority has deposited a total of \$110 million into the capital improvement account established by NPI; no amounts were spent during the fiscal year ended June 30, 2023.

5. DEBT AND LONG-TERM OBLIGATIONS

Long-term debt outstanding at June 30, 2023, is as follows (dollars in thousands):

Expansion project bonds:	
Series 1994A and B McCormick Place Expansion Project Bonds, maturing June 2029, some subject to prior redemption, bearing stated interest at 4.25% to 50.00% (yielding 4.25% to 6.70%); bonds with 50% stated interest rate were issued at a premium of approximately four times face value.	\$ 137,470
Series 1996A McCormick Place Expansion Refunding Bonds, maturing June 2027, some subject to prior redemption, bearing stated interest at 4.05% to 6.25%	130,230
Series 1998A and B McCormick Place Expansion Refunding Bonds, maturing June 2029, some subject to prior redemption, bearing stated interest at 4.50% to 50.00% (yielding 4.325% to 5.040%), payable semiannually; bonds with 50% stated interest rate were issued at a premium of approximately five times face value.	79,650
Series 2002 A, B, and C McCormick Place Expansion Project Bonds, maturing June 2042, some subject to prior redemption, bearing stated interest at 4.375% to 5.75% (yielding 3.68% to 6.08%).	983,254
Series 2010 McCormick Place Expansion Project Bonds, maturing June 2050, some subject to prior redemption, bearing stated interest at 5.00% to 5.50% (yielding 4.98% to 6.25%), payable semiannually.	430,994
Series 2012 McCormick Place Expansion Project Bonds, maturing June 2052, some subject to prior redemption, bearing stated interest at 0.44% to 5.00% (yielding 0.44% to 5.73%), payable semiannually.	139,038
Series 2015 McCormick Place Expansion Project Bonds, maturing June 2053, some subject to prior redemption, bearing stated interest at 5.00% to 5.50% (yielding 4.47% to 6.00%), payable semiannually.	232,303
Series 2017 McCormick Place Expansion Project Bonds, maturing June 2057, some subject to prior redemption, bearing stated interest at 4.70% to 5.00% (yielding 3.35% to 5.25%), payable semiannually.	543,870
Series 2020A McCormick Place Expansion Project Bonds, maturing June 2050, some subject to prior redemption, bearing stated interest at 4.00 to 5.00% (yielding 3.34% to 3.68%), payable semiannually.	881,905
Series 2020BCD McCormick Place Expansion Project Bonds, maturing June 2042, some subject to prior redemption, bearing stated interest at 3.955 to 5.00% (yielding 3.42% to 4.03%), payable semiannually.	160,685
Series 2022A McCormick Place Expansion Project Bonds, maturing June 2052, some subject to prior redemption, bearing stated interest at 2.56 to 4.00% (yielding .61% to 2.82%), payable semiannually.	815,371
Series 2022B McCormick Place Expansion Project Bonds, maturing December 2027, some subject to prior redemption, bearing stated interest at 2.56 to 5.00% (yielding .61% to 4.23%), payable semiannually.	<u>23,445</u>
Total expansion project bonds	<u>4,558,215</u>

(Continued)

Project revenue bonds:

Series 2019A Metropolitan Pier and Exposition Authority Project Revenue Bonds, maturing June 2041, some subject to prior redemption, bearing stated interest at 5.00% to 5.25% (yielding 3.15% to 4.32%), payable semiannually.

	<u>\$ 35,705</u>
Total project revenue bonds	<u>35,705</u>
Total expansion project and project revenue bonds	4,593,920
Less current portion	<u>(169,230)</u>
Bonds payable—noncurrent	<u>\$ 4,424,690</u>
	(Concluded)

Changes in long-term obligations for the year ended June 30, 2023, are as follows (dollars in thousands):

	Balance June 30, 2022	New Issuance/ Refunding		(Amortization)/ Accretion— Net	Principal Payments	Balance June 30, 2023	Due within One Year
		Additions	Deletions				
Bonds payable	\$ 4,477,546	\$ 23,445	\$ (23,218)	\$ 179,582	\$ (99,140)	\$ 4,558,215	\$ 168,495
Direct Placement Bonds	36,335				(630)	35,705	735
Net premium on bonds payable	444,380	892		(19,956)		425,316	20,608
Net premium on direct placement bonds	2,705			(225)		2,480	222
Amount due to State	<u>9,970</u>				<u>(9,970)</u>		
Total long-term obligations	<u>\$ 4,970,936</u>	<u>\$ 24,337</u>	<u>\$ (23,218)</u>	<u>\$ 159,401</u>	<u>\$ (109,740)</u>	<u>\$ 5,021,716</u>	<u>\$ 190,060</u>

A summary of interest and amortization expense for the year ended June 30, 2023, is as follows (dollars in thousands):

Interest incurred	\$ 105,269
Bond accretion—capital appreciation bonds	179,581
Bond issuance cost	176
Amortization of deferred loss on bond refunding	5,191
Amortization of bond issuance costs	463
Amortization of bond premium (discount)—net	<u>(20,181)</u>
Total interest and amortization expense	<u>\$ 270,499</u>

Annual Requirements—Total debt principal of \$4.6 billion (and unamortized accretion on capital appreciation bonds of \$4.9 billion) and \$2.4 billion interest due on bonds during the next five years and in subsequent five-year periods at June 30, 2023, are as follows (dollars in thousands):

Year(s) Ending June 30:	Bonds Payable		Direct Placements Bonds	
	Principal	Interest	Principal	Interest
2024	\$ 168,495	\$ 102,202	\$ 735	\$ 1,859
2025	158,985	100,832	850	1,822
2026	140,665	99,380	975	1,780
2027	177,165	97,272	1,105	1,731
2028	161,775	93,976	1,245	1,675
2029–2033	1,191,235	453,223	8,710	7,260
2034–2038	1,400,970	454,243	14,065	4,452
2039–2043	1,479,470	433,386	8,020	676
2044–2048	1,556,990	355,867		
2049–2053	1,730,222	147,305		
2054–2058	1,357,508	31,469		
	<u>\$ 9,523,480</u>	<u>\$ 2,369,155</u>	<u>\$ 35,705</u>	<u>\$ 21,255</u>

The 1994, 1996A, 1998, 2002, 2010, 2012, 2015, 2017, 2020A, 2020BCD, 2022A and 2022B Expansion Project Bonds (the Expansion Project Bonds) are serviced with the proceeds of four taxes (collectively, Authority taxes). Components of Authority taxes include restaurant tax, car rental tax, hotel tax, and airport departure tax. The Authority is also authorized to receive certain surplus funds, if any, generated by the Illinois Sports Facilities Authority.

In addition, the State of Illinois established and holds an Authority Tax Fund with a balance of \$42.2 million at June 30, 2023, which consist of cash collected for Authority taxes not yet remitted to the Authority. These balances in the Authority Tax Fund are included in the taxes receivable line items in the statement of net position as of June 30, 2023.

An allocated portion of the State of Illinois sales tax is available to service the Expansion Project Bonds in the event of shortfalls in Authority taxes. In the past, State of Illinois sales taxes have been used to pay Expansion Project Bond debt service due to shortfalls in Authority taxes. When State sales taxes are used, the Authority is required to repay these amounts to the State. At the beginning of Fiscal Year 2023, MPEA owed \$9,970 thousand to the State for the past use of State sales taxes. During Fiscal Year 2023, the Authority repaid \$9,970 thousand owed to the State of Illinois from the Authority Tax Fund.

In accordance with the Third Supplemental Indenture of Trust (the Indenture) applicable to the McCormick Place Expansion Project Bonds and the McCormick Place Expansion Project Refunding Bonds, the Authority, during fiscal year 1995, entered into two Debt Service Deposit Agreements.

The Indenture also called for the establishment of an “Excess Revenue Reserve Subaccount” to meet applicable debt service requirements in the event that adequate funds to meet such requirements are not otherwise available. The “Excess Revenue Reserve Subaccount” was established from the proceeds of the Debt Service Deposit Agreements. The remaining proceeds were used to finance the Authority’s ongoing construction activities.

The Authority's Metropolitan Pier and Exposition Authority Project Revenue Bonds, Series 2019A, currently outstanding in the amount of \$35,705,000 is a direct placement. The debt service for the 2019A Project Revenue Bonds are supported by limited revenue obligations of the Authority including the annual energy savings amount from projects financed with the Series 2019A Project Revenue Bonds, net revenues of certain Authority parking facilities, and net revenues of the Authority's energy center. Aside from the pledged revenues, no assets are pledged as collateral for the bonds. The Authority has covenanted that it will charge and collect service charges as may be necessary or proper in order that the pledged revenues will be at least sufficient (a) to provide in each fiscal year a sum equal to the debt service for such fiscal year, and (b) at all times to provide for any deficits resulting from failure to receive any service charges or from any other cause and comply in all respects with the terms and provisions of the indenture and pay and discharge all charges or liens payable out of the pledged revenues when due and enforceable. There are no events of default with finance-related consequences, there are no termination events with finance-related consequences, and there are no events that would cause an acceleration on the bonds. The Authority has published voluntary disclosure information for the bonds, including the trust indenture, on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access (EMMA) website.

The Authority has refunded all or a portion of various bond issues by depositing U.S. government securities in irrevocable trusts to provide for future debt service payments on the refunded bonds. As a result, such bonds are considered defeased and the liability for these bonds has been removed from the statements of net position. The original balances and the related escrow funds for refunded outstanding bonds as of June 30, 2023, are as follows (in thousands of dollars):

	Series	Original Issue	Outstanding	Escrow
Description:				
1999 refunding of McCormick Place Hospitality Facilities Revenue Bonds	1996A	\$ 127,420	\$ 36,165	\$ 37,003
2015 refunding of McCormick Place Expansion Project Bonds	1992A, 1994, 1998, 2002, 2012	31,506	4,446	6,706
2017 refunding of McCormick Place Expansion Project Bonds	1992A, 1994, 2002, 2010	<u>110,972</u>	<u>316</u>	<u>5,216</u>
		<u>\$ 269,898</u>	<u>\$ 40,927</u>	<u>\$ 48,925</u>

On December 7, 2022, the Authority issued its Series 2022B McCormick Place Expansion Project Refunding Bonds for an original par amount of \$23.4 million. The bonds were sold on parity with existing Expansion Project Bonds with an all-in interest rate of 4.61% and a final maturity date of December 15, 2027. Proceeds of the Series 2022B Bonds were used to refund a portion of the outstanding Series 1996A Expansion Project Bonds. The proceeds were placed in an irrevocable trust that will be used to service the future debt requirements of the refunded bonds. The difference in cash flows between the old debt and the new debt was \$1.5 million, resulting in an economic loss of \$0.9 million and a book loss of \$0.1 million.

6. PENSION PLAN

Pension Plan—The following description of the Plan is provided for general information purposes only. Participants should refer to the Plan document for more complete information.

(a) Plan Description

The Authority adopted and established the Plan effective July 1, 1985. The Plan is a single-employer, defined benefit pension plan, which provides benefits for all full-time, non-represented employees, and certain union-represented employees. The Plan was established under the authority of the Board of Directors of the Authority. During fiscal year 2012, the Authority restructured its organization and dramatically reduced the number of Authority employees. As a result, the Authority elected to freeze participation in the Plan and transition participants to the 401(a) Plan. Effective February 29, 2012, the Plan stopped accruing new benefits and remaining Authority employees began participating in the 401(a) Plan on March 1, 2012.

The Authority may amend and restate the Plan pursuant to the Plan's trust agreement Section 7.1 subject to authorization by the Authority's Board of Directors. The Plan was restated and adopted on January 28, 2014. The amended Plan incorporates all prior amendments. The Internal Revenue Service has determined and informed the Plan by a letter dated December 2, 2014, that the Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code.

On January 27, 2015, the Plan was amended to change the Plan name to the "Metropolitan Pier and Exposition Authority Retirement Plan and Trust." Other amendments included clarification of the type of plan, additional references to Internal Revenue Code sections, and expanded definitions. On January 26, 2016, the Plan was amended to state that Special Retirees, as defined per the Plan document, would continue to accrue benefits for earnings after February 12, 2012. Effective September 22, 2020, the Plan was amended to increase the preretirement death benefit provided to surviving spouses of Plan participants from 50% to 100%. The amendment further provides for adjustments that reduce the 100% rate when certain criteria pertaining to age of surviving spouse and member are present.

The Plan issues a publicly available financial report that can be obtained at the Authority's corporate offices at 330 East Cermak Road, Chicago, IL 60616.

(b) Benefits Provided

Employees hired before July 1, 2009, were eligible for the Plan on the first day of the month after attaining age 21 and completing one year of service. Employees are 100% vested after five years of service or after attaining age 55. Effective February 29, 2012, the Authority amended the Plan to cease all further benefit accruals under the Plan, except that Special Retirees will continue to accrue benefits for Earnings after February 29, 2012, per the January 26, 2016 amendment.

Employees earn a basic annual pension benefit equal to 1.5% of earnings for each year of service after July 1, 1978, and any pension benefits accrued prior to July 1, 1978. After completing 10 years of service, employees are eligible for a minimum pension benefit equal to 3.33% of their highest average earnings times years of service, up to a maximum of 15 years. Employees eligible for the minimum pension always receive the greater of their basic pension or their minimum pension. Normal retirement under the plan is age 65, but employees are eligible for an early retirement pension upon attaining age 55. Early retirement pensions are reduced to reflect a longer expected payment period.

If the amount of base retirement benefit payable to the retired employee or his beneficiary is less than \$75 per month (\$20 prior to June 2, 1986) a single sum payment of the employee’s entire nonforfeitable benefit will be made in lieu of monthly benefit payments, provided the present value of such benefit is not in excess of \$5,000; a single sum payment will be made only with the consent or acceptance of the payee. Otherwise, the employee shall receive their benefits as a life annuity payable monthly upon retirement.

(c) Employees Covered by Benefit Terms

The following employees were covered by the benefit terms as of June 30, 2023:

Inactive employees or beneficiaries currently receiving benefits	294
Inactive employees entitled to but not yet receiving benefits	277
Active employees	<u>20</u>
 Total	 <u><u>591</u></u>

(d) Contributions

The Plan’s trust agreement provides the Authority with the authorization to establish and amend the Plan’s funding policy. The Plan’s funding policy is to provide for periodic employer contributions that approximate actuarially determined amounts. These contributions are designed to accumulate sufficient assets to pay benefits when due. The Authority contributed \$645 thousand to the Plan for year ended June 30, 2023.

Net Pension Liability—The Authority’s net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by actuarial valuations as of July 1, 2023.

Actuarial Assumptions—The following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	None. Salary increases were assumed to be 5.00% for Special Retirees, but as of July 1, 2022, no Special Retirees are currently active. The plan was frozen as of February 29, 2012.
Investment rate of return	7.0%
Mortality	PubG-2010 Mortality Tables projected 5 years past the valuation date with Scale MP-2022.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023, are summarized in the following tables:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large cap domestic equity	38 %	4.4 %
Small cap domestic equity	10	5.5
International equity	12	4.5
Fixed income securities	38	2.7
Cash	<u>2</u>	1.8
	<u>100 %</u>	

Discount Rate—The discount rate used to measure the total pension liability was 7% for the year ended June 30, 2023. The ratio of the actuarial value of assets to the total actuarial liability is 94.9% as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed that sponsor contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the Plan's projected fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits payments to determine the total pension liability. The changes in net pension liability for the year ended June 30, 2023, are as follows (dollars in thousands):

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2022	<u>\$ 90,645</u>	<u>\$ 84,814</u>	<u>\$ 5,831</u>
Changes for the year:			
Interest	6,140		6,140
Differences between expected and actual experience	881		881
Contributions—employer		645	(645)
Net investment income		7,601	(7,601)
Change in benefit terms			
Benefit payments, including refunds of employee contributions	(5,839)	(5,839)	
Administrative expense		(57)	57
Net changes	<u>1,182</u>	<u>2,350</u>	<u>(1,168)</u>
Balances at June 30, 2023	<u>\$ 91,827</u>	<u>\$ 87,164</u>	<u>\$ 4,663</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate—The following presents the net pension liability of the Authority, calculated using the discount rate of 7.00% as well as what the Authority’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate as of June 30, 2023 (dollars in thousands):

	1% Decrease (6.00)%	Current Discount Rate (7.00)%	1% Increase (8.00)%
Authority’s net pension liability (asset)	<u>\$ 14,666</u>	<u>\$ 4,663</u>	<u>\$ (3,772)</u>

Pension Plan Fiduciary Net Position—Detailed information about the pension plan’s fiduciary net position is available in the separately issued Plan financial report.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension—For the year ended June 30, 2023, the Authority recognized a pension expense of \$2,016,071. At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (dollars in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ -	\$ -
Changes of assumptions		
Difference between projected and actual earnings on pension plan investments	<u>10,329</u>	<u>7,772</u>
Total	<u>\$ 10,329</u>	<u>\$ 7,772</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (dollars in thousands):

Years Ended June 30	
2024	\$ 364
2025	(292)
2026	2,855
2027	(370)
2028	0

7. OTHER DEFINED CONTRIBUTION PLANS

The Authority’s total payroll was \$25.0 million for the year ended June 30, 2023. Total payroll includes employees covered under a number of separate multi-employer union plans. The Authority contributed to 30 separate multi-employer pension, retirement, and annuity plans in fiscal year 2023. Contributions under all plans are based on collective bargaining agreements with the various trade unions. Total pension and related contributions under the collective bargaining agreements approximated \$4.9 million for year ended June 30, 2023.

The Authority also offers its nonunion employees a defined contribution plan (Contribution Plan) created in accordance with Internal Revenue Code Sections 401(a) and 415. The Authority is the administrator of the Contribution Plan. Effective July 1, 2009, all new hires (nonrepresented employees) were automatically enrolled in the Contribution Plan. Effective February 29, 2012, the Authority stopped accruing new benefits in the Plan and made the Contribution Plan available to all nonrepresented employees (effective March 1, 2012). The Authority established a discretionary employer contribution consisting of an automatic 4% of employee compensation and a 50% match of up to 4% of compensation on contributions made by the employee to the deferred compensation plan (described more fully in Note 8). The contributions are not available to employees until termination, retirement, death, or unforeseeable emergency. All assets of the Contribution Plan are held in a trust in the name of the Contribution Plan and are used exclusively to pay benefits to the participants and their beneficiaries. As such, the Authority does not report plan assets and liabilities in the basic financial statements. As of June 30, 2023, the assets of the Contribution Plan, consisting primarily of open-ended mutual funds, approximated \$2.1 million. The Authority contributed \$304 thousand to the Contribution Plan during the year ended June 30, 2023.

8. DEFERRED COMPENSATION PLAN

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The deferred compensation plan (457 plan), available to all Authority employees, permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All assets of the deferred compensation plan are held in a trust in the name of the Plan and are used exclusively to pay benefits to the participants and their beneficiaries. As such, the Authority does not report plan assets and liabilities in the basic financial statements.

9. LEASES

On July 1, 2021, the Authority implemented GASB statement No. 87, *Leases*. This change in accounting principle requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. In accordance with GASB Statement No. 87, *Leases*, a lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

As Lessor—The MPEA leases retail, office, rehearsal and equipment space in its managed facilities to others. These leases have terms between 22 months and 60 years, with payments required monthly, semiannually, or annually. In addition to the above payments, the MPEA receives variable payments for common area maintenance, percentage of sales, pro-rated operating expenses and various utility reimbursements associated with the spaces of \$1.4 million, as of June 30, 2023, that are not included in the measurement of lease receivable.

The total amount of inflows of resources recognized for year ending June 30, 2023 is follows (dollars in thousands):

	Inflows
Lease revenue	\$ 2,075
Interest income	387
Other variable	1,393

The MPEA did not have any revenue associated with residual value guarantees and termination penalties.

As Lessee—The MPEA leases facilities and equipment from others. These leases have terms between 3 years and 20 years requiring monthly or annual payments.

As of June 30, 2023, the total amount of Right to use lease assets by major class, and the related accumulated amortization, disclosed separately from other capital assets is as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Lease assets being amortized:				
Lease—equipment	\$ 594	\$ -	\$ -	\$ 594
Lease—real estate	<u>27,083</u>	<u>-</u>	<u>-</u>	<u>27,083</u>
Total leased assets being amortized	<u>27,677</u>	<u>-</u>	<u>-</u>	<u>27,677</u>
Lease accumulated amortization:				
Leased—equipment	(180)		(181)	(361)
Leased—real estate	<u>(1,376)</u>	<u>-</u>	<u>(1,376)</u>	<u>(2,752)</u>
Total accumulated amortization	<u>(1,556)</u>	<u>-</u>	<u>(1,557)</u>	<u>(3,113)</u>
Total, net of accumulated amortization	<u>\$ 26,121</u>	<u>\$ -</u>	<u>\$ (1,557)</u>	<u>\$ 24,564</u>

The real estate right to use lease assets above are leased from the Chicago Park District and Digital Lakeside LLC, as noted above. The amount of lease expenses recognized for variable payments are not included in the measurement of the lease liability are \$194 thousand for the year ending June 30, 2023. The MPEA did not have any payments attributable to residual value guarantees or termination penalties not previously included in the measurement of the lease liability.

The Authority’s East Exposition Building (“Lakeside Center”) and the adjoining underground parking facility are constructed on land leased from the Chicago Park District. Total expenses recorded under this agreement were \$1,272,756 for the year ended June 30, 2023.

As of June 30, 2023, the principal and interest requirements to maturity for the lease liability is as follows:

	Principal	Interest	Total
2024	\$ 517	\$ 1,190	\$ 1,707
2025	525	1,168	1,693
2026	614	1,145	1,759
2027	707	1,117	1,824
2028	801	1,085	1,886
2029–2033	5,002	4,817	9,819
2034–2038	8,201	3,481	11,682
2039–2043	<u>10,495</u>	<u>1,214</u>	<u>11,709</u>
Total	<u>\$ 26,862</u>	<u>\$ 15,216</u>	<u>\$ 42,078</u>

As of June 30, 2023, the lease liability is as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Current Lease liability:				
Lease—equipment	\$ 185	\$ -	\$ (34)	\$ 151
Lease—real estate	271	95	-	366
	<u>457</u>	<u>95</u>	<u>(34)</u>	<u>517</u>
Non-Current Lease liability:				
Lease—equipment	236	-	(151)	85
Lease—real estate	26,626	-	(366)	26,260
	<u>26,862</u>	<u>-</u>	<u>(517)</u>	<u>26,345</u>
Total lease liability	<u>\$ 27,319</u>	<u>\$ 95</u>	<u>\$ (551)</u>	<u>\$ 26,862</u>

10. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to customers, employees, contractors, or vendors; and natural disasters. The Authority utilizes a comprehensive insurance program for its property and casualty coverage provided by commercial insurance carriers. Insurance settlements have not exceeded coverage in any of the last three years.

Effective July 1, 2018, the Authority qualified for the option to participate in a Guaranteed Risk program for workers compensation coverage. This program differs from the most recent program, an Incurred Retrospective program, by providing the Authority budget certainty and reduced financial risk. The Authority's guaranteed annual premium was \$1.7 million for the year ended June 30, 2023. The guaranteed premium will only increase in the event actual payroll amounts exceed the estimates provided to the insurance carrier. The amount of losses for the year will not impact the current year premium.

On January 1, 2014, the Authority began participating in an Incurred Retrospective program for workers compensation coverage. This program offered the Authority a maximum exposure for any one loss of \$300 thousand. The Authority is required to pay a premium based on estimated payroll amounts multiplied by the rates per classification code, as established in the contract between the Authority and the insurance carrier, adjusted for estimated losses. The insurance carrier is required to perform a one-time audit of the actual payroll amounts for each calendar year of coverage. The audited payroll amounts are used as the basis for determining the final premium amount. Additionally, the insurance carrier must provide an annual valuation of losses for four consecutive years. The results of the fourth valuation determine the final total incurred loss amount for each calendar year of coverage. The combination of the audited payroll amounts and the estimated value of losses represent the total estimated premium amount, up to the maximum premium amount.

Prior to January 1, 2012, the Authority had a self-insurance program for workers' compensation for individual claims up to \$750 thousand and was fully insured for claims in excess of \$750 thousand up to the State of Illinois statutory limit. Currently, the Authority's third-party administrator calculates the claims liabilities amount required for workers' compensation claims outstanding prior to January 1, 2012. The liability and expenses are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

Based on the actual payroll amounts through June 30, 2022, and the estimated payroll amounts for fiscal year 2023, plus estimated losses, the Authority established a reserve amount of \$2.6 million as of June 30, 2023.

Changes in the total claims liabilities related to individual workers' compensation claims in the amount of \$750 thousand or less during the past two years are as follows (dollars in thousands):

	2023	2022
Balance—beginning of year	\$ 1,895	\$ 2,135
Claims paid during year	<u>(92)</u>	<u>(240)</u>
Balance—end of year	<u>\$ 1,803</u>	<u>\$ 1,895</u>

As of June 30, 2023, the combined workers' compensation reserves are \$4.4 million.

11. RISKS AND UNCERTAINTIES

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could affect the amounts reported in the basic financial statements.

12. COMMITMENTS AND CONTINGENCIES

In 1998, the Authority began operations at its 800-room convention center hotel, the Hyatt Regency McCormick Place hotel and entered into a management agreement with Hyatt Hotels Corporation to manage the daily operations of the hotel. This agreement was amended and restated effective July 1, 1999. The management agreement was for a period commencing with the opening of the Hotel and expired on June 30, 2009. On July 1, 2009, the Authority entered into a new agreement for 15 years expiring on June 30, 2024. This agreement was revised, June 4, 2013, to incorporate the additional 458-room tower. The Authority is required to reserve 4% of gross receipts of the Hyatt hotel, as defined by

the management agreement, for replacement of and additions to furnishings and equipment. The balance in the reserve as of June 30, 2023 was approximately \$8.8 million. During 2023, approximately \$3.4 million was funded to this account based on Hotel gross receipts and approximately \$1.1 million was expended for furnishings and equipment for the Hotel.

In April 2011, the Authority entered into a management agreement with ASM Global (as a successor to SMG) to promote, operate, manage, and maintain the McCormick Place complex. The management term began August 1, 2011, and ended June 30, 2016, with a five-year extension granted through June 30, 2021. Effective November 1, 2017, the Authority and SMG amended and restated the management agreement to allow SMG to focus its priorities on the management of events at McCormick Place and Wintrust Arena. Effective November 1, 2017, the Authority assumed control of facility operations and all capital projects. Effective March 15, 2021, the Authority and ASM entered into a series of sole source management agreements. The sole source agreement effective on June 30, 2023 ends September 30, 2023.

In April 2011, the Authority entered into a lease agreement with NPI. The lease agreement required NPI to establish a capital improvement account on or before the lease commencement date. The lease agreement also required the Authority to deposit a mutually agreed-upon amount into the account established by NPI for the sole and exclusive benefit, and under the sole and exclusive control of NPI. Funds from this account may be used for the implementation of approved operations, including deferred maintenance and capital improvements, and for other rights of NPI as set forth in the lease agreement.

In October 2011, the Authority entered into an agreement with SAVOR to manage the McCormick Place Food Service operations. Effective December 29, 2017, this agreement was amended and restated to revise the scope to include the new Wintrust Arena, with an expiration date of June 30, 2021. Effective February 23, 2021, the Authority and SAVOR entered into a series of sole source agreements. The sole source agreement effective on June 30, 2023 ends September 30, 2023. The Authority established a reserve of 10% of gross food service receipts primarily for the replacement of smallwares and equipment used in the food service operation. The funds can also be used for funding certain other foodservice related activities. The balance in the reserve account as of June 30, 2023 was \$1.1 million.

On June 21, 2023 the MPEA Board of Directors voted to award contracts for private management and food service at McCormick Place, Wintrust Arena, and Arie Crown Theatre to OVG360 and OVG Hospitality, respectively. The contracts are scheduled to begin on October 1, 2023 and the expiration date of both contracts is September 30, 2028.

On June 11, 2014, the Authority entered into a management agreement with Marriott International to manage the daily operations of the 1,205-room hotel branded Marriott Marquis Chicago Hotel, which officially opened September 10, 2017. The management agreement is for a period commencing with the opening of the hotel and expires June 30, 2028. The Authority established a reserve of 4% of gross receipts to cover the cost of replacement of and additions to Furnishings and Equipment and Other Capital Expenditures. The balance in the reserve account as of June 30, 2023 was \$13.4 million. During 2023, \$4.0 million was funded to this account based upon Hotel gross receipts and approximately \$861 thousand was expended for furnishings and equipment for the hotel. During 2017, the Authority did not exercise its right to select a reduced basic fee in accordance with the management agreement; as a result, Marriott International paid the Authority \$14 million. If for any reason the agreement terminates before the 10th anniversary of the opening date, the Authority will repay Marriott International the \$14 million less \$1.4 million for each full fiscal year that the agreement is in effect

before termination. In accordance with GASB No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* the Authority recognized \$1.4 million in other income related to the key money for the year ended June 30, 2023. The remaining balance is recorded as deferred revenue on the statement of financial position.

On April 17, 2015, the Authority entered into an Anchor Tenant Agreement with DePaul University to acquire, develop, design, construct, own and operate a multi-purpose 10,387-seat events center for a term of 50 years. The agreement provides DePaul University, the anchor tenant, preferential scheduling rights, naming rights, and a right to participate in the future value of the property at the conclusion of the agreement. The Authority received \$82.5 million from the anchor tenant for these rights in fiscal year 2016. The Authority deferred recognition of revenue associated with the granting of these rights initially and the amount was recorded to deferred revenue on the statement of financial position. The Event Center was opened in October 2017. Beginning in fiscal year 2018, the Authority began recognition of the portion of the participation rights associated with naming rights as other income, as those were estimable and partially earned. The Authority will continue recognition of these naming rights over a 50-year period, which is the term of the agreement. The term of the agreement shall end at the conclusion of the 50th contract year following the date of substantial completion of the project at which time the Authority will have a liability to the anchor tenant for 50% of the Event Center and the land.

In connection with the purchase of the Energy Center in September 2005, the Authority assumed certain long-term contracts from the Energy Center. In addition to supplying chilled water and steam for cooling and heating, respectively, for the McCormick Place campus, the Energy Center has five contracts to provide services to outside customers at the Lakeside Technology Center located adjacent to the Energy Center. Under four of the contracts, the Energy Center has commitments to provide chilled water services. Under two of the contracts, the Energy Center has commitments to provide hot water services. The rates for these services are based on actual usage and are defined in the contracts. Under one of these agreements, the Authority is obligated to pay a facilities space fee with a 3% annual increase. The space fee was \$226 thousand for fiscal year ended June 30, 2023.

The Authority has bond funds that are committed to be spent primarily for capital improvements in accordance with the underlying indentures. As of June 30, 2023, bond proceeds of \$9.4 million remain to be spent.

The Authority has certain contingent liabilities resulting from litigation, claims, and commitments incident to the ordinary course of business. In addition, state grant programs are subject to audit and the potential disallowance of costs. Management expects that final resolution of any such contingencies will not have a material effect on the financial position of the Authority.

13. SUBSEQUENT EVENTS

Management has evaluated all subsequent events through November 7, 2023, which is the date the basic financial statements were available to be issued and concluded no additional subsequent events have occurred that would require recognition that have not already been recognized or that require disclosure that have not already been disclosed.

On October 1, 2023 the management agreement with OVG360 and the food service management agreement for McCormick Place, Wintrust Arena, and Arie Crown Theatre became effective. The expiration date for both contacts is September 30, 2028.

On October 18, 2023, the Authority issued \$57.9 million in par value of Expansion Project Refunding Bonds (the “2023A Bonds”). Proceeds of the Series 2022B Bonds were used to refund a portion of the outstanding Series 1996A Expansion Project Bonds, to capitalize interest due during Fiscal Year 2024 on the 2023A Bonds, and to pay issuance costs for the 2023A Bonds.

On September 25, 2023, the MPEA Board approved Ordinance No. 23-02 authorizing the issuance of up to \$270 million in par value of Expansion Project Refunding Bonds (the “2023B Bonds”). The Ordinance allows MPEA to issue bonds to pay the tender price of certain outstanding Expansion Project Bonds tendered for purchase, in advance of their stated maturity to capitalize interest on the 2023B Bonds, and to pay issuance costs for the 2023B Bonds. If the Authority moves forward with this financing, the projected timeline is to close the 2023B Bonds prior to January 1, 2024.

On August 22, 2023, the MPEA Board approved the bond finance team and a preliminary term sheet for the issuance of Project Revenue Bonds, Series 2023 (the “2023 Project Revenue Bonds”). During Fiscal Year 2024, MPEA staff intends to present a bond ordinance to issue 2023 Project Revenue Bonds for the MPEA Board’s consideration and approval. The Ordinance is expected to authorize MPEA to issue 2023 Project Revenue Bonds in an amount not-to-exceed \$50 million to fund the costs of renovating the Authority’s energy center, to capitalize interest on the 2023 Project Revenue Bonds, and to pay issuance costs for the 2023 Project Revenue Bonds.

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METROPOLITAN PIER AND EXPOSITION AUTHORITY RETIREMENT PLAN AND TRUST

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS REQUIRED SUPPLEMENTARY INFORMATION AS OF JUNE 30, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015 AND 2014 (Unaudited)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability:										
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	6,140,779	6,304,310	6,231,517	6,218,986	6,073,360	5,973,660	5,896,144	5,798,514	5,763,944	5,903,917
Changes of benefit terms			31,011					845,366		
Differences between expected and actual experience	880,883	(2,792,676)	340,591	(863,284)	(492,777)	335,057	(77,914)	(679,191)	(570,338)	(773,763)
Changes of assumptions					1,526,953				(264,626)	4,951,781
Benefit payments	<u>(5,839,294)</u>	<u>(5,856,298)</u>	<u>(5,270,149)</u>	<u>(5,083,240)</u>	<u>(4,971,065)</u>	<u>(4,797,820)</u>	<u>(4,623,874)</u>	<u>(4,516,085)</u>	<u>(4,354,152)</u>	<u>(4,281,701)</u>
Net change in total pension liability	1,182,368	(2,344,664)	1,332,970	272,462	2,136,471	1,510,897	1,194,356	1,448,604	574,828	5,800,234
Total pension liability—beginning	<u>90,645,051</u>	<u>92,989,715</u>	<u>91,656,745</u>	<u>91,384,283</u>	<u>89,247,812</u>	<u>87,736,915</u>	<u>86,542,559</u>	<u>85,093,955</u>	<u>84,519,127</u>	<u>78,718,893</u>
Total pension liability—ending (a)	<u>91,827,419</u>	<u>90,645,051</u>	<u>92,989,715</u>	<u>91,656,745</u>	<u>91,384,283</u>	<u>89,247,812</u>	<u>87,736,915</u>	<u>86,542,559</u>	<u>85,093,955</u>	<u>84,519,127</u>
Plan fiduciary net position:										
Contributions—employer	645,506	64,691	46,284	562,747	323,592	364,818	795,515	242,139	139,281	225,036
Net investment income	7,600,602	(9,326,043)	21,420,176	2,566,720	4,243,814	6,566,362	9,704,261	(441,044)	1,872,152	11,566,393
Benefit payments	(5,839,294)	(5,856,298)	(5,270,149)	(5,083,240)	(4,971,065)	(4,797,820)	(4,623,874)	(4,516,085)	(4,354,152)	(4,281,701)
Administrative expense	(56,636)	(60,445)	(57,142)	(52,027)	(49,238)	(51,247)	(51,906)	(82,569)	(75,227)	(58,598)
Other										
Net change in plan fiduciary net position	2,350,178	(15,178,095)	16,139,169	(2,005,800)	(452,897)	2,082,113	5,823,996	(4,797,559)	(2,417,946)	7,451,130
Plan fiduciary net position—beginning	<u>84,814,225</u>	<u>99,992,320</u>	<u>83,853,151</u>	<u>85,858,954</u>	<u>86,311,851</u>	<u>84,229,738</u>	<u>78,405,742</u>	<u>83,203,301</u>	<u>85,621,247</u>	<u>78,170,117</u>
Plan fiduciary net position—ending (b)	<u>87,164,403</u>	<u>84,814,225</u>	<u>99,992,320</u>	<u>83,853,154</u>	<u>85,858,954</u>	<u>86,311,851</u>	<u>84,229,738</u>	<u>78,405,742</u>	<u>83,203,301</u>	<u>85,621,247</u>
Net pension liability (asset)—ending (a) - (b)	<u>\$ 4,663,016</u>	<u>\$ 5,830,826</u>	<u>\$ (7,002,605)</u>	<u>\$ 7,803,591</u>	<u>\$ 5,525,329</u>	<u>\$ 2,935,961</u>	<u>\$ 3,507,177</u>	<u>\$ 8,136,817</u>	<u>\$ 1,890,654</u>	<u>\$ (1,102,120)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>94.90 %</u>	<u>93.60 %</u>	<u>107.50 %</u>	<u>91.50 %</u>	<u>94.00 %</u>	<u>96.70 %</u>	<u>96.00 %</u>	<u>90.60 %</u>	<u>97.80 %</u>	<u>101.30 %</u>
Covered-employee payroll	<u>2,561,098</u>	<u>N/A</u>	<u>N/A</u>	<u>\$ 2,104,017</u>	<u>\$ 1,906,170</u>	<u>\$ 1,906,484</u>	<u>\$ 1,816,738</u>	<u>\$ 2,122,537</u>	<u>\$ 2,219,248</u>	<u>\$ 2,107,218</u>
Net pension liability as a percentage of covered-employees payroll	<u>182.0 %</u>	<u>N/A</u>	<u>N/A</u>	<u>371.0 %</u>	<u>290.0 %</u>	<u>154.0 %</u>	<u>193.1 %</u>	<u>383.4 %</u>	<u>85.0 %</u>	<u>(52.0)%</u>

Changes of assumptions: In 2019, the mortality assumption was updated from the RP2000 Combined Healthy Mortality Table projected to 2014 with Scale BB to PubG-2010 Mortality Tables with Scale MP-2018.

Changes of benefit terms: In 2016, the Plan was amended to include salary increases in the accrued benefits of the Special Special Retirees. A salary scale of 5.00% was added to value the future salary increases for Special Retirees.

Changes of assumptions: In 2015, amounts reported as changes of assumptions resulted primarily from the following:

1. Retirement rates were updated to better reflect anticipated experience;
2. The mortality assumption was updated from the RP2000 Combined Healthy Mortality Table, projected to 2014 with Scale AA to the RP-2000 Combined Healthy Mortality Table, projected to 2016, 2017, 2018, 2019, 2020, 2021 and 2022 using Scale BB;
3. An explicit administrative assumption was added to more accurately reflect expenses being paid from the trust;
4. An explicit measurement of death benefits available for current active and terminated vested members was added to the liabilities.

* Note—10 years will be presented when available.

METROPOLITAN PIER AND EXPOSITION AUTHORITY RETIREMENT PLAN AND TRUST

SCHEDULE OF CONTRIBUTIONS REQUIRED SUPPLEMENTARY INFORMATION AS OF JUNE 30, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015 AND 2014 (Unaudited)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contributions	\$ 640,292	\$ 60,030	\$ 785,179	\$ 556,242	\$ 315,914	\$ 360,517	\$ 784,142	\$ 238,112	\$ -	\$ 48,566
Employer contribution in relation to actuarially determined contributions	645,506	64,691	46,284	562,747	323,592	364,818	795,515	242,139	139,281	225,036
Contribution deficiency (excess)	(5,214)	(4,661)	738,895	(6,505)	(7,678)	(4,301)	(11,373)	(4,027)	(139,281)	(176,470)
Covered-employer payroll	2,561,098	N/A	N/A	2,104,017	1,906,170	1,906,484	1,816,738	2,122,537	2,219,248	1,796,530
Employer contribution as a percentage of covered-employee payroll	25.20 %	N/A	N/A	26.75 %	16.98 %	19.14 %	43.79 %	11.41 %	6.28 %	12.53 %

Notes to Schedule

Valuation date: July 1, 2023 July 1, 2022 July 1, 2021 July 1, 2020 July 1, 2019 July 1, 2018 July 1, 2017 July 1, 2016 July 1, 2015 July 1, 2014

Actuarially determined contribution rates are calculated as of July 1, of the year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	16 years (as of 7/1/2023)
Asset valuation method	Fair market value
Inflation	2.50% per year
Cost of living increase	2.25% per year
Salary increases	None. Salary increases were assumed to be 5% for Special Retirees, but as of July 1, 2023, no Special Retirees are currently active. The plan was frozen as of February 29, 2012.
Payroll growth	None
Interest rate	7.00% per year computed annually—net of investment related expenses
Retirement age	100% at age 65
Termination rates	None
Disability rates	None
Mortality	Assumed life expectancies are based on (a) the PubG-2010 Headcount-weighted Healthy Mortality Table, projected to the valuation date, using Scale MP-2020 for 2020–2022 and MP-2018 for 2019, (b) RP-2000 Combined Healthy Mortality Table, projected to the valuation date based on Scale BB in 2018-2015 and Scale AA in 2014.