

ANNE ARUNDEL COUNTY MARYLAND

RETIREE HEALTH BENEFITS TRUST

Annual Financial Report

For the Year Ended June 30, 2026

(With Report of Independent Public Accountants Thereon)

ANNE ARUNDEL COUNTY MARYLAND

RETIREE HEALTH BENEFITS TRUST

ANNUAL FINANCIAL REPORT

For the year ended June 30, 2026

Table of Contents

Report of Independent Public Accountants.……...1

Management's Discussion and Analysis ……...…….…….…..4

Basic Financial Statements:

Combined Statement of Fiduciary Net Position ...……...……..7

Combined Statement of Changes in Fiduciary Net Position ……...…..8

Notes to Basic Financial Statements …….…….....9

Required Supplementary Information (Unaudited):

Schedules of Changes in Net OPEB Liability and
Related Ratios…….....15

Schedule of Employer Contributions …….…..……...….17

Schedules of Money-Weighted Rate of Return, Net of Fees..……...…..17

Schedules of Contributions by Plan……...…….…….18

Notes to Required Supplementary Information……...……20

Combining Fund Statements

Combining Statement of Fiduciary Net Position……..…….……21

Combining Statement of Changes in Fiduciary Net Position……...……..…22

SB & Company
CPAs and Business Advisors

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Trustees of
Anne Arundel Retiree Health Benefits Trust
Annapolis, Maryland

Opinion

We have audited the accompanying combined statement of fiduciary net position of the Anne Arundel Retiree Health Benefits Trust (the OPEB Trust), a component unit of Anne Arundel County, Maryland, as of and for the year ended June 30, 2026, and the related combined statement of changes in fiduciary net position for the year then ended and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the combined financial position of the OPEB Trust as of June 30, 2026, and the respective changes in the fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS 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 controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, 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 controls 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 OPEB Trust's internal controls. 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 OPEB Trust's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal controls-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, the schedules of changes in net OPEB liability and related ratios, the schedules of employer contributions, the schedules of money-weighted rate of returns net of fees and the schedule of contributions by plan be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the OPEB Trust's basic financial statements. The combining statement of fiduciary net position and combining statement of changes in fiduciary net position are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2026 on our consideration of the OPEB Trust's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the OPEB Trust's internal controls over financial reporting and compliance.

Owing Mills, Maryland
September 28, 2026

Anne Arundel County Maryland
Retiree Health Benefits Trust
Management's Discussion and Analysis
For The Year Ended June 30, 2026

As management of the Anne Arundel County Maryland Retiree Health Benefits Trust (OPEB Trust), we offer readers of the annual financial report this narrative overview and analysis of the financial activities of OPEB Trust as of and for the fiscal year ended June 30, 2026. OPEB Trust has fiduciary responsibility to administer an investment trust for four plans for the purpose of providing retiree health benefits as "other post-employment benefit" for four entities: The Anne Arundel County Plan (County Plan), the Anne Arundel County Public School System Plan (Public School Plan), the Anne Arundel Community College Plan (College Plan), and the Public Library Association of Annapolis and Anne Arundel County, Inc. (Library Plan).

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to OPEB Trust's basic financial statements and notes to the financial statements. The financial statements include the investment activity for the County Plan, the College Plan, the Library Plan, and the Public School Plan. OPEB Trust's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. They include a Combined Statement of Fiduciary Net Position and a Combined Statement of Changes in Fiduciary Net Position.

The Combined Statement of Fiduciary Net Position shows OPEB Trust's assets less related liabilities as of June 30, 2026. The difference between assets and liabilities are reported as Plan net position. Changes in net position over time may be helpful in indicating an improving or deteriorating financial position.

The Combined Statement of Changes in Fiduciary Net Position presents additions and deductions to the net position during the fiscal year. These financial statements present all underlying events, which give rise to the changes, regardless of the timing of the related cash flows. Items such as accrued interest receivable will produce changes in cash in a future fiscal period.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. Notes are presented on pages 11 through 16 of the report.

Required Supplementary Information

The Required Supplementary Information section provides actuarial determined information about the Plans' contributions, and investment returns.

Summary of Financial Information

The following Summaries of Net Position and Changes in Net Position present financial information for OPEB Trust.

Financial Summary

Summary of Assets, Liabilities, and Net Position by Plan

(in thousands)

For the Year Ended June 30, 2026

	County Plan	College Plan	Library Plan	Public School Plan	Total
Investments and other assets	$ 742,496.3	$ 39,119.6	$ 10,993.8	$ 85,549.2	$ 878,158.9
Liabilities	11,215.8	3.8	1.1	5.4	11,226.1
Net position held in trust	$ 731,280.5	$ 39,115.8	$ 10,992.7	$ 85,543.8	$ 866,932.8

For the Year Ended June 30, 2025

	County Plan	College Plan	Library Plan	Public School Plan	Total
Investments and other assets	$ 623,088.6	$ 33,127.5	$ 9,315.2	$ 47,904.6	$ 713,435.9
Liabilities	1,198.7	5.1	1.4	3.4	1,208.6
Net position held in trust	$ 621,889.9	$ 33,122.4	$ 9,313.8	$ 47,901.2	$ 712,227.3

Summary of Changes in Net Position by Plan

(in thousands)

For the Year Ended June 30, 2026

	County Plan	College Plan	Library Plan	Public School Plan	Total
Additions:					
Contributions	$ 65,284.3	$ 4,100.0	$ 1,823.9	$ 25,712.5	$ 96,920.7
Investment and other income	111,022.0	5,937.3	1,669.1	11,953.9	130,582.3
Total additions	176,306.3	10,037.3	3,493.0	37,666.4	227,503.0
Deductions:					
Benefits	65,629.3	4,027.3	1,809.3	-	71,465.9
Administrative expenses	1,286.3	16.6	4.7	23.8	1,331.4
Total deductions	66,915.6	4,043.9	1,814.0	23.8	72,797.3
Changes in net position	109,390.7	5,993.4	1,679.0	37,642.6	154,705.7
Net position held in trust, beginning of year	621,889.8	33,122.4	9,313.8	47,901.1	712,227.1
Net position held in trust, end of year	$ 731,280.5	$ 39,115.8	$ 10,992.8	$ 85,543.7	$ 866,932.8

For the Year Ended June 30, 2025

	County Plan	College Plan	Library Plan	Public School Plan	Total
Additions:					
Contributions	$ 75,176.0	$ 4,614.7	$ 2,156.4	$ 24,963.6	$ 106,910.7
Investment and other income	69,790.3	3,967.2	1,085.9	3,612.2	78,455.6
Total additions	144,966.3	8,581.9	3,242.3	28,575.8	185,366.3
Deductions:					
Benefits	58,972.0	3,495.7	1,573.1	-	64,040.8
Administrative expenses	1,208.7	17.0	4.6	20.0	1,250.3
Total deductions	60,180.7	3,512.7	1,577.7	20.0	65,291.1
Changes in net assets	84,785.6	5,069.2	1,664.6	28,555.8	120,075.2
Net position held in trust, beginning of year	537,104.2	28,053.2	7,649.2	19,345.3	592,151.9
Net position held in trust, end of year	$ 621,889.8	$ 33,122.4	$ 9,313.8	$ 47,901.1	$ 712,227.1

Detailed Analysis

As of June 30, 2026, total assets for the OPEB Trust exceeded total liabilities by $866.9 million. The entirety of this net position is restricted and held in trust exclusively for retiree health benefits. The net position grew by $154.7 million in Fiscal Year 2026, outperforming the $120.1 million increase recorded in Fiscal Year 2025. This net position expansion occurred because total inflows easily surpassed $72.8 million in total plan deductions primarily consisting of insurance claims and premiums. These inflows were driven by $96.9 million in total contributions comprising of $65.2 million to the County Plan, $25.7 million to the Public School Plan, $4.1 million to the College Plan, and $1.8 million to the Library Plan alongside $130.6 million in net investment gains. Ultimately, the accelerated growth in net position was driven by a $52.0 million year-over-year increase in investment gains.

While total revenues remained strong, individual revenue sources shifted noticeably due to specific market and policy factors. Year-over-year contributions decreased by $14.8 million. This planned reduction occurred because funding levels are directly dictated by formal actuarial valuations, which adjusted required funding downward. Insurance subsidies and rebates provided an additional $4.8 million in revenue, rising from $18.7 million in FY 2025 to $23.5 million in FY 2026. Net investment income rose by $52.1 million from $78.5 million in FY 2025 to $130.6 million in FY 2026. This surge was primarily caused by a $48.0 million jump in market value appreciation, as portfolio appreciation surged to $105.8 million in FY 2026 from $57.8 million in FY 2025. Interest and dividend income experienced a minor offset, increasing by $4.2 million. Investment-related expenses grew by $87.2 thousand rising from $803.1 thousand in FY 2025 to $890.3 thousand in FY 2026, which was directly caused by an expanded capital allocation toward Private Market investments.

Total plan deductions reached $72.8 million, split across the County Plan $66.9 million, College Plan $4.0 million, Library Plan $1.8 million, and Public School Plan $0.02 million. The growth in overall outflows was driven by rising healthcare outflows and increased operational costs. Insurance claims and premium payments increased by $7.3 million from $64.1 million in FY 2025 to $71.4 million in FY 2026, reflecting higher insurance claims and premium costs. General and administrative expenses saw a minor increase of $81.1 thousand, rising from $1.2 million in FY 2025 to $1.3 million in FY 2026.

Currently Known Facts, Decisions, and Conditions

Appropriations for FY 2027 reflect significant structural adjustments across member plans. The County budgeted appropriation for pay-as-you-go funding is set at $39.1 million, while the County Employer Contribution drops to ($10.3) million which is a net reduction. The Public School Plan's budgeted appropriation is at $10.6 million, with no scheduled contributions directed to either the College Plan or the Library Plan.

Request for Information

This discussion and analysis are designed to provide a general overview of the Anne Arundel County Maryland Retiree Health Benefits Trust. Questions concerning any of the information provided in this annual financial report or requests for additional information should be addressed to the Anne Arundel County Office of Personnel, 2660 Riva Road, Annapolis, Maryland 21401. For information on the Retirees Health Benefits Trust, including this report, https://www.aacounty.org/retirement-and-pension-system-board-of-trustees/pension-trust-fund-reports.

Anne Arundel County Maryland
Retiree Health Benefits Trust
Combined Statement of Fiduciary Net Position
June 30, 2026

ASSETS		
Investments		
Money market	$	11,157,376
Mutual funds		809,713,781
Private markets		26,491,084
Real estate investment pool		25,814,156
Total investments		873,176,397
Accounts receivable		4,982,523
Total assets		878,158,920
LIABILITIES		
Accrued liabilities and accounts payables		79,001
Due to Anne Arundel County Government		11,147,086
Total liabilities		11,226,087
Net position held in trust for other post-employment benefits	$	866,932,833

Accompanying notes to the combined financial statements are an integral part of this statement.

Anne Arundel County Maryland
Retiree Health Benefits Trust
Combined Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2026

ADDITIONS		
Contributions		
Employer	$	61,870,074
Member		11,551,937
Insurance subsidies and rebates		23,498,684
Total contributions		96,920,695
Investment income		
Net appreciation in fair value of investments, net		105,801,799
Dividends		23,408,490
Interest		2,262,314
Total investment gain		131,472,603
Less investment expense		890,342
Net investment gain		130,582,261
Total additions		227,502,956
DEDUCTIONS		
Insurance claims		57,923,432
Insurance premiums		13,542,546
General and administrative expense		1,331,395
Total deductions		72,797,373
Net increase in plan net position		154,705,583
Net position held in trust, beginning of year		712,227,250
Net position held in trust, end of year	$	866,932,833

Accompanying notes to the combined financial statements are an integral part of this statement.

Anne Arundel County Maryland
Retiree Health Benefits Trust
Notes to Basic Financial Statements
For The Year Ended June 30, 2026

1 Description of the Plans

A ***General Information*** – The Anne Arundel County Maryland Retiree Health Benefits Trust (OPEB Trust) is an investment trust that includes the Anne Arundel County Government (County) Plan and three component units of the County which are Anne Arundel Community College (College), the Public Library Association of Annapolis and Anne Arundel County (Library), and the Anne Arundel County Public School System (Public School). OPEB Trust is governed by a Board of Trustees with a minimum membership of eight. The members include the County Chief Administrative Officer, the County Controller, the County Personnel Officer, and the County Budget Officer and seven trustees appointed by the County Executive. The financial statements reflect the results of OPEB Trust.

B ***Membership by Plan*** – Anne Arundel County retirees meeting criteria based upon years of service as defined in County Bill 85-13 are eligible for medical insurance and prescription coverage in retirement. The Library, through its Health Benefits Pooling Agreement with the County, has agreed that its benefits and costs to the retirees will match the County Plan. The Public Schools manages their benefits and only pool investments. The number of participants in OPEB Trust as for Fiscal Year ended June 30, 2026 follows in the table below. Data is based on membership counts as of January 1, 2025 for Fiscal Year 2026 ending June 30, 2026.

	County Plan	Library Plan	Total
Employees with medical coverage	4,126	213	4,339
Deferred vested termination	295	-	295
Retirees	3,054	141	3,195
Total	7,475	354	7,829

C ***Employee and Employer Contributions*** – By Resolution, the County Council establishes the total premium to be charged for County retirees. The County has Health Benefits Pooling Agreements with the College, Library, and Public School which establish premium amounts to cover medical expenses. The College and Library pay a two percent administration fee in addition to the established premium. Administrative costs related to the County's claims processing as set by the Pooling Agreements are paid to the County Health Insurance Fund.

2 Summary of Significant Accounting Policies

A ***Basis of Accounting*** – OPEB Trust's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Member contributions are recognized as revenue in the period in which the contributions are due. Employer contributions are recognized when due and a formal commitment has been made to provide the contributions. Benefits are recognized when earned, and rebates are recognized when payable. Estimates for rebates are used in the 4th Quarter. Claims are paid by the County when due and subsequently reimbursed by OPEB Trust for the County Plan. Pending reimbursements are reported as liabilities due to Anne Arundel County.

B ***Investments*** – Assets held in trust are held in custodial accounts for which the custodian makes no investment decisions. In November 2015, OPEB Trust's Board of Trustees (Trustees) established an Investment Policy Statement (IPS) to set forth the Trustees' investment objectives, policies, guidelines, monitoring and review procedures relating to the management and safekeeping of all assets of OPEB Trust. The Investment Policy was revised in February 2026. OPEB Trust's assets may be invested in large capitalized domestic equities, small capitalized domestic equities, international equities, emerging international equities, core fixed income, diversified fixed income, and real estate. The Policy allows use of mutual/commingled funds as investment vehicles. The following schedule displays the asset allocation targets in the IPS.

Asset Allocations by Investment Policy

	Target Allocation	Minimum Allocation	Maximum Allocation
Large Cap U.S. Equities	28%	18%	38%
Small/Mid Cap U.S. Equities	8%	3%	13%
International Equities- Developed Markets	15%	10%	25%
Emerging International Equities	4%	1%	11%
Total Equity	**55%**	**45%**	**65%**
Core Fixed Income	11%	6%	16%
Diversified Fixed Income	14%	9%	19%
Total Fixed Income	**25%**	**15%**	**35%**
Real Estate (Core)	5%	0%	10%
Total Real Estate	**5%**	**0%**	**10%**
Private Market	10%	0%	15%
Total Private Market	**10%**	**0%**	**15%**
Cash	5%	0%	10%
Total Cash	**5%**	**0%**	**10%**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. As of June 30, 2026, OPEB trust owned one debt mutual fund with an effective maturity of 9.3 years. The State Street Institutional U.S. Government Money Market Fund (GVMXX) totals $11.2 million and is valued at $1 per share.

Foreign currency rate is the risk with exposure to foreign currency rating to potential unfavorable fluctuation of exchange rates compared to the U.S. Dollar. OPEB trust had no direct exposure to foreign currency as of June 30, 2025 as the international equity portion of the portfolio is valued in U.S. currency. The fair market value of the international equity portion of the portfolio is $213.9 million as of June 30, 2026.

Custodial credit risk for investments is the risk that securities are uninsured, unregistered, and held by the counterparty, or by its trust department or agent, but not in the name of OPEB Trust.

Concentration risk is the risk of loss attributed to the magnitude of OPEB Trust's investment in a single issuer. As of June 30, 2026, the underlying investments within each mutual fund represents less than 5% of the OPEB Trust net position.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to OPEB Trust. Debt securities are rated by Nationally Recognized Statistical Rating Organizations to provide purchasers with an opinion of the capability and willingness of a borrower to re-pay its debt. The following table displays value and ratings for debt issues owned by the Trust as of June 30, 2026.

		Standard & Poor's Credit Ratings			
	Total	AAA-A	BBB-B	CCC-C	NR
Fixed Income Mutual Funds	$ 236,275,672	$ -	$ -	$ -	$ 236,275,672
Money Market	11,157,376	-	-	-	11,157,376
Total Debt Securities	$ 247,433,048	$ -	$ -	$ -	$ 247,433,048

Risk and Uncertainties – OPEB Trust invests in various investment securities, which are exposed to various risks such as interest rate, market, and credit risks. The Board of Trustee's risk tolerance is moderate and defined by its desire to improve the funding ratio level while maintaining enough liquidity to pay current benefits. Due to the levels of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statement of plan net position available for benefits.

Rate of Return – For the year ended June 30, 2025, the annual composite money-weighted rate of return on investments, net of fees, is 16.0% in 2026 compared to 11.2% in 2025. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial valuations of OPEB Trust involve estimates of the value of reported amounts and assumptions about the probability of future events. Actuarially determined amounts are subject to revisions as actual results are compared to past expectations and new estimates are made about the future.

3 Net OPEB Liability

A ***Net OPEB liability*** – The components of the net OPEB liability of the County Plan and the Library Plan as of June 30, 2026 were as displayed on the following schedule.

Net OPEB Liability

As of June 30, 2026 (in thousands)	County Plan	Library Plan	TOTAL
Total OPEB liability	$ 783,699	$ 18,031	$ 801,730
Plan fiduciary net position	(731,281)	(10,993)	(742,274)
Net OPEB liability	$ 52,418	$ 7,038	$ 59,456
Plan fiduciary net position as a percentage of the total OPEB liability	94.06%	60.94%	

Note: The components of the net OPEB liability of the Trust at June 30, 2026, based on actuarial valuations, are displayed above. The plan fiduciary net position can be found on the Combining Statement of Fiduciary Net Position.

Actuarial assumptions: The total OPEB liability was determined by an actuarial valuation as of June 30, 2026, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

	County Plan	Library Plan
Inflation	2.60%	2.60%
Discount rate	6.30%	6.30%
Ultimate healthcare cost trend rates	3.92%	3.92%

B ***Long-term expected real rate of return*** – The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) 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 by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2026 are summarized in the following table.

2026 30-Year Return Assumptions by Asset Class

Asset Class	30-Year Geometric Forecast (Nominal Returns)	30-Year Geometric Forecast (Real Returns)
Inflation (CPI)	2.63%	0.00%
Cash	3.50%	0.85%
Core Fixed Income[(1)]	5.30%	2.60%
Diversified Fixed Income[(2)]	6.44%	3.72%
Large Cap Equity	6.82%	4.08%
Small/Mid Cap Equity	6.86%	4.12%
International Equities (Unhedged)	6.42%	3.70%
Emerging Int'l Equities	7.70%	4.94%
Real Estate (Core)	6.14%	3.42%
Private Equity[(3)]	9.89%	7.07%

Notes

NEPC's 30-year geometric CPI inflation assumption is 2.63%.

(1) Core Bonds assumption based on market weighted blend of the Bloomberg U.S. Aggregate Bond Index (Treasuries, Investment Grade Corporate Credit, Mortgage-Backed Securities)

(2) Diversified Fixed Income assumption based on strategic blend of Investment Grade Corporate Credit, Mortgage-Backed Securities, High Yield, Emerging Market Debt, Non-U.S. Bonds

(3) Private Equity assumption based on strategic blend of Private Equity and Private Debt

C Discount rate –The expected rate of return on assets for all plans is 6.30 percent, as the discount rate remaining the same since Fiscal Year 2023 continuing to Fiscal Year 2026. The discount rate uses the long term expected return based on trust assets.

D Sensitivity of the net OPEB liability to changes in the discount rate – The following presents the net OPEB liability of each Plan based on each Plan's discount rate, as well as what the liability would be if it were calculated using a discount rate that is 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate as of June 30, 2026.

	Discount Rate Sensitivity Net OPEB liability (asset) 1.00% Decrease 5.30%	 Discount Rate 6.30%	 1.00% Increase 7.30%
County Plan	$ 147,150,007	$ 52,464,894	$ (36,900,056)
Library Plan	9,118,784	7,038,496	5,298,168

E Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate – The trend rate selected is based on an economic model developed by a health care economist for the Society of Actuaries. Future medical trend increases could vary significantly from the model. Model inputs will be updated periodically based on the best estimate of the economy at the time. The same trend rate is used for each Plan. The following presents the net OPEB liability for each Plan, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates.

	Healthcare Trend Cost Sensitivity Net OPEB liability (asset) 1.00% Decrease 2.92%	 Trend Rates 3.92%	 1.00% Increase 4.92%
County Plan	$ (57,487,275)	$ 52,464,894	$ 175,662,681
Library Plan	4,884,434	7,038,496	9,676,147

4 Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive OPEB Trust (the Plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between employers and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The actuarial assumptions used in the latest valuation are as follows.

Schedule of Actuarial Methods and Assumptions

	County Plan	Library Plan
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Asset valuation Method	Market value of Assets	Market value of Assets
Actuarial Assumptions		
Discount Rate	6.30% Long-term expected return based on trust assets	6.30% Long-term expected return based on trust assets
Payroll Increase	Pension Plan Assumptions	Pension Plan Assumptions
Ultimate Healthcare Cost Trend Rate	3.92%	3.92%

Notes:

1) *The health cost trend rate for 2025 is 7.00%. The ultimate rate is 3.92%.*
2) *The Plan's actual benefit payments may be greater or lesser than the amounts shown, depending on the Plan's actual demographic experience, and claims experience.*
3) *The information above is from the actuarial valuation reports dated August 28, 2026 which used census valuation data as of January 1, 2025.*

5 Receivables and Payables

Accounts receivable for the County Plan includes rebates and subsidies earned but not yet received. Each plan has a small interest receivable earned in June from the State Street Institutional U.S. Government Money Market Fund (GVMXX). Accrued liabilities and accounts payable includes estimates of claims for the County Plan and shared expenses for all four Plans.

6 Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates

7 Fair Value Measurement

OPEB Trust has categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. OPEB Trust owns three publicly traded and priced mutual funds with a total market value of $809.7 million as of June 30, 2026. These are categorized as Level 1 inputs and displayed by type in the following schedule. The real estate fund has a net asset value of $25.8 million and the private market investments have a net asset value of $26.5 million. As of June 30, 2026, all short-term investments were in money market mutual funds which are not subject to the fair value measurement requirements.

Fair Value Hierarchy of Trust Investments

Assets at Fair Value June 30, 2026 **Investment Type**	**Total Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Mutual Funds				
Fixed Income	$ 236,275,672	$ 236,275,672	$ -	$ -
Domestic Equity	359,512,184	359,512,184	-	-
International Equity	213,925,925	213,925,925	-	-
Total Mutual Funds	$ 809,713,781	$ 809,713,781	$ -	$ -

Assets at Net Asset Value June 30, 2026

Investment Type	**Net Asset Value**	**Unfunded Commitments as of 6/30/2026**	**Redemption Frequency (If Currently Eligible)**	**Redemption Notice Period**
Private Market Buyout	$ 3,785,010	$ 6,356,175	Not eligible	Not eligible
Private Market Credit Opportunites	8,000,000	-	Not eligible	Not eligible
Private Market Distressed	10,106,461	-	Not eligible	Not eligible
Private Market Secondary	4,599,613	2,695,000	Not eligible	Not eligible
Real estate (REIT) fund	25,814,156	-	Quarterly	90 days
Total at net asset value	52,305,240			
Investments measured at amortized cost				
Money Market pool	11,157,376			
Total Investments	$ 873,176,397			

Anne Arundel County Maryland
Retiree Health Benefits Trust
Required Supplementary Information
Schedule of Changes in Net OPEB Liability and Related Ratios - County Plan
For Years Ended June 30

Amounts in thousands

Plan fiscal year end	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability										
Service cost	$ 22,675	$ 20,824	$ 21,296	$ 27,830	$ 26,785	$ 22,188	$ 19,895	$ 18,452	$ 17,759	$ 17,092
Interest	47,528	46,044	42,679	59,752	56,944	54,646	49,423	43,578	41,434	39,648
Changes of benefit terms	-	-	-	-	-	-	40,100	-	-	-
Differences between expected and actual experience	(10,481)	(9,188)	(2,845)	(332,160)	1,506	4,323	440	23,849	(884)	-
Changes of assumptions	-	(955)	-	(2,061)	-	55,396	(1,558)	(505)	-	-
Benefit payments	(26,016)	(33,198)	(27,063)	(29,607)	(39,414)	(39,870)	(28,258)	(35,593)	(23,539)	(33,075)
Net change in total OPEB liability	33,706	23,527	34,067	(276,246)	45,821	96,683	80,042	49,781	34,770	23,665
Total OPEB liability - beginning	749,993	726,466	692,399	968,645	922,824	826,141	746,099	696,318	661,548	637,883
Total OPEB liability - ending (a)	$ 783,699	$ 749,993	$ 726,466	$ 692,399	$ 968,645	$ 922,824	$ 826,141	$ 746,099	$ 696,318	$ 661,548
Plan fiduciary net position										
Contributions - employer	$ 31,955	$ 47,805	$ 37,698	$ 64,939	$ 88,060	$ 82,787	$ 91,811	$ 63,586	$ 57,335	$ 44,908
Contributions - retiree	9,783	8,673	7,862	7,507	7,716	8,035	7,772	7,477	-	6,246
Other	-	-	-	-	13,391	11,534	10,136	8,458	-	4,398
Investment income	113,518	69,790	69,435	47,396	(54,570)	66,906	3,950	10,312	9,193	11,582
Benefit payments	(35,799)	(40,304)	(34,925)	(39,904)	(46,078)	(46,270)	(43,782)	(44,008)	(23,539)	(33,075)
Administrative expense	(316)	(1,179)	(1,067)	(182)	(1,143)	(1,129)	(1,084)	(1,057)	(39)	(894)
Net change in plan fiduciary net position	119,141	84,785	79,003	79,756	7,376	121,863	68,803	44,768	42,950	33,166
Plan fiduciary net position - beginning	621,889	537,104	458,101	378,345	370,969	249,106	180,303	135,837	92,887	59,720
Plan fiduciary net position - ending (b)	$ 741,030	$ 621,889	$ 537,104	$ 458,101	$ 378,345	$ 370,969	$ 249,106	$ 180,303	$ 135,837	$ 92,887
County's net OPEB liability - ending (a)-(b)	$ 42,669	$ 128,104	$ 189,362	$ 234,298	$ 590,300	$ 551,855	$ 577,035	$ 565,796	$ 560,481	$ 568,661
Fiduciary net position as a percentage of the										
Total OPEB liability	94.56%	82.92%	73.93%	66.16%	39.06%	40.20%	28.97%	24.16%	19.51%	14.04%
Expected average remaining service years of all participants	6	6	7	7	6	6	6	6	6	6
Covered payroll	$ 450,665	$ 438,543	$ 408,449	$ 395,319	$ 318,044	$ 305,970	$ 294,514	$ 276,058	$ 263,129	$ 258,490
County's net OPEB liability as a percentage of covered-employee payroll	9.47%	29.21%	46.36%	59.27%	185.60%	180.36%	195.93%	204.96%	213.01%	219.99%
Discount Rate	6.30%	6.30%	6.30%	6.30%	6.30%	6.30%	6.75%	6.75%	6.38%	6.38%

Notes:

1 *Source is actuarial data based on preliminary financials and actual financial data. Any difference between this schedule and the final combined statement of changes in fiduciary net position on page 24 is considered immaterial.*

2 *There are no benefit changes reflected in the current schedule.*

3 *For the FY 2020 measurement, the medical trend was updated to exclude the impact of the Cadillac Tax.*

4 *Bill 24-19 was effective on July 5, 2019. Under Bill the pre-age 65 subsidy is based on the plan selected instead of the lowest cost plan.*

5 *The discount rate was reduced from 6.75% in 2020 to 6.30% in 2021.*

6 *The healthcare cost trend assumption was updated based on the 2024 Getzen model released by the SOA and adjusted to reflect the expected impact of the Inflation Reduction Act.*

Anne Arundel County Maryland
Retiree Health Benefits Trust
Required Supplementary Information
Schedule of Changes in Net OPEB Liability and Related Ratios - Library Plan
For Years Ended June 30

Amounts in thousands

Plan fiscal year end	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability										
Service cost	$ 426	$ 536	$ 548	$ 1,438	$ 2,241	$ 2,032	$ 1,595	$ 651	$ 1,233	$ 1,437
Interest	1,099	1,312	1,230	1,493	998	1,207	1,322	1,542	1,212	1,033
Changes of benefit terms	-	-	-	-	-	-	441	-	-	-
Differences between expected and actual experience	370	(3,162)	148	(15,702)	(263)	(3,590)	113	223	136	-
Changes of assumptions	-	(713)	-	(7,241)	(13,264)	4,423	5,048	16,515	(10,896)	(3,536)
Benefit payments	(1,420)	(1,241)	(1,123)	(1,183)	(1,168)	(1,384)	(1,402)	(902)	(1,286)	(1,462)
Net change in total OPEB liability	475	(3,268)	803	(21,195)	(11,456)	2,688	7,117	18,029	(9,601)	(2,528)
Total OPEB liability - beginning	17,556	20,824	20,021	41,216	52,672	49,984	42,867	24,838	34,439	36,967
Total OPEB liability - ending (a)	$ 18,031	$ 17,556	$ 20,824	$ 20,021	$ 41,216	$ 52,672	$ 49,984	$ 42,867	$ 24,838	$ 34,439
Plan fiduciary net position										
Contributions - employer	$ 1,434	$ 1,825	$ 1,689	$ 2,198	$ 2,587	$ 3,433	$ 1,512	$ 1,622	$ 1,699	$ 299
Contributions - retiree	389	332	298	292	319	350	-	348	-	292
Other	-	-	-	-	-	-	-	-	-	871
Investment income	1,704	1,074	884	630	(650)	561	20	41	34	47
Benefit payments	(1,809)	(1,573)	(1,422)	(1,497)	(1,487)	(1,734)	(1,402)	(1,730)	(1,286)	(1,462)
Administrative expense	-	(4)	(3)	(2)	(1)	(1)	(1)	(1)	(1)	-
Net change in plan fiduciary net position	1,718	1,654	1,446	1,621	768	2,609	129	280	446	47
Plan fiduciary net position - beginning	9,314	7,660	6,214	4,593	3,825	1,216	1,087	807	361	314
Plan fiduciary net position - ending (b)	$ 11,032	$ 9,314	$ 7,660	$ 6,214	$ 4,593	$ 3,825	$ 1,216	$ 1,087	$ 807	$ 361
Library's net OPEB liability - ending (a)-(b)	$ 6,999	$ 8,242	$ 13,164	$ 13,807	$ 36,623	$ 48,847	$ 48,768	$ 41,780	$ 24,031	$ 34,078
Library fiduciary net position as a percentage of the										
Total OPEB liability	61.18%	53.05%	36.78%	31.04%	11.14%	7.26%	2.44%	2.54%	3.25%	1.05%
Expected average remaining service years of all participants	7	7	7	7	6	6	6	6	6	6
Covered payroll	$ 22,662	$ 21,344	$ 19,535	$ 17,124	$ 15,696	$ 15,459	$ 14,421	$ 13,785	$ 13,203	$ 12,691
The Library Plan's net OPEB liability as a percentage of covered-employee payroll	30.88%	38.62%	67.39%	80.63%	233.33%	315.98%	338.17%	303.08%	182.01%	268.51%
Discount Rate	6.30%	6.30%	6.30%	6.30%	3.69%	1.92%	2.45%	3.13%	6.37%	3.58%

Notes:

1 *Source is actuarial data based on preliminary financials and actual financial data. Any difference between this schedule and the final combined statement of changes in fiduciary net position on page 24 is considered immaterial.*

2 *There are no benefit changes reflected in the current schedule.*

3 *For the FY 2020 measurement, the medical trend was updated to exclude the impact of the Cadillac Tax.*

4 *The discount rate increased from 3.69% in 2022 to 6.30% in 2023.*

The healthcare cost trend assumption was updated based on the 2024 Getzen model released by the SOA and adjusted to reflect the expected impact of the Inflation Reduction Act.

5 *The decrement and salary scale assumptions assumptions for employees participating in the State pension plan were updated to reflect assumptions used in the 2023 valuation*

6 *for the State of Maryland Retirement and Pension System.*

The following schedule reflects both "Pay-As-You-Go" (PAYGO) expenses plus additional employer contributions over and above the PAYGO amounts.

Schedule of Employer Contributions

Amounts in thousands

	County Plan		***Library Plan***	
Years Ended June 30	Actuarially Determined Contribution	Percentage Contributed	Actuarially Determined Contribution	Percentage Contributed
2026	$ 31,912	100.1%	$ 1,068	134.4%
2025	37,728	129.4%	1,512	120.7%
2024	36,629	102.9%	1,468	115.1%
2023	64,872	100.1%	2,403	61.5%
2022	62,982	139.8%	2,333	110.9%
2021	54,509	151.9%	2,299	149.3%
2020	54,509	151.3%	2,299	65.8%
2019	53,264	119.4%	2,168	52.7%
2018	48,734	117.6%	2,008	84.6%
2017	77,516	57.9%	2,860	40.9%

Composite Money-Weighted Rate of Return, Net of Fees	
2026	16.00%
2025	11.19%
2024	11.45%
2023	10.44%
2022	(12.42%)
2021	17.56%
2020	1.65%
2019	5.70%
2018	6.62%*
2017	12.94%*

* Percentage has changed due to calculation method.

Anne Arundel County Maryland

Retiree Health Benefits Trust

Required Supplementary Information

Schedule of Contributions - County Plan

For Years Ended June 30

Amounts in thousands

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	$ 31,912	$ 37,728	$ 36,629	$ 64,872	$ 62,982	$ 54,509	$ 54,509	$ 53,264	$ 48,734	$ 77,516
Contributions in relation to the actuarially determined contribution	31,955	48,822	37,697	64,939	88,060	82,787	91,811	63,586	57,334	44,908
Contribution deficiency (excess)	$ (43)	$ (11,094)	$ (1,068)	$ (67)	$ (25,078)	$ (28,278)	$ (37,302)	$ (10,322)	$ (8,600)	$ 32,608
Covered payroll	$450,665	$ 438,543	$ 408,449	$ 395,319	$ 318,044	$ 305,970	$ 294,514	$ 276,058	$ 263,129	$ 258,490
Contributions as a percentage of covered payroll	7.09%	11.13%	9.23%	16.43%	27.69%	27.06%	31.17%	23.03%	21.79%	17.37%

Notes:

Valuation date:

Actuarially determined contribution rates were calculated as of January 1, 2025, two years prior to the end of the fiscal year in which contributions are reported.

Changes in Assumptions:

The percentage married assumption for deferred vested participants, the salary scale, mortality assumption, retirement rates, disability rates, and termination rates have b
updated to the latest Pension Plan assumptions developed in the experience study report based on January 1, 2017 to January 1, 2022 experience dated November 14, 20
The healthcare cost trend assumption was updated based on the 2024 SOA Getzen model, adjusted to reflect the expected impact of the Inflation Reduction Act.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Open group Projected Unit Credit: Prorated to assumed benefit commencement/retirement date.
Ammortization method	20-year target period to reach the goal level (90%Funding Target as of July, 2040).
Asset valuation method	Market value of assets.
Inflation	2.60%
Healthcare cost trend rates	The trend for 2025 is 7.00% The ultimate trend is 3.92%
Payroll increases	3.00%
Investment rate of return	6.30% The long-term expected return on assets is based on trust assets.
Decrement assumptions	The retirement decrement is assumed to commence once a participant reaches earliest retirement eligibility.
Mortality	(1) Healthy uses SOA RPH-2014 adjusted to 2006 Blue Collar Headcount-weighted Mortality: MP-2018 Base Year 2006 Fully Generational. (2) Disabled - General County employees uses SOA RP-2014 adjusted to 2006 Blue Collar Mortality with Scale MP-2018 (set forward 9 years). (3) Disabled - Uniformed services employees (Police, Firefighters, and Correctional facilities) uses SOA RP-2014 adjusted to 2006 Blue Collar Mortality with Scale MP-2018 (set forward 5 years).

Anne Arundel County Maryland

Retiree Health Benefits Trust

Required Supplementary Information

Schedule of Contributions - Library Plan

For Years Ended June 30

Amounts in thousands

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	$ 1,068	$ 1,512	$ 1,468	$ 2,403	$ 2,333	$ 2,299	$ 2,299	$ 2,168	$ 2,008	$ 2,548
Contributions in relation to the actuarially determined contribution	1,435	1,825	1,689	2,198	2,587	3,433	1,512	1,142	1,699	1,170
Contribution deficiency (excess)	$ (367)	$ (313)	$ (221)	$ 205	$ (254)	$ (1,134)	$ 787	$ 1,026	$ 309	$ 1,378
Covered payroll	$ 22,662	$ 21,344	$ 19,535	$ 17,124	$ 15,696	$ 15,459	$ 14,421	$ 13,785	$ 13,203	$ 12,691
Contributions as a percentage of covered payroll	6.33%	8.55%	8.65%	12.84%	16.48%	22.21%	10.48%	8.28%	12.87%	9.22%

Notes:

Valuation date

Actuarially determined contribution rates were calculated as of January 1, 2025, two years prior to the end of the fiscal year in which contributions are reported.

Changes in Assumptions:

The percentage married assumption for deferred vested participants, the salary scale, mortality assumption, retirement rates, disability rates, and termination rates hav
updated to the latest Pension Plan assumptions developed in the experience study report based on January 1, 2017 to January 1, 2022 experience dated November 14,
The healthcare cost trend assumption was updated based on the 2024 SOA Getzen model.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected Unit Credit: Prorated to assumed benefit commencement/retirement date.
ADC determination methodology	20-year target period to reach the goal level (90%Funding Target as of July 1, 2040)
Asset valuation method	Market value of assets.
Inflation	2.60%
Healthcare cost trend rates	The trend for 2025 is 7.00% The ultimate trend is 3.92%
Payroll increases	3.00%
Investment rate of return	6.30% The long-term expected return on assets is based on trust assets.
Decrement assumptions.	The retirement decrement is assumed to commence once a participant reaches earliest retirement eligibility and vary by employee type.
Mortality	(1) Healthy uses SOA RPH-2014 adjusted to 2006 Blue Collar Headcount- weighted Mortality: MP-2018 Base Year 2006 Fully Generational.
	(2) Disabled uses SOA RP-2014 adjusted to 2006 Blue Collar Mortality with Scale MP-2018 (set forward 9 years).

Anne Arundel County Maryland
Retiree Health Benefits Trust
Required Supplementary Information
June 30, 2026

Information about each Plan is presented herewith as required supplementary information. This information is intended to help users assess OPEB Trust's funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other OPEB Plans.

1 Changes in Actuarial Methods and Assumptions

The healthcare cost trend assumption is unchanged from the prior actuarial valuation dated March 31, 2025. It is based on the 2024 Getzen model released by the Society of Actuaries adjusted to reflect the expected impact of the Inflation Reduction Act (IRA).

Future healthcare costs increase rates are unpredictable and could be volatile. They will depend upon the economy, future healthcare delivery systems and emerging technologies. The trend assumption used in the valuation is based on an economic model developed by a healthcare economist for the Society of Actuaries. Future healthcare trend increases could vary significantly from the model. Model inputs will be updated periodically based on the best estimate of the economy at that time.

Anne Arundel County Maryland
Retiree Health Benefits Trust
Combining Statement of Fiduciary Net Position
June 30, 2026

	County Plan	College Plan	Library Plan	Public School Plan	Total
ASSETS					
Investments					
Money market	$ 9,595,384	$ 278,040	$ 87,572	$ 1,196,380	$ 11,157,376
Mutual funds	683,750,049	36,484,730	10,244,487	79,234,515	809,713,781
Private markets	22,369,983	1,193,656	335,165	2,592,280	26,491,084
Real estate investment pool	21,798,365	1,163,155	326,600	2,526,036	25,814,156
Total investments	737,513,781	39,119,581	10,993,824	85,549,211	873,176,397
Accounts receivable	4,982,523	-	-	-	4,982,523
Total assets	742,496,304	39,119,581	10,993,824	85,549,211	878,158,920
LIABILITIES					
Accrued liabilities and accounts payables	68,999	3,666	1,035	5,301	79,001
Due to Anne Arundel County Gov.	11,146,789	151	41	105	11,147,086
Total liabilities	11,215,788	3,817	1,076	5,406	11,226,087
Net position held in trust for other post-employment benefits	$ 731,280,516	$ 39,115,764	$ 10,992,748	$ 85,543,805	$ 866,932,833

(Schedule of Net OPEB Liability presented on page 14)

Accompanying notes to the combined financial statements are an integral part of this statement.

Anne Arundel County Maryland
Retiree Health Benefits Trust
Combining Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2026

	County Plan	College Plan	Library Plan	Public School Plan	Total
ADDITIONS					
Contributions:					
Employer	$ 32,002,003	$ 2,720,725	$ 1,434,846	$ 25,712,500	$ 61,870,074
Member	9,783,588	1,379,250	389,099	-	11,551,937
Insurance subsidies and rebates	23,498,684	-	-	-	23,498,684
Total contributions	65,284,275	4,099,975	1,823,945	25,712,500	96,920,695
Investment income:					
Net appreciation in fair value of investments	90,056,987	4,840,378	1,360,758	9,543,675	105,801,798
Dividends	19,914,201	1,067,958	299,703	2,126,628	23,408,490
Interest	1,807,610	69,407	19,976	365,321	2,262,314
Total investment gain	111,778,798	5,977,743	1,680,437	12,035,624	131,472,602
Less investment expense	756,830	40,451	11,363	81,698	890,342
Net investment gain	111,021,968	5,937,292	1,669,074	11,953,926	130,582,260
Total additions	176,306,243	10,037,267	3,493,019	37,666,426	227,502,955
DEDUCTIONS					
Insurance claims	57,923,432	-	-	-	57,923,432
Insurance premiums	7,705,951	4,027,250	1,809,345	-	13,542,546
General and administrative expense	1,286,253	16,630	4,692	23,820	1,331,395
Total deductions	66,915,636	4,043,880	1,814,037	23,820	72,797,373
Net increase in plan net position	109,390,607	5,993,387	1,678,982	37,642,606	154,705,582
Net position held in trust, beginning of year	621,889,909	33,122,377	9,313,766	47,901,199	712,227,251
Net position held in trust, end of year	$ 731,280,516	$ 39,115,764	$ 10,992,748	$ 85,543,805	$ 866,932,833

Accompanying notes to the combined financial statements are an integral part of this statement.

SB & Company
CPAs and Business Advisors

REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees of
Anne Arundel Retiree Health Benefits Trust
Annapolis, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the accompanying combined statement of fiduciary net position of the Anne Arundel Retiree Health Benefits Trust (the OPEB Trust) as of June 30, 2026, and the related combined statement of changes in fiduciary net position for the year then ended and the related notes to the financial statements, which collectively comprise the OPEB Trust's basic financial statements, and have issued our report thereon dated September 28, 2026.

Report on Internal Controls Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the OPEB Trust's internal controls over financial reporting (internal controls) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the OPEB Trust's internal controls. Accordingly, we do not express an opinion on the effectiveness of the OPEB Trust's internal controls.

A *deficiency in internal controls* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal controls, such that there is a reasonable possibility that a material misstatement of the OPEB Trust's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal controls was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal controls that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal controls that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

SB & Company
CPAs and Business Advisors

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the OPEB Trust's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the OPEB Trust's internal controls or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the OPEB Trust's internal controls and compliance. Accordingly, this communication is not suitable for any other purpose.

Owing Mills, Maryland
September 28, 2026

SB & Company, LLC