STATE OF WISCONSIN
Department of Employee Trust Funds
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SECRETARY

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Correspondence Memorandum

Date: May 18, 2020

To: Deferred Compensation Board

From: Ramona Yee, Deputy Administrator
Division of Trust Finance

Shelly Schueller, Director
Wisconsin Deferred Compensation Program

Subject: 2019 Financial Statements Report and Audit Results

ETF requests the Deferred Compensation Board (Board) approve the State of Wisconsin Public Employees Deferred Compensation Plan and Trust Financial Statements as of December 31, 2019.

As part of its overall responsibilities, the Board requires an audited annual financial statement report on the health of the Wisconsin Deferred Compensation Program (WDC). The purpose of the audit is to have an independent public accounting firm express its opinion as to whether the financial statements accurately reflect the financial position of the WDC.

The financial highlights for the two years ending December 31, include the following:

WDC Financial Statements Report Highlights and Comparisons		
Item	**2019**	**2018**
WDC Net Position Available for Plan Benefits	$5.7 billion	$4.7 billion
Average Rate of Return on Mutual Fund and Collective Investment Trust Fund Investments	25.8%	-4.6%
Employee Contributions	$172.8 million	$163.4 million
Plan Participants	65,948	63,845
Distributions	$276.0 million	$274.9 million
Participants Taking Distributions	9,752	9,177

For the year ended December 31, 2019, the following accounting changes were made and are discussed in Note 2 of the report:

Reviewed and approved by Cindy Klimke, Administrator, Division of Trust Finance

CKlimke

Electronically Signed 5/28/20

Board	Mtg Date	Item #
DC	6.11.20	3

- Implemented Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, which establishes criteria for identifying and classifying fiduciary activities of state and local governments. The plan was previously reported as fiduciary activity. Implementation of this statement resulted in continuing to report the plan as fiduciary activity and required us to classify the fund as another employee benefit trust fund. We also separately identified investment expense in the Statements of Changes in Fiduciary Net Position Available for Plan Benefits.
- Began classifying the FDIC Bank option as Cash and Cash Equivalents because of the nature of the investment being short term and highly liquid. Previously the FDIC Bank option was classified as Investments.
- Changed the accounting of the Board administrative account that is invested in the plan and used to pay plan expenses. The balance of the account was previously reported as an asset and a liability. We determined it is more appropriate to not report the balance as a liability because there is no present obligation to sacrifice resources. Accordingly, we are accounting for activity of the Board administrative account as revenue and expense of the plan.

You will also note single period financial statements are presented. Previously, comparative financial statements were prepared which consisted of the current reporting period and prior year. The Management’s Discussion and Analysis continues to provide a comparison and analysis of between year balances and activity, which is the main purpose of this section.

Pursuant to its contract with the Board, Wipfli has completed the WDC’s comprehensive financial statements audit for the year ending December 31, 2019. As the attached report indicates, the auditors have issued an unqualified or “clean” opinion, indicating the financial statements are free from material misstatement as of December 31, 2019. Staff from ETF and Wipfli will be available at the meeting to discuss the financial statements and audit results with the Board.

Attachment: Draft WDC Financial Statements for the year ending December 31, 2019

STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN
AND TRUST
Madison, Wisconsin

Financial Statements as of and for the Year
Ended December 31, 2019
Including Independent Auditor's Report

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WIPFLI

Independent Auditor's Report

Deferred Compensation Board
Department of Employee Trust Funds
State of Wisconsin
Madison, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of State of Wisconsin Public Employees Deferred Compensation Plan and Trust, which comprise the statement of fiduciary net position available for plan benefits as of December 31, 2019, and the related statement of changes in fiduciary net position available for plan benefits for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the 2019 financial statements referred to above present fairly, in all material respects, the financial position of Wisconsin Public Employees Deferred Compensation Plan and Trust as of December 31, 2019, and the changes in net position for the year then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis information on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate 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, 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.

Wipfli LLP

[Date]
Madison, Wisconsin

This section presents Management's Discussion and Analysis of the Wisconsin Public Employees Deferred Compensation Plan and Trust's (the Plan) financial performance, which includes an overview of the Plan's financial position and activities as of December 31, 2019, and 2018, and for the years then ended. It is presented as required supplemental information to the financial statements.

The Plan is a supplemental retirement savings plan available to all active state and university employees. Active local government and school district employees may also be eligible if their employer has elected to offer this optional benefit plan. The Wisconsin Deferred Compensation (WDC) Plan is governed by Section 457 of the Internal Revenue Code (IRC), Wisconsin Statute § 40.80, 40.81, & 40.82 and Wisconsin Administrative Code ETF Chapter 70.

FINANCIAL HIGHLIGHTS

- Net Position Available for Plan Benefits increased by $942.3 million from $4.7 billion at December 31, 2018, as restated, to approximately $5.7 billion at December 31, 2019. This increase was primarily due to an increase in Investment Income. The Net Appreciation (Depreciation) in Fair Value of investments increased from $(318.6) million as of December 31, 2018, as restated, to $944.1 million as of December 31, 2019. This is mainly due to the increase in the average rate of return on Mutual Fund and Collective Investment Trust (CIT) Fund earnings from (4.6)% as of December 31, 2018, to 25.8% as of December 31, 2019.

- Employee Contributions increased 5.8% from $163.4 million for the year ended December 31, 2018 to $172.8 million for the year ended December 31, 2019. The change from 2018 to 2019 was due to an increase in the number of plan participants from year to year. There were 65,948 and 63,845 plan participants as of December 31, 2019, and 2018, respectively, which was a 3.3% increase.

- Transfers-in From Other Plans decreased 38.9% from $70.4 million for the year ended December 31, 2018 to $43.0 million for the year ended December 31, 2019. Much of this decrease can be attributed to the results of a targeted campaign by Empower in 2018 to notify new employees they can transfer amounts from other qualified retirement savings plans.

- Distributions to Participants remained relatively stable between years with an increase of 0.4%. There were 9,752 individuals who received a distribution in 2019, compared to 9,177 in 2018. The average distribution was $28,303 in 2019.

- Administrative Expenses include advisory service fees paid by participants using the managed accounts service, fees paid to Empower Retirement for plan and participant record keeping services, costs for audits, and other Plan expenses. Furthermore, certain investment options provide reimbursements of fees to participants, which are netted against the administrative expenses, as shown on the following page.

Administrative Expenses

	2019	2018*	$ Change	% Change
Advisory Service Fees	$ 2,343,158	$ 1,928,192	$ 414,966	21.5 %
Administrative Fees	3,602,464	3,423,630	178,834	5.2 %
Investment Option Reimbursements	(65,958)	(1,289,586)	(1,223,628)	(94.9)%
Administrative Expenses	$ 5,879,664	$ 4,062,236	$ 1,817,428	44.7 %

**Amounts for the prior year include restatements of prior year balances.*

Administrative Expenses increased 44.7% from $4.1 million for the year ended December 31, 2018, as restated, to $5.9 million for the year ended December 31, 2019. The increase was primarily due to more participants using the managed account service, an increase in overall plan participation, and a decrease in the Investment Option Reimbursement amounts. The Investment Option Reimbursements decreased 94.9% due to a transition of the Fidelity ContraFund from a mutual fund with reimbursement of fees to a CIT Fund with no reimbursement of fees. The Board made this change because the CIT Funds generally have lower management fees than mutual funds. Federated U.S. Government Securities Fund and a new Dodge & Cox Income Fund are investment options that continue to offer a reimbursement of fees to participants.

The following accounting changes for the year ending December 31, 2019, were made. Note 2 further discusses each change.

- Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, is effective for reporting periods beginning after December 15, 2019, with early implementation encouraged. The statement establishes criteria for identifying and classifying fiduciary activities of state and local governments. The result of implementing this standard is the classification of the fund as an other employee benefit trust fund and separately presenting Investment Expense in the Statement of Changes in Fiduciary Net Position Available for Plan Benefits. The changes had no impact to the Net Position Available for Plan Benefits.
- Beginning in 2019, the FDIC Bank option is classified as Cash and Cash Equivalents because of the nature of the investment being short term and highly liquid. Previously the FDIC Bank option was classified as Investments. This change had no effect on the Net Position of the plan.
- In 2019, ETF changed the accounting of the Board administrative account that is invested in the Plan and used to pay Plan expenses. The balance of the account was previously reported as an asset and a liability. We determined it is more appropriate to not report the balance as a liability because there is no present obligation to sacrifice resources. Accordingly, we are accounting for activity of the Board administrative account as revenue and expense of the Plan. This increased the Net Position by $2,157,003.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of the Statement of Fiduciary Net Position Available for Plan Benefits and the Statement of Changes in Fiduciary Net Position Available for Plan Benefits. These statements provide information about the financial position and activities of the Plan.

The following Summary of Net Position Available for Plan Benefits and the Summary of Changes in Net Position Available for Plan Benefits provides summary information about the financial position and activities of the Plan.

Summary of Fiduciary Net Position Available for Plan Benefits

	Other Employee Benefit Trust Fund			
	December 31, 2019	December 31, 2018*	$ Change	% Change
Cash and Cash Equivalents	$ 131,461,225	$ 128,865,515	$ 2,595,710	2.0 %
Investments	5,558,811,284	4,619,134,901	939,676,383	20.3 %
Receivable - Contributions	416,086	436,182	(20,096)	(4.6)%
Total Assets	5,690,688,595	4,748,436,598	942,251,997	19.8 %
Net Position Available for Plan Benefits	$5,690,688,595	$4,748,436,598	$942,251,997	19.8 %

**Amounts for the prior year include restatements of prior year balances. See Note 2.*

Summary of Changes in Fiduciary Net Position Available for Plan Benefits

	Other Employee Benefit Trust Fund			
	2019	2018*	$ Change	% Change
Additions				
Employee Contributions	$ 172,831,679	$ 163,413,183	$ 9,418,496	5.8 %
Transfers-in From Other Plans	43,017,231	70,424,658	(27,407,427)	(38.9)%
Investment Income(Loss):				
Net Appreciation (Depreciation) in Fair Value	944,075,948	(318,588,999)	1,262,664,947	396.3 %
Interest and Dividends	77,551,189	132,818,347	(55,267,158)	(41.6)%
Less: Investment Expense	(13,331,115)	(10,871,461)	2,459,654	22.6 %
Net Investment Income (Loss)	1,008,296,022	(196,642,113)	1,204,938,135	612.8 %
Total Additions	1,224,144,932	37,195,728	1,186,949,204	3,191.1 %
Deductions				
Distributions to Participants	276,013,271	274,874,405	1,138,866	0.4 %
Administrative Expenses	5,879,664	4,062,236	1,817,428	44.7 %
Total Deductions	281,892,935	278,936,641	2,956,294	1.1 %
Net Increase (Decrease)	$ 942,251,997	$ (241,740,913)	$ 1,183,992,910	489.8 %

**Amounts for the prior year include restatements of prior year balances. See Note 2.*

Highlighted items will be updated for June 1, 2020, when information is available.

ECONOMIC CONDITIONS

Beginning in early 2020, the global and United States economies began suffering adverse effects from the COVID-19 pandemic. The Plan's fair value of investments as of May 13, 2020, has declined by 9.2% since December 31, 2019. As described in Note 7, the Plan's investments are subject to various risks, including market, interest rate and credit risks. The values of individual investments fluctuate with market conditions, as such the amount of investment losses that the Plan will recognize in its future financial statements, if any, cannot be determined.

FINANCIAL CONTACT

The Plan's financial statements are designed to present users with a general overview of the Plan's finances and to demonstrate the trustees' accountability. If you have questions about the report or need additional financial information, contact the Deferred Compensation Director for the Department of Employee Trust Funds at P.O. Box 7931, Madison, Wisconsin, 53707-7931.

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FINANCIAL STATEMENTS

STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN AND TRUST
STATEMENT OF FIDUCIARY NET POSITION AVAILABLE FOR PLAN BENEFITS
As of December 31, 2019

		Other Employee Benefit Trust Fund
ASSETS		
Cash and Cash Equivalents	$	131,461,225
Investments:		
Stable Value Fund		689,463,655
Mutual Funds		1,899,136,142
Collective Investment Trust Funds		2,970,211,487
Total Investments		5,558,811,284
Receivable - Contributions		416,086
Total Assets		5,690,688,595
LIABILITIES		
Total Liabilities		0
NET POSITION AVAILABLE FOR PLAN BENEFITS	$	5,690,688,595

The accompanying notes are an integral part of the financial statements.

STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN AND TRUST
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION AVAILABLE FOR PLAN BENEFITS
For the Year Ended December 31, 2019

		Other Employee Benefit Trust Fund
ADDITIONS		
Employee Contributions	$	172,831,679
Transfer-in From Other Plans		43,017,231
Investment Income (Loss):		
Net Appreciation (Depreciation) in Fair Value of Investments		944,075,948
Interest and Dividends		77,551,189
Less:		
Investment Expense		(13,331,115)
Net Investment Income (Loss)		1,008,296,022
Total Additions		1,224,144,932
DEDUCTIONS		
Distributions To Participants		276,013,271
Administrative Expenses		5,879,664
Total Deductions		281,892,935
NET INCREASE (DECREASE)		942,251,997
NET POSITION AVAILABLE FOR PLAN BENEFITS, BEGINNING OF YEAR		4,748,436,598
NET POSITION AVAILABLE FOR PLAN BENEFITS, END OF YEAR	$	5,690,688,595

The accompanying notes are an integral part of the financial statements.

NOTE 1- DESCRIPTION OF PLAN

The State of Wisconsin Public Employees Deferred Compensation Plan and Trust (the Plan) was established in 1981 pursuant to Wisconsin State Statute Section 40.80.

In accordance with Section 457 of the IRC, the Plan limits the amount of an employee's annual contributions to an amount not to exceed the lesser of $19,000 or 100% of the employee's includable compensation for 2019. Amounts contributed by employees are deferred for federal and state income tax purposes until benefits are paid to the employees.

In 2010, the federal government passed the Small Business Jobs Act of 2010, which allows 457 plans such as the WDC Plan to offer a Roth contribution option effective January 1, 2011. Roth contributions are made with after-tax dollars. Participants may withdraw WDC Roth contributions and earnings income tax and penalty free once they have held the account for at least five years and severed employment. The WDC opened the Roth contribution option to participants on July 1, 2011. The Plan also provides certain catch-up contribution provisions for participants age 50 or older and for participants within three years of their normal retirement age. The Plan allows the employer to make contributions on behalf of employees. No such contributions were made in 2019.

Under the Plan provisions, employees of the State of Wisconsin and public employers in Wisconsin that elect to participate are eligible to contribute to the Plan through payroll deductions. As of December 31, 2019, approximately 66% of the Plan assets were applicable to State employees and the remaining 34% represent the assets of other Wisconsin public employers participating in the Plan.

Under provisions of the Small Business Job Protection Act of 1996 (SBJPA), which became effective for plan years beginning after December 31, 1996, assets of IRC Section 457 plans must be held in a trust, custodial account, or annuity contract for the exclusive benefit of employees and beneficiaries. In March 2006, Wisconsin Act 150 was signed into law, creating Code Section 40.80 (2)(g) of the Wisconsin Statutes. Section 40.80 (2)(g) incorporates requirements of the federal tax code by establishing the WDC Plan as a trust. Furthermore, it established the Deferred Compensation Board members as trustees with fiduciary responsibilities.

The Plan is governed by the Wisconsin Deferred Compensation Board (the Board) and is administered by a third party.

Employees electing to participate in the Plan may contribute to or exchange within any of the following investment options:

- FDIC Bank option managed by Johnson Bank.
- Stable Value option managed by Galliard Capital Management, Inc.
- Mutual Funds including self-directed brokerage options offered by Charles Schwab & Co., Inc. Participants may exchange funds accumulated in the core options of the Plan to a Personal Choice Retirement Account (PRCA), which provides approximately 3,000 investment offerings in addition to the Plan's core options.
- Collective Investment Trust (CIT) Funds.

Employees may withdraw the value of the funds contributed to the Plan upon termination of employment with the employer, retirement, death, or financial hardship. Employees, or their beneficiaries, may select various payout options which include lump sum or periodic payments.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and present the net position available for plan benefits and the net change in position.

Use of Estimates in Preparing Financial Statements

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 additions and deductions during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and Cash Equivalents represent the balance of the FDIC Bank Option at December 31, 2019. The FDIC Bank option provides safety of principal and a stable credited rate of interest and is insured up to $250,000 per participant. At December 31, 2019, 68 individual participant accounts held more than $250,000. The FDIC Bank option paid interest ranging from 1.47% and 2.58% during the year. As of December 31, 2019, the crediting rate was 1.47%.

Contributions and Contributions Receivable

Employee contributions are recognized when such amounts are withheld. Receivable contributions represent amounts withheld from employees but not yet received or remitted to the investment carriers at calendar year-end.

Investment Valuation

Stable Value investments are valued as reported by Galliard Capital Management at fair value, which represents contributions received plus interest income earned to date less applicable charges and amounts withdrawn.

Mutual Funds and Collective Investment Trusts are valued using a readily available fair value based on the fair value of the underlying securities in which the account is invested. The readily determinable fair value is used if the fair value per share is determined and published and is the basis for current transactions. There are currently no redemption restrictions or unfunded commitments on these transactions. All purchases and sales are recorded on a trade-date basis.

Distributions

Distributions are recorded at the time withdrawals are made from participant accounts.

Investment Income

Investment income consists of dividend income and realized and unrealized gains and losses attributed to the Mutual Funds, including PCRA, and Collective Investment Trust Funds.

Interest Income

The Stable Value option paid interest ranging from 2.51% to 2.62% during the year ended December 31, 2019. At December 31, 2019, the crediting rate was 2.54%.

Interest income is recorded as earned on the accrual basis.

Participants' Accounts

Earnings are credited to individual participants' accounts based upon the investment performance of each specific option selected.

Transfer-In from Other Plans

Transfer-in represents the balance of assets transferred by employees from other eligible plans.

Related Party Transactions

Certain members of the Deferred Compensation Board, Wisconsin Retirement Board, Teachers Retirement Board, Group Insurance Board and Employee Trust Funds Board are participating members of the Plan.

Accounting Changes

- Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, is effective for reporting periods beginning after December 15, 2019, with early implementation encouraged. The statement establishes criteria for identifying and classifying fiduciary activities of state and local governments. It describes four fiduciary funds that should be reported, if applicable: 1) pension (and other employee benefit) trust funds, 2) investment trust funds, 3) private-purpose trust funds, and 4) custodial funds, which generally should report fiduciary activities that are not required to be reported in pension trust funds, investment trust funds, or private-purpose trust funds. The Plan was previously reported as fiduciary activity. Implementation of this statement requires us to classify the fund as an other employee benefit trust fund. We also separately identified investment expense in the Statements of Changes in Fiduciary Net Position Available for Plan Benefits. The changes had no impact to the net position available for plan benefits.
- Beginning in 2019, the FDIC Bank option is classified as Cash and Cash Equivalents because of the nature of the investment being short term and highly liquid. Previously the FDIC Bank option was classified as Investments. This change had no effect on the Net Position of the plan.
- In 2019, ETF changed the accounting of the Board administrative account that is invested in the Plan and used to pay Plan expenses. The balance of the account was previously reported as an asset and a liability. We determined it is more appropriate to not report the balance as a liability because there is no present

obligation to sacrifice resources. Accordingly, we are accounting for activity of the Board administrative account as revenue and expense of the Plan. This increased the Net Position by $2,157,003. The tables below show the effect of the adjustment on the beginning net position as well as the effect on the change in net position for the preceding period.

Restatement of Beginning Net Position

Net Position as of December 31, 2018	$4,746,279,595
Adjustment of Liabilities as of December 31,2018	2,157,003
Net Position as of December 31, 2018, restated	$4,748,436,598

Restatement of Change in Net Position

Net Increase (Decrease) for the year ended December 31, 2018	($241,665,717)
Net Appreciation (Depreciation) in Fair Value	51,502
Less: Administrative Expenses	(126,698)
Net Increase (Decrease) for the year ended December 31, 2018, restated	($241,740,913)

NOTE 3 - INVESTMENTS

Investments held in the name of the Plan at December 31, 2019, can be found in the table below. Investments marked with an asterisk (*) represent individual investment options which exceed 5% of the Net Position Available For Plan Benefits as of December 31, 2019. Investments marked with two asterisks (**) are funds with international exposure.

Investments by Fair Value for the Year Ended December 31, 2019

Stable Value investments:		
Stable Value Fund	689,463,655	*
Mutual Funds and CIT Funds:		
International Equity Funds		
American Funds Europacific Growth R6	179,426,156	**
BlackRock EAFE Equity Index Fund[1]	205,879,591	**
Total International Equity Funds	385,305,747	
Large-Cap Funds		
Calvert U.S. Large Cap Core Responsible Index R6	67,229,546	
American Beacon Bridgeway Large Cap[1]	30,893,868	
Fidelity Contrafund Commingled Pool[1]	750,625,050	*
Vanguard Institutional 500 Index Trust[1]	616,680,005	*
Total Large-Cap Funds	1,465,428,469	
Mid-Cap Funds		
T. Rowe Price Institutional Mid Cap Equity Growth	602,587,784	*
BlackRock Mid Cap Equity Index Fund[1]	243,005,371	
Total Mid-Cap Funds	845,593,155	
Small-Cap		
BlackRock Russell 2000 Index Fund M[1]	83,267,978	
DFA U.S. Micro Cap Fund	219,974,510	
Total Small-Cap Funds	303,242,488	
Target Date Funds		
Vanguard Target Retirement 2015[1]	119,761,607	
Vanguard Target Retirement 2025[1]	281,493,802	
Vanguard Target Retirement 2035[1]	199,886,282	
Vanguard Target Retirement 2045[1]	119,048,516	
Vanguard Target Retirement 2055[1]	38,031,139	
Vanguard Target Retirement Income Trust[1]	58,562,872	
Total Target Date Funds	816,784,218	
Balanced Funds		
Vanguard Wellington Admiral	500,197,095	*
Total Balanced Funds	500,197,095	

Investments by Fair Value for the Year Ended December 31, 2019

Bonds	
BlackRock U.S. Debt Index M[1]	223,075,406
Dodge and Cox Income Fund	40,506,042
Federated U.S. Government Securities Fund - 2-5 year	27,153,476
Vanguard Long-Term Investment Grade Fund	154,301,776
Total Bonds	445,036,700
Money Market	
Vanguard Treasury Money Market Fund	37,533,414
Total Money Market	37,533,414
Self-Directed Brokerage Option	
Personal Choice Retirement Accounts - Charles Schwab	70,226,343
Total Self-Directed Brokerage Option	70,226,343
Total Mutual Funds and CIT Funds	4,869,347,629
Total Investments	$ 5,558,811,284

* Exceeds 5% of the Net Position Available for Plan Benefits.
** Funds with International exposure.
[1] Collective Investment Trust Fund

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the Plan would not be able to recover the value of its deposits, investments, or collateral securities that were in the possession of an outside party. Investment securities are exposed to custodial credit risk if they are uninsured or not registered in the name of the Plan and are held by either the counterparty or the counterparty's trust department or agent, but not in the Plan's name.

The Stable Value fund, CIT Funds, and Mutual Funds do not have securities that are used as evidence of the investments and therefore are not exposed to custodial credit risk. The Plan does not have a formal policy for custodial credit risk.

Interest rate risk, applicable to securities with exposure to debt instruments, is the risk that changes in interest rates will adversely affect the value of an investment. Duration is the measure of a debt investment's exposure to fair value changes arising from changing interest rates based upon the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. The weighted average effective duration in years for investments held in 2019 are on the following page.

Weighted Average Maturity for the Year ended December 31, 2019

Investment Option	Fair Value	Weighted Average Maturity
Stable Value Investments:		
Stable Value Fund	$ 689,463,655	3.56
Mutual and Collective Investment Funds:		
Vanguard Target Retirement 2015	119,761,607	7.43
Vanguard Target Retirement 2025	281,493,802	8.78
Vanguard Target Retirement 2035	199,886,282	8.78
Vanguard Target Retirement 2045	119,048,516	8.77
Vanguard Target Retirement 2055	38,031,139	8.77
Vanguard Target Retirement Income Trust	58,562,872	7.30
Vanguard Wellington Admiral	500,197,095	10.20
BlackRock U.S. Debt Index M	223,075,406	7.91
Dodge and Cox Income Fund	40,506,042	7.90
Federated U.S. Government Securities Fund - 2-5 year	27,153,476	3.80
Vanguard Long-Term Investment Grade Fund	154,301,776	21.9
	$ 2,451,481,668	

Credit risk is the risk that the Plan will lose money because of the default of the security of the issuer or investment counterparty. The Stable Value Fund, Mutual Funds, and CIT Funds are unrated.

Concentration of credit risk is the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. The Plan's investments are managed by several fund managers. The concentrations of investments are determined by the participants' elections to invest in the available investment options as selected by the Board. Investments that exceed 5% of net position are identified on page 15 and 16.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of the investment. The Plan allows the option of investments in Mutual Funds and CIT Funds that make investments in foreign securities and are not required to disclose the individual assets within the fund. The fair value of these investments was $385,305,747 as of December 31, 2019. The individual funds are identified on page 15.

Fair Value Measurement: The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The inputs to the three levels of the fair value hierarchy are described as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Significant other observable inputs, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets in markets that are not active and other market corroborated inputs.
- Level 3: Significant unobservable inputs.

Assets measured at fair value on a recurring basis are summarized as follows:

	Level 1	Level 2	Level 3	Fair Value
December 31, 2019				
Stable Value Fund	$ 0	$ 689,463,655	$ 0	$ 689,463,655
International Equity Funds	385,305,747	0	0	385,305,747
Large-cap Equity Funds	1,465,428,469	0	0	1,465,428,469
Mid-cap Equity Funds	845,593,155	0	0	845,593,155
Small-cap Equity Funds	303,242,488	0	0	303,242,488
Target Date Funds	816,784,218	0	0	816,784,218
Balanced Funds	0	500,197,095	0	500,197,095
Bond Funds	0	445,036,700	0	445,036,700
Money Market	37,533,414	0	0	37,533,414
Self-Directed Brokerage Mutual Funds	70,226,343	0	0	70,226,343
Totals	$ 3,924,113,834	$ 1,634,697,450	$ 0	$ 5,558,811,284

An agreement was reached between the Board and Great-West Life on April 27, 1994, whereby the Plan purchased a single premium group annuity policy on May 1, 1994 for $12,946,917 (the balance in the annuity payout reserve at the time of purchase). Under the terms of the policy, Great-West Life assumed the contractual liability for the remaining annuity terms and amounts and assumed all risk related to market fluctuation. The actuarial value of the group annuity contracts, as determined by Great-West Life was $958,392 at December 31, 2019.

NOTE 4 - PLAN ADMINISTRATION

The cost of the Plan is paid for primarily with participant administrative fees. Each participant in the Plan is charged a fee based upon their account balance and a tiered dollar charge. The following fees were in effect for 2019:

Participant Account Balance	Monthly/Annual Participant Fee
$1 - $5,000	$0/$0
$5,001 - $25,000	$1/$12
$25,001 - $50,000	$3/$36
$50,001 - $100,000	$6/$72
$100,001 - $150,000	$8/$96
$150,001 - $250,000	$11/$132
More than $250,000	$16.50/$198

The Board maintains an account from which Plan expenses are paid. The balance of this account as of December 31, 2019, was $2,003,333 and is invested in the Stable Value Fund. At the Board's discretion, this money is available to defray future administrative expenses and participant fee increases.

NOTE 5 - TAX STATUS

The Plan is reviewed by legal counsel to ensure conformity with Section 457 of the IRC. Accordingly, any amount of compensation deferred under the Plan and any income attributable to the amounts deferred shall be included in the gross income of the participant only for the taxable year in which such compensation or other income is paid or otherwise made available to the participant or beneficiary.

NOTE 6 - CONTINGENCIES

The Plan is subject to various threatened and pending claims. It is the opinion of management that the ultimate liability arising from such threatened and pending claims will not have a material effect on the financial position of the Plan. The Plan is exposed to various other liabilities and risks related to the fiduciary responsibility of directors and officers.

NOTE 7 - RISK AND UNCERTAINTIES

The Plan, as directed by participants, may invest in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks.

Due to the level of risk associated with certain investment securities, it is possible that changes in the values of investment securities may occur in the near term and that such changes could materially affect the amounts reported in the Statement of Fiduciary Net Position Available for Plan Benefits.

NOTE 8 - PLAN TERMINATION

The State may terminate the Plan at any time, although no intent to terminate the Plan has been expressed. In the event of termination, all participants will remain fully vested.

NOTE 9 – SUBSEQUENT EVENTS

The Plan evaluated subsequent events through June 11, 2020, the date the financial statements were available to be issued, for events requiring reporting or disclosure in the Plan’s financial statements. Management believes no material events have occurred.