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CORRESPONDENCE MEMORANDUM

DATE: April 19, 2010

TO: Wisconsin Deferred Compensation Board

FROM: Shelly Schueller, Director
Wisconsin Deferred Compensation Program

SUBJECT: Financial Statements Audit Report

This memo is for the Board's information only. No action is required.

As part of its overall program responsibilities, the Board requires audited annual financial statements reports on the health of the Wisconsin Deferred Compensation Program (WDC). The purpose of these audit reports 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 audit reports should demonstrate that all participant accounts and contributions are being properly balanced and records are being kept accurately, and that all WDC assets are balanced. Financial statements audit reports may also reveal any misstatements due to errors, fraud or other reasons that would cause the financial statements to inaccurately reflect the financial position of the WDC.

Pursuant to its contract with the Board, Clifton Gunderson has completed the WDC's comprehensive financial statements audit for the year ending December 31, 2009. As the attached report indicates, the financial statements present the net assets available for plan benefits as of December 31, 2009 and December 31, 2008. The financial highlights for the year ending December 31, 2009, include the following:

- WDC net assets at the close of 2009 were $2.3 billion. This is an increase of approximately $456.2 million, and can be attributed to gains on mutual fund investments in 2009. This contrasts against the losses experienced by the plan during 2008's unstable and less favorable market conditions.
- Mutual fund investment income increased to a gain of $342.1 million in 2009, which contrasts sharply with the $572.6 million loss during 2008.
- In 2009, the overall rate of return for the WDC's mutual fund investments was 20.10%. The 2008 overall rate of return was -24.15%.

Reviewed and approved by Jean Gilding, Administrator, Division of Retirement Services.

Signature Date

Board	Mtg Date	Item #
DC	05.18.10	6

- Employee contributions in 2009 were $142.6 million. This is a decrease from $145.5 million in 2008.
- Distributions to participants in 2009 decreased to $66.9 million from $74.8 million in 2008.

Conclusion
The financial statements audit report findings illustrate the WDC's overall good health. Participant deferrals, investment income and expenses are all accounted for in the financial statements report.

Staff from Clifton Gunderson and the Department will be available at the meeting to discuss the audit results with the Board.

Attachment

STATE OF WISCONSIN PUBLIC EMPLOYEES DEFERRED COMPENSATION PLAN AND TRUST

Madison, Wisconsin

FINANCIAL STATEMENTS

December 31, 2009 and 2008

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Clifton Gunderson LLP
Certified Public Accountants & Consultants

Independent Auditor's Report

State of Wisconsin Deferred
Compensation Board

We have audited the accompanying statements of net assets available for plan benefits of the State of Wisconsin Public Employees Deferred Compensation Plan and Trust (the Plan), as of December 31, 2009 and 2008 and the related statements of changes in net assets available for plan benefits for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for plan benefits as of December 31, 2009 and 2008 and the changes in net assets available for plan benefits for the years ended December 31, 2009 and 2008 in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Clifton Gunderson LLP

Baltimore, Maryland
April 12, 2010

This section presents management's discussion and analysis of the Wisconsin Public Employees Deferred Compensation Plan and Trust (the Plan) financial performance, which provides an overview of the Plan's financial position and activities as of December 31, 2009 and 2008 and for the years then ended. It is presented as required supplemental information to the financial statements.

FINANCIAL HIGHLIGHTS

- Net assets available for plan benefits increased by approximately $456.2 million during the year ended December 31, 2009 from $1.8 billion at December 31, 2008 to $2.3 billion at December 31, 2009. This increase was primarily due gains on mutual fund investments during 2009 as compared to losses during 2008. Net assets available for plan benefits decreased by approximately $481 million during the year ended December 31, 2008 from $2.3 billion at December 31, 2007 to $1.8 billion at December 31, 2008. This decrease was due to losses on mutual fund investments for 2008 as a result of unfavorable market conditions.
- Mutual fund investment income increased from a $572.6 million loss for the year ended December 31, 2008 to a $342.1 million gain for the year ended December 31, 2009 due to favorable market conditions in 2009 as compared to unfavorable market conditions during 2008. Mutual fund investment income decreased from a $167.3 million gain for the year ended December 31, 2007 to a $572.6 million loss for the year ended December 31, 2008 due to unfavorable market conditions during 2008. The plan's rate of return on mutual fund investments was 20.10%, (24.15)% and 7.63% for the years ending December 31, 2009, 2008 and 2007 respectively.
- Employee contributions decreased from $145.5 million for the year ended December 31, 2008 to $142.6 million for the year ended December 31, 2009. Employee contributions increased from $140.7 million for the year ended December 31, 2007 to $145.5 million for the year ended December 31, 2008. These changes were primarily due to changes in the average contribution per participant as well as fluctuations in the number of active plan participants from year to year. There were 43,759, 42,228 and 40,339 active plan participants as of December 31, 2009, 2008 and 2007, respectively.
- Distributions to participants decreased from $74.8 million for the year ended December 31, 2008 to $66.9 million for the year ended December 31, 2009. Distributions to participants decreased from $88.8 million for the year ended December 31, 2007 to $74.8 million for the year ended December 31, 2008. These changes were primarily due to changes in the average distribution per retiree as well as fluctuations in the number of individuals receiving distributions from year to year. There were 5,759, 5,681 and 5,571 individuals who received a distribution during the years ended December 31, 2009, 2008 and 2007, respectively.
- The change in the value of the self-directed option was an increase of $11.9 million for the year ended December 31, 2009. This increase was primarily due to favorable market conditions during 2009 as well as participant contributions into the fund. The change in the value of the self-directed option was a decrease of $16.0 million and an increase of $8.4 million for the years ending December 31, 2008 and 2007, respectively.

**STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN AND TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2009 and 2008**

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of the Statements of Net Assets Available for Plan Benefits and the Statements of Changes in Net Assets Available for Plan Benefits. These statements provide information about the financial position and activities of the Plan as a whole. These amounts are included in the Statement of Fiduciary Net Assets on the State of Wisconsin's financial statements.

The Plan's net assets available for plan benefits increased during the year ended December 31, 2009 by $456,200,537 from $1,817,463,839 to $2,273,664,376. This increase primarily relates to favorable market conditions during 2009 as compared to 2008. The Plan's net assets available for plan benefits decreased during the year ended December 31, 2008 by $481,799,971 from $2,299,263,810 to $1,817,463,839. This decrease relates to generally unfavorable market conditions during 2008.

The following Summary of Net Assets Available for Plan Benefits and the Summary of Changes in Net Assets Available for Plan Benefits provide information about the financial position and activities of the Plan as a whole.

**Table 1
Summary of Net Assets Available for Plan Benefits**

	December 31, 2009	December, 31, 2008	December 31, 2007
Investments	$ 2,275,145,616	$ 1,819,705,437	$ 2,301,343,666
Receivables - contributions	543,450	482,383	655,814
Total assets	2,275,689,066	1,820,187,820	2,301,999,480
Administrative expenses payable	2,024,690	2,723,981	2,735,670
Net assets available for plan benefits	$ 2,273,664,376	$ 1,817,463,839	$ 2,299,263,810

Table 2
Summary of Changes in Net Assets Available for Plan Benefits

	2009	2008	2007
Additions			
Employee contributions	$ 142,666,142	$ 145,498,687	$ 140,659,769
Transfers-in from other plans	8,129,207	14,929,723	13,635,881
Interest income	19,877,682	22,680,354	20,285,990
Investment income:			
Mutual fund investment income/(loss)	342,069,884	(572,571,835)	167,263,672
Change in value of self-directed option	11,923,445	(16,019,563)	8,421,645
Total additions	524,666,360	(405,482,634)	350,266,957
Deductions			
Distributions to participants	66,883,166	74,772,493	88,761,672
Administrative expenses	1,264,021	1,112,549	1,810,920
Change in value of group annuity policy	318,636	432,295	523,328
Total deductions	68,465,823	76,317,337	91,095,920
Net increase/(decrease)	$ 456,200,537	$ (481,799,971)	$ 259,171,037

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.

FINANCIAL STATEMENTS

STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN AND TRUST
STATEMENTS OF NET ASSETS AVAILABLE FOR PLAN BENEFITS
December 31, 2009 and 2008

	2009	2008
ASSETS		
Investments:		
Fixed earnings investments	$ 541,622,792	$ 499,015,068
Variable earnings investments	1,682,806,943	1,281,579,297
Self-directed option	47,784,511	35,861,066
Annuity investments	2,931,370	3,250,006
Total investments	2,275,145,616	1,819,705,437
Receivable - contributions	543,450	482,383
Total assets	2,275,689,066	1,820,187,820
LIABILITIES		
Administrative expenses payable	2,024,690	2,723,981
NET ASSETS AVAILABLE FOR PLAN BENEFITS	$ 2,273,664,376	$ 1,817,463,839

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

STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN AND TRUST
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR PLAN BENEFITS
Years Ended December 31, 2009 and 2008

	2009	2008
ADDITIONS		
Employee contributions	$ 142,666,142	$ 145,498,687
Transfers-in from other plans	8,129,207	14,929,723
Interest income	19,877,682	22,680,354
Investment income:		
Mutual fund investment income/(loss)	342,069,884	(572,571,835)
Change in value of self-directed option	11,923,445	(16,019,563)
Total additions	524,666,360	(405,482,634)
DEDUCTIONS		
Distributions to participants	66,883,166	74,772,493
Administrative expenses	1,264,021	1,112,549
Change in value of group annuity policy	318,636	432,295
Total deductions	68,465,823	76,317,337
NET INCREASE/(DECREASE)	456,200,537	(481,799,971)
NET ASSETS AVAILABLE FOR PLAN BENEFITS, BEGINNING OF PERIOD	1,817,463,839	2,299,263,810
NET ASSETS AVAILABLE FOR PLAN BENEFITS, END OF PERIOD	$ 2,273,664,376	$ 1,817,463,839

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

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 Internal Revenue Code (IRC), the Plan limits the amount of an employee's annual contributions to an amount not to exceed the lesser of $16,500 in 2009 and $15,500 in 2008 or 100% of the employee's eligible compensation. 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. Amounts contributed by employees are deferred for federal and state income tax purposes until benefits are paid to the employees. The Plan allows the employer to make contributions to the Plan on behalf of employees. No such contributions were made in 2009 or 2008.

Under the Plan provisions, employees of the State of Wisconsin and municipalities in Wisconsin (employer) that elect to participate are eligible to contribute to the Plan through payroll deductions. As of December 31, 2009 and 2008, approximately 71% of the Plan assets were applicable to State employees and the remaining 29% represent the assets of other Wisconsin municipalities 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 s.40.80 (2)(g) of the Wisconsin Statutes. Section s.40.80 (2)(g) incorporates requirements of the federal tax code by establishing the Wisconsin Deferred Compensation (WDC) Program 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. The Board is also the trustee of the Plan.

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

- Fixed earnings investment of the Stable Value option managed by Galliard Capital Management, Inc.
- Fixed earnings investment with M&I Bank of Southern Wisconsin.
- Group annuity option managed and underwritten by Great-West Life Annuity Insurance Company
- Variable earnings investments consisting of various mutual funds.
- Self-directed option – Personal Choice Retirement Accounts (PCRA) offered by Charles Schwab & Co., Inc. Participants may exchange funds accumulated in the core options of the Plan to a PCRA account, which provides approximately 3,000 additional mutual fund offerings other than the Plan's core options.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 assets available for plan benefits and the net changes in those assets.

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.

Contributions and Contributions Receivable

Employee contributions are recognized when such amounts are withheld. Contributions receivable represent amounts withheld from employees but not yet received or remitted to the investment carriers at fiscal year-end and these receivables approximate fair value.

Investment Valuation

Fixed earnings investment values represent contributions received plus interest income earned to date less applicable charges and amounts withdrawn.

Variable earnings investments (mutual funds), including personal choice retirement accounts, are presented at fair values based on published quotations. All purchases and sales are recorded on a trade-date basis.

Assets held for annuity payout reserves and allocated insurance contracts are actuarially valued as reported by Great-West Life.

Distributions

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

Mutual Fund Investment Income

Mutual fund investment income consists of dividend income and realized and unrealized gains and losses attributed to the mutual funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest Income

During 2009, the Stable Value option paid interest ranging from 3.89% to 4.58% (ranging from 4.95% to 5.47% during 2008). At December 31, 2009 and 2008, the actual crediting rate was 4.40% and 4.95%, respectively.

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.

Transfers-In from Other Plans

Transfers-in represent the balances 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 and Employee Trust Funds Board are participating or retired members of the Plan.

NOTE 2 – INVESTMENTS

Investments held in the name of the Plan at December 31, 2009 and 2008 were as follows. Investments marked with an asterisk (*) represent individual investment options, which exceed 5% of net assets available for plan benefits as of December 31, 2009 and 2008. Investments marked with two asterisk (**) represent international mutual funds.

	Fair and Carrying Value			
	2009		2008	
Fixed earnings investments:				
Stable Value	$ 463,407,428	*	$ 422,812,678	*
M&I Bank of Southern Wisconsin	78,215,364		76,202,390	
Total fixed earnings investments	541,622,792		499,015,068	
Variable earnings investments:				
Fidelity Contrafund	344,610,458	*	269,496,881	*
Vanguard Wellington Fund Admiral Shares	235,511,676	*	194,905,669	*
Vanguard Institutional Index Fund Plus Shares - Institutional Plus Shares	190,975,218	*	144,199,520	*
T. Rowe Price Mid-Cap Growth Fund	197,292,324	*	132,858,104	*
DFA US Micro Cap Fund	113,166,359		87,613,061	
Euro - Pacific Growth Fund - Class W	119,987,858	* **	80,944,400	* **

NOTE 2 – INVESTMENTS (CONTINUED)

	Fair and Carrying Value 2009	Fair and Carrying Value 2008
Variable earnings investments: (Continued)		
Vanguard Long-Term Investment Grade Fund Admiral Shares	$ 84,128,773	$ 70,632,694
Vanguard Admiral Treasury Money Market Fund - Admiral Shares	55,267,308	66,909,459
BlackRock Mid Cap Equity Index Fund - Class F	63,341,008	40,569,071
Federated U.S. Government Securities Fund - 2-5 Institutional Shares	34,328,034	38,463,579
BlackRock EAFE Equity Index Fund - Class W	52,997,069	33,211,314
Vanguard Target Retirement 2015 Fund	37,993,998	24,163,002
Vanguard Target Retirement 2025 Fund	32,536,114	21,099,409
BlackRock U.S. Debt Index Fund - Class W	30,809,508	19,996,006
BlackRock Russell 2000 Index Collective T	24,381,660	15,490,548
Calvert Social Investment Fund - Equity Portfolio - Class I	20,833,010	12,261,594
Vanguard Target Retirement 2035 Fund	20,234,644	12,165,724
Vanguard Target Retirement Income Fund	12,917,816	9,204,041
Vanguard Target Retirement 2045 Fund	11,494,108	7,395,221
Total variable earnings investments	1,543,410,862	1,144,037,144
Self-directed option:		
Personal Choice Retirement Accounts - Charles Schwab	47,784,511	35,861,066
Group Annuity Policy:		
Great West Life	2,931,370	3,250,006
Total investments	$ 2,135,749,535	$ 1,682,163,284

At December 31, 2009, $1 of the fixed earnings investments on deposit at Vanguard Admiral Treasury Money Market and $2,024,689 of the Stable Value option fixed earnings investment totaling $2,024,690 was payable to the Board for Plan administration costs. At December 31, 2008, $5,341 of the fixed earnings investment on deposit at Vanguard Admiral Treasury Money Market and $2,718,640 of the Stable Value option fixed earnings investment totaling $2,723,981 were payable to the Board for Plan administration costs.

The fixed earnings investments with M&I Bank of Southern Wisconsin are insured by the Federal Deposit Insurance Corporation up to $250,000 per participant. At December 31, 2009, 12 accounts of individual participants held more than $250,000.

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.

NOTE 2 – INVESTMENTS (CONTINUED)

The Stable Value option and the mutual funds do not have securities that are used as evidence of the investments and therefore are not exposed to custodial credit risk.

Interest rate risk is the risk that changes in interest rates that will adversely affect the value of an investment.

As of December 31, 2009 and 2008, the Plan had the following investments and maturities in its fixed earnings investments and 9 of its mutual funds, which include investments in bonds.

	2009		2008	
	Fair Value	Weighted Average Maturity	Fair Value	Weighted Average Maturity
Fixed earnings investment:				
Stable Value	$463,407,428	4.91	$422,812,678	3.16
Variable earnings investments:				
Vanguard Wellington Fund Admiral Shares	235,511,676	9.80	194,905,669	8.90
Vanguard Long-Term Investment Grade Fund:				
Admiral Shares	84,128,773	23.10	70,632,694	22.30
Vanguard Target Retirement 2015 Fund	37,993,998	6.70	24,163,002	7.10
Vanguard Target Retirement 2025 Fund	32,536,114	6.70	21,099,409	7.10
Federated U.S. Government Securities Fund:				
2-5 Institutional Shares	34,328,034	3.60	38,463,579	3.60
BGI U.S. Debt Index Fund – Class W	30,809,508	6.20	19,996,006	5.59
Vanguard Target Retirement 2035 Fund	20,234,644	6.70	12,165,724	7.10
Vanguard Target Retirement 2045 Fund	11,494,108	6.70	7,395,221	7.10
Vanguard Target Retirement Income Fund	12,917,816	7.49	9,204,041	7.63

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 option and the variable earnings mutual 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. The investments that exceed 5% are identified on pages 10 through 11.

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 of countries outside the U.S. that invest in securities not required to disclose the individual assets within the fund. The fair value of these investments was $119,987,858 and $80,944,400 as of December 31, 2009 and 2008, respectively. The individual fund is identified on page 10.

NOTE 2 – INVESTMENTS (CONTINUED)

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 $2,931,370 and $3,250,006 at December 31, 2009 and 2008, respectively.

NOTE 3 – PLAN ADMINISTRATION

The Plan receives periodic recordkeeping fee payments from certain investment companies. Such fees are paid to the Board to support Board costs, which include the contractual fee paid to the third-party administrator, Great-West Life.

Each participant in the Plan is charged a fee based upon their account balance and a tiered dollar charge.

Participant Account Balance	Monthly/Annual Participant Fee
$1 - $5,000	$0/$0
$5,001 - $25,000	$1/$12
$25,001 - $50,000	$2/$24
$50,001 - $100,000	$4/$48
$100,001 - $150,000	$5.50/$66
$150,001+	$5.50/$66

Fees assessed in excess of the Plan administrative expenses as of December 31, 2009 and 2008 were $2,024,690 and $2,723,981, respectively. At the Board's discretion, these excess fees are invested and available to defray future administrative expenses and participant fee increases.

NOTE 4 – 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 so 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 other beneficiary.

NOTE 5 – 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 6 – 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 Statements of Net Assets Available for Plan Benefits.

NOTE 7 – 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.