STATE OF WISCONSIN PUBLIC EMPLOYEES DEFERRED COMPENSATION PLAN AND TRUST

Madison, Wisconsin

Financial Statements as of and for the Year Ended December 31, 2021 Including Independent Auditor's Report

TABLE OF CONTENTS

	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis	3
FINANCIAL STATEMENTS	
Statement of Fiduciary Net Position Available for Plan Benefits	7
Statement of Changes in Fiduciary Net Position Available for Plan Benefits	8
Notes to Financial Statements	9

WIPFLI

Independent Auditor's Report

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

Opinion
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, 2021, 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position Wisconsin Public Employees Deferred Compensation Plan and Trust as of December 31, 2021, and the changes in financial 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). 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 Wisconsin Public Employees Deferred Compensation Plan and 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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Wisconsin Public Employees Deferred Compensation Plan and Trust's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

DRAFT

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.
In performing an audit in accordance with GAAS, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Wisconsin Public Employees Deferred Compensation Plan and Trust's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Wisconsin Public Employees Deferred Compensation Plan and 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 control-related matters that we identified during the audit.

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

Wipfli LLP

June XX, 2022
Madison, Wisconsin

DRAFT

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, 2021, and 2020, 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 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 at December 31, 2021 was $7.3 billion, an increase of $815.6 million or 12.6%, compared to $6.5 billion at December 31, 2020. This increase was primarily due to Net Investment Income (NII). Although investment performance was stable in 2021 compared to 2020, NII increased 11.9% due to an increase in Interest and Dividends resulting from higher capital gains paid out to participants. The average rate of return on Mutual Funds and Collective Investment Trust (CIT) Funds earnings was 17.6% during 2021 compared to 17.9% during 2020.
- Employee Contributions increased 9.7% primarily due to higher average plan contributions per participant. The Plan participants increased 1.7% from 66,825 as of December 31, 2020, to 67,933 as of December 31, 2021.
- Transfers-in From Other Plans increased 26.3% primarily due to an increase in average amount of assets transferred by participants from other eligible plans.
- Distributions to Participants increased 38.0% primarily due to an increase in the number of individuals who received distributions and the average amount of distributions. In 2021, 9,670 individuals received a distribution compared to 8,823 in 2020. The average distribution was $37,032 in 2021 compared to $29,408 in 2020.
- Administrative Expenses include advisory service fees paid by participants using the managed accounts service provided by Advised Assets Group, LLC, fees paid to Empower Retirement for the 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 next page.

Administrative Expenses

	2021	2020	$ Change	% Change
Advisory Service Fees	$ 3,892,810	$ 2,987,844	$ 904,966	30.3 %
Administrative Fees	4,153,481	3,795,880	357,601	9.4
Investment Option Reimbursements	(118,779)	(75,731)	(43,048)	(56.8)
Administrative Expenses	$ 7,927,512	$ 6,707,993	$ 1,219,519	18.2 %

Administrative Expenses increased 18.2% primarily due to more participants using the managed account service and larger participant balances which the advisory service fees are based. There was also an increase in overall plan participation.

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 Fiduciary Net Position Available for Plan Benefits and the Summary of Changes in Fiduciary 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, 2021	December 31, 2020	$ Change	% Change
Cash and Cash Equivalents	$ 129,704,028	$ 148,419,310	$ (18,715,282)	(12.6)%
Investments	7,165,915,200	6,331,201,537	834,713,663	13.2
Contributions Receivable	238,872	446,685	(207,813)	(46.5)
Total Assets	7,295,858,100	6,480,067,532	815,790,568	12.6
Administrative Expenses Payable	211,870	0	211,870	0.0
Total Liabilities	211,870	0	211,870	0.0
Net Position Available for Plan Benefits	$ 7,295,646,230	$ 6,480,067,532	$ 815,578,698	12.6 %

Summary of Changes in Fiduciary Net Position Available for Plan Benefits

	Other Employee Benefit Trust Fund			
	2021	2020	$ Change	% Change
Additions				
Employee Contributions	$ 204,783,029	$ 186,701,813	$ 18,081,216	9.7 %
Transfers-in From Other Plans	38,908,508	30,795,833	8,112,675	26.3
Net Investment Income	937,912,740	838,059,455	99,853,285	11.9
Total Additions	1,181,604,277	1,055,557,101	126,047,176	11.9
Deductions				
Distributions to Participants	358,098,067	259,470,171	98,627,896	38.0
Administrative Expenses	7,927,512	6,707,993	1,219,519	18.2
Total Deductions	366,025,579	266,178,164	99,847,415	37.5
Net Increase	$ 815,578,698	$ 789,378,937	$ 26,199,761	3.3 %

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
STATEMENT OF FIDUCIARY NET POSITION AVAILABLE FOR PLAN BENEFITS
As of December 31, 2021

	Other Employee Benefit Trust Fund
ASSETS	
Cash and Cash Equivalents	$ 129,704,028
Investments:	
Stable Value Fund	782,329,796
Mutual Funds	2,398,094,515
Collective Investment Trust Funds	3,985,490,889
Total Investments	7,165,915,200
Contributions Receivable	238,872
Total Assets	7,295,858,100
LIABILITIES	
Administrative Expenses Payable	211,870
Total Liabilities	211,870
NET POSITION AVAILABLE FOR PLAN BENEFITS	$ 7,295,646,230

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, 2021

	Other Employee Benefit Trust Fund
ADDITIONS	
Employee Contributions	$ 204,783,029
Transfers-in From Other Plans	38,908,508
Investment Income:	
Net Appreciation in Fair Value of Investments	759,139,863
Interest and Dividends	194,751,634
Less:	
Investment Expense	(15,978,757)
Net Investment Income	937,912,740
Total Additions	1,181,604,277
DEDUCTIONS	
Distributions To Participants	358,098,067
Administrative Expenses	7,927,512
Total Deductions	366,025,579
Net Increase	815,578,698
NET POSITION AVAILABLE FOR PLAN BENEFITS, BEGINNING OF YEAR	6,480,067,532
NET POSITION AVAILABLE FOR PLAN BENEFITS, END OF YEAR	$ 7,295,646,230

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 $19,500 or 100% of the employee's includable compensation for 2021. 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 to offer a Roth contribution option effective January 1, 2011. The Plan opened the Roth contribution option to participants on July 1, 2011. Roth contributions are made with after-tax dollars. Participants may withdraw Roth contributions and earnings income tax and penalty free once they have held the account for at least five years and severed employment. 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 2021.

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, 2021, approximately 66% of the Plan assets were applicable to State employees and the remaining 34% represent the assets of local Wisconsin public employees participating in the Plan.

Under provisions of the Small Business Job Protection Act of 1996, 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 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,
- Self-Directed Option (SDO) limited to Charles Schwab & Co., Inc. mutual funds, which provides over 3,000 investment offerings in addition to the Plan's core options, and
- Collective Investment Trust (CIT) Funds.

The Plan also offers a suite of investment advisory services, which is provided by Advised Assets Group, LLC (AAG), a registered investment adviser. If a participant chooses to have AAG manage their account, an annual fee is charged based on a percentage of the managed account balance and assessed to the participant's account quarterly.

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.

Legislative Changes

The Setting Every Community Up for Retirement Enhancement Act (SECURE Act) and American Miners Act (Miners Act) of 2019 became law in December of 2019. Section 104 of the Miners Act permits in-service distributions from § 457(b) plans at age 59½ instead of the current age of 70½. The Board approved a revision of the Plan to permit in-service distributions for participants aged 59½ or older.

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, 2021. 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, 2021, 83 individual participant accounts held more than $250,000 totaling $32.9 million. The FDIC Bank option paid interest ranging from 0.15% to 0.30% during the year. As of December 31, 2021, the crediting rate was 0.15%. During the period ended December 31, 2021, the Board approved adjusting the interest rate floor from 0.30% to 0.15%.

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 year-end.

Investment Valuation

Mutual Funds are valued at the daily closing price as reported by the fund on an active market, which is based on the underlying net asset value (NAV) of the shares held by the Plan at year-end. Mutual Funds held by the Plan are open-end Mutual Funds that are registered with the Securities and Exchange Commission (SEC). These funds are required to publish daily NAV and to transact at that price. The Mutual Funds held by the Plan are deemed to be actively traded.

CIT Funds are similar in structure to mutual funds but are not regulated by the SEC and are not publicly traded. CIT Funds are valued at NAV, which approximates fair value as a practical expedient. The NAV, as provided by fund administrator, is based on the fair value of the underlying investments held by the fund less liabilities. Participant transactions may occur daily. There are no unfunded commitments and no restrictions on the redemption of these investments.

CIT Funds consist of:

- Target date funds that seek to provide growth of capital and income using an asset allocation strategy designed for specific retirement dates. These funds invest in a mix of Vanguard mutual funds and trusts.
- Index funds that seek investment results that correspond to a particular equity or debt index.
- A fund that seeks to provide long-term total return on capital, primarily through capital appreciation and, to a lesser extent, income.
- A fund that seeks to provide capital appreciation over a market cycle relative to the S&P 500 Index, through the active management of equities with a focus on companies having strong long-term growth prospects.

During the period ended December 31, 2021, the Board approved discontinuing the American Beacon Bridgeway Large Cap Value Fund. It will be replaced by the JPMorgan U.S. Value Fund in 2022.

The Stable Value Fund invests in fully benefit-responsive investment contracts, often referred to as "wrap contracts". The wrap contracts are issued by insurance companies and banks to stabilize the fund's investment return on various fixed income securities, providing participants with low-risk investment that seeks to provide stable returns that exceed other low-risk investments over the long term.

The wrap contracts allow participants to withdraw or transfer their balances in the Stable Value Fund in accordance with the Plan at contract value, which is principal plus credited interest. The wrap contracts guarantee of participants' return of principal does not extend to certain events, such as a board decision to terminate the contract or very large unexpected withdrawals that might arise from other specified events. NAV is contract value less fees and expenses, and approximates fair value as a practical expedient. Participants can transact daily at the NAV. There are no unfunded commitments and no restrictions on redemptions.

Distributions

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

Investment Income

Investment income consists of interest and dividend income and realized and unrealized gains and losses attributed to the Mutual Funds, including SDO, and CIT Funds. Dividend income is recorded on the ex-dividend date.

Interest Income

The Stable Value option paid interest ranging from 1.59% to 1.95% during the year ended December 31, 2021. At December 31, 2021, the crediting rate was 1.59%. 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 From Other Plans 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 participants of the Plan.

The Plan is required by Wisconsin Statute §40.80(2)(f) to reimburse the department for any costs incurred directly or indirectly by the department in soliciting, evaluating, monitoring, and servicing deferred compensation plans. In 2021, the Plan incurred $211,870 for such costs.

Accounting Changes

No accounting changes occurred during the year ended December 31, 2021.

NOTE 3 - INVESTMENTS

Investments held in the Plan at December 31, 2021, are listed in the table below.

Investments by Fair Value for the Year Ended December 31, 2021

Investment Option	Fair Value	
Stable Value Investments:		
Stable Value Fund	$ 782,329,796	*
Mutual Funds and CIT Funds:		
International Equity Funds		
American Funds EuroPacific Growth R6	243,666,338	**
BlackRock EAFE Equity Index Fund[1]	268,853,865	**
Total International Equity Funds	512,520,203	
Large-Cap Funds		
American Beacon Bridgeway Large Cap[1]	26,059,355	
Calvert U.S. Large Cap Core Responsible Index R6	107,077,073	
Fidelity Contrafund Commingled Pool[1]	1,005,386,586	*

Vanguard Institutional 500 Index Trust[1]	894,180,404	*
Total Large-Cap Funds	2,032,703,418	
Mid-Cap Funds		
BlackRock Mid Cap Equity Index Fund[1]	317,252,439	
T. Rowe Price Institutional Mid-Cap Equity Growth	689,653,612	*
Total Mid-Cap Funds	1,006,906,051	
Small-Cap		
BlackRock Russell 2000 Index Fund M[1]	123,273,531	
DFA U.S. Micro Cap Fund	262,697,474	
Total Small-Cap Funds	385,971,005	
Target Date Funds		
Vanguard Target Retirement 2015[1]	131,622,907	
Vanguard Target Retirement 2025[1]	363,420,750	
Vanguard Target Retirement 2035[1]	291,246,490	
Vanguard Target Retirement 2045[1]	190,215,473	
Vanguard Target Retirement 2055[1]	71,728,156	
Vanguard Target Retirement Income Trust[1]	73,756,266	
Total Target Date Funds	1,121,990,042	
Balanced Funds		
Vanguard Wellington Admiral	621,995,246	*
Total Balanced Funds	621,995,246	
Bonds		
BlackRock U.S. Debt Index M[1]	228,494,667	
Dodge & Cox Income Fund	163,190,675	
Vanguard Long-Term Investment Grade Fund	172,028,180	
Total Bonds	563,713,522	
Money Market		
Vanguard Treasury Money Market Fund	45,088,727	
Total Money Market	45,088,727	
Self-Directed Option Accounts		
Personal Choice Retirement Account - Charles Schwab	92,697,190	
Total Self-Directed Option Accounts	92,697,190	
Total Mutual Funds and CIT Funds	6,383,585,404	
Total Investments	$ 7,165,915,200	

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

Custodial credit risk

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, Mutual Funds, and CIT 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

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 duration for investments held as of December 31, 2021, is shown in the table below.

Credit risk

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 average credit ratings for the fixed income securities included in the Stable Value Fund, Mutual Funds, and CIT Funds held as of December 31, 2021, are shown in the table below.

Weighted Average Duration and Average Credit Rating for the Year ended December 31, 2021

Investment Option	Fair Value	Weighted Average Duration (in years)	Average Credit Rating
Stable Value Investments:			
Stable Value Fund	$ 782,329,796	3.09	AA
Mutual and Collective Investment Funds:			
Target Date Funds			
Vanguard Target Retirement 2015	131,622,907	6.21	AA
Vanguard Target Retirement 2025	363,420,750	7.06	AA
Vanguard Target Retirement 2035	291,246,490	7.33	AA-
Vanguard Target Retirement 2045	190,215,473	7.31	AA-
Vanguard Target Retirement 2055	71,728,156	7.31	AA-
Vanguard Target Retirement Income Trust	73,756,266	6.19	AA
Balanced Funds			
Vanguard Wellington Admiral	621,995,246	8.15	A+
Bonds			
BlackRock U.S. Debt Index M	228,494,667	6.63	AA
Dodge & Cox Income Fund	163,190,675	4.70	A+
Vanguard Long-Term Investment Grade Fund	172,028,180	15.25	A+
Money Market Fund			
Vanguard Treasury Money Market Fund*	45,088,727	n/a	AA+
	$ 3,135,117,333		

*Weighted average maturity for Vanguard Money Market is 46 days.

Concentration of credit risk

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 12 and 13.

Foreign Currency Risk

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 $512.5 million as of December 31, 2021. The individual funds are identified on page 12.

Fair Value of Investments

Fair value measurements of the Plan are categorizes by the 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, 2021				
Mutual Funds:				
International Equity Funds	$ 243,666,338	$ 0	$ 0	$ 243,666,338
Large-cap Equity Funds	107,077,073	0	0	107,077,073
Mid-cap Equity Funds	689,653,612	0	0	689,653,612
Small-cap Equity Funds	262,697,474	0	0	262,697,474
Balanced Funds	621,995,246	0	0	621,995,246
Bond Funds	335,218,855	0	0	335,218,855
Money Market Funds	45,088,727	0	0	45,088,727
Self-Directed Option Accounts	92,697,190	0	0	92,697,190
Total Mutual Funds	$ 2,398,094,515	$ 0	$ 0	$ 2,398,094,515
Investments measured at net asset value (NAV)				
Stable Value Fund				$ 782,329,796
Collective Investment Trust Funds				3,985,490,889
Total Investments measured at Net Asset Value (NAV)[1]				4,767,820,685
Total Investments				$ 7,165,915,200

[1] In accordance with GASB 72, *Fair Value Measurement and Application*, certain investments measured at net asset value per share have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the Statement of Fiduciary Net Position Available for Plan Benefits.

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 Plan balance and a tiered dollar charge. The following fees were in effect for 2021:

Participant Account Balance	Monthly/Annual Participant Fee
$1 - $5,000	$0/$0
$5,001 - $25,000	$1/$12
$25,001 - $50,000	$3.25/$39
$50,001 - $100,000	$6.50/$78
$100,001 - $150,000	$8.50/$102
$150,001 - $250,000	$11.75/$141
More than $250,000	$17.50/$210

The Board maintains an account from which Plan expenses are paid. The balance of this account as of December 31, 2021, was $2.4 million and is invested in the Stable Value Fund. At the Board's discretion, these funds are 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

Periodically, the Plan may become subject to various pending or threatened claims or legal matters. As of the date of these financial statements, no such items are known or expected. It is the opinion of management that the ultimate liability arising from any 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.