Combined Financial Statements

State of South Carolina
Deferred Compensation Program

Year ended December 31, 2025

Administered by the
South Carolina
Public Employee Benefit Authority
Columbia, South Carolina

Contents

INDEPENDENT AUDITOR'S REPORT

The Honorable Henry D. McMaster,
Governor, Ms. Sue F. Moss, CPA, State
Auditor, And Board of Directors
South Carolina Public Employee Benefit
Authority Columbia, South Carolina

Report on the Audit of the Financial Statements

Opinion

We have audited the combined financial statements of fiduciary net position and changes in fiduciary net position of the State of South Carolina Deferred Compensation Program (the “Program”), as of and for the year ended December 31, 2025, and the related notes to the combined financial statements, which collectively comprise the Program’s basic combined financial statements as listed in the table of contents.

In our opinion, the accompanying combined financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Program, as of December 31, 2025, and the changes in fiduciary position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States *(Government Auditing Standards)*. 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 Program, 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 combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Program’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 combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined 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 combined 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 Program'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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Program'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 on pages 4-6 be presented to supplement the basic combined financial statements. Such information is the responsibility of management and, although not a part of the basic combined 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 combined 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 combined financial statements, and other knowledge we obtained during our audit of the basic combined 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated June 29, 2026 on our consideration of the Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Program's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Program's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Dallas, Texas
June 29, 2026

This section presents management's discussion and analysis of the financial position and performance of the State of South Carolina Deferred Compensation Program (Deferred Comp) and is intended to provide an overview of Deferred Comp's financial activities as of and for the years ended December 31, 2025 and 2024. It is intended to be a narrative supplement to Deferred Comp's financial statements.

Deferred Comp's financial statements provide information about the activities of the two defined contribution plans administered, which are listed below.

- State of South Carolina 457 Deferred Compensation Plan and Trust (457 plan); and
- State of South Carolina Salary Deferral [401(k)] and Savings Profit Sharing Plan and Trust (401(k) plan).

Overview of the Financial Statements

Because of the long-term nature of a deferred compensation program, financial statements alone cannot provide sufficient information to properly reflect Deferred Comp's ongoing plan perspective. This financial report consists of two financial statements and the notes to the financial statements.

The *Combined Statement of Fiduciary Net Position* reports Deferred Comp's assets, liabilities and resulting net position where Assets - Liabilities = Fiduciary Net Position Held in Trust at the end of the year. It can be thought of as a snapshot of the financial position of Deferred Comp at a specific point in time.

The *Combined Statement of Changes in Fiduciary Net Position* reports Deferred Comp's transactions that occurred during the year where Additions - Deductions = Change in Fiduciary Net Position. It can be thought of as a recording of events that occurred over the specified time period of a year and supports the changes that have occurred to the prior year's fiduciary net position value on the Combined Statement of Fiduciary Net Position.

The *Notes to the Combined Financial Statements* are an integral part of the financial statements and include additional information not readily evident in the statements themselves.

Plan Highlights

The Summary comparative statements on page 6 provide an overview of the combined current year activity across both the 457 and 401(k) plans as compared with the prior year. The following highlights provide an analysis of activity during the year ended December 31, 2025:

- Fiduciary net position held in trust grew by approximately $467 million during 2025 as compared to growth of just under $410 million in the prior year. The value of variable earning investments increased again this year, while fixed income investment values witnessed further reductions primarily due to a larger volume of withdrawals than contributions to the stable value fund during the year. Receivables rose again due to a sustained demand for participant loans. Accounts payable climbed significantly this year due to a change in the frequency of unclaimed distributions transferring into the plans' unclaimed property accounts by the third-party administrator resulting in a larger volume of unclaimed distributions returning to the trust to await reissue.
- The plans experienced a net gain on investments of almost $719 million in 2025, which was just under 11% more than the net investment gain of $649 million seen in 2024. Market values continued their upward trajectory in 2025 resulting in gains for most of the investment options offered through Deferred Comp.
- Participation in the 401(k) plan declined again during the year, going from 72,601 participants on December 31, 2024, to 71,708 at December 31, 2025; however, the 457 plan continued to see growth increasing from 25,532 participants on December 31, 2024, to 26,271 at December 31, 2025. New 401(k) plan enrollments in 2025 were lower than in 2024, and the number of full withdrawals rose over the prior year exceeding new enrollments causing the overall decline in 401(k) plan participants. While the number of full withdrawals under the 457 plan were up in 2025 when compared with 2024, the number of 457 plan enrollments far exceeded the number of full withdrawals resulting in the overall gain in its participation.

- Although not as pronounced as in 2024, both plans witnessed an increase in contributions in 2025 over the prior year. Participant contributions increased by just over $19 million while employer contributions increased by over half a million dollars. This amounted to an increase of just over 8% over contributions in 2024.
- Administrative expenses and fees experienced close to a 2% reduction in 2025 when compared with 2024. Recordkeeping fees, which are assessed once a quarter based on a participant's prior quarter ending balance, were reduced effective January 1, 2025, based on a new contract with Empower to provide recordkeeping, administration, communication, education, investment management and custodial trustee services for Deferred Comp.
- In accordance with the SECURE 2.0 Act of 2022, which built upon the original Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE 1.0), catch-up limits for participants ages 60-63 were increased beginning January 1, 2025. Eligible participants were allowed in 2025 to make catch-up contributions to the 401(k) and 457 plans of up to $11,250, which was 150% of the regular catch-up amount of $7,500. The increased limit is subject to being indexed for inflation in future years similar to the regular catch-up limit. In the 401(k) plan, 127 participants took advantage of this new option, and 66 participants did so under the 457 plan.

Summary comparative statements

Fiduciary Net Position

	December 31,		Increase/ (Decrease)	Increase/ (Decrease)
	2025	2024	Amount	Percent
Assets				
Fixed income investments	$ 1,104,672,564	$ 1,107,935,525	$ (3,262,961)	(0.29)%
Variable earning investments	5,041,808,796	4,574,402,076	467,406,720	10.22 %
Receivables	37,932,635	34,687,583	3,245,052	9.36 %
Total assets	6,184,413,995	5,717,025,184	467,388,811	8.18 %
Liabilities				
Accounts payable	2,738,863	1,941,422	797,441	41.08 %
Total liabilities	2,738,863	1,941,422	797,441	41.08 %
Fiduciary Net Position Held in Trust, End of year	$ 6,181,675,132	$ 5,715,083,762	$ 466,591,370	8.16 %

Changes in Fiduciary Net Position

	For the years ended December 31,		Increase/ (Decrease)	Increase/ (Decrease)
	2025	2024	Amount	Percent
Additions				
Net investment income	$ 718,955,897	$ 649,318,510	$ 69,637,387	10.72 %
Contributions	263,764,345	244,139,553	19,624,792	8.04 %
Miscellaneous income	838,737	803,552	35,185	4.38 %
Total additions	983,558,979	894,261,615	89,297,364	9.99 %
Deductions				
Distributions	509,177,102	476,333,124	32,843,978	6.90 %
Administrative expenses and fees	7,790,507	7,931,312	(140,805)	(1.78)%
Total deductions	516,967,609	484,264,436	32,703,173	6.75 %
Change in Fiduciary Net Position	466,591,370	409,997,179	56,594,191	13.80 %
Fiduciary Net Position Held in Trust, Beginning of year	5,715,083,762	5,305,086,583	409,997,179	7.73 %
End of year	$ 6,181,675,132	$ 5,715,083,762	$ 466,591,370	8.16 %

Requests for Information

This financial report is designed to provide a general overview of the South Carolina Deferred Compensation Program. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the South Carolina Public Employee Benefit Authority, 202 Arbor Lake Drive, Columbia, SC 29223. Inquiries may also be made at www.peba.sc.gov or by calling 888.260.9430.

State of South Carolina Deferred Compensation Program

Combined Statement of Fiduciary Net Position

December 31, 2025

	457 Plan	401(k) Plan	Total
Assets			
Fixed income investments			
Stable value fund	$ 239,675,518	$ 864,997,046	$ 1,104,672,564
Total fixed income investments	239,675,518	864,997,046	1,104,672,564
Variable earning investments			
Mutual funds	846,643,928	3,027,398,378	3,874,042,306
Collective investment trusts	305,685,136	819,399,021	1,125,084,157
Schwab self-directed brokerage account	11,392,261	31,290,072	42,682,333
Total variable earning investments	1,163,721,325	3,878,087,471	5,041,808,796
Receivables			
Notes receivable from participants	6,669,889	29,591,641	36,261,530
Contributions receivable	923,526	747,579	1,671,105
Total receivables	7,593,415	30,339,220	37,932,635
Total assets	1,410,990,258	4,773,423,737	6,184,413,995
Liabilities			
Accounts payable	1,453,891	1,284,972	2,738,863
Total liabilities	1,453,891	1,284,972	2,738,863
Fiduciary Net Position Held in Trust	$ 1,409,536,367	$ 4,772,138,765	$ 6,181,675,132

See Notes to Combined Financial Statements

State of South Carolina Deferred Compensation Program

Combined Statement of Changes in Fiduciary Net Position

For the year ended December 31, 2025

	457 Plan	401(k) Plan	Total
Additions			
Investment income	$ 55,718,658	$ 209,388,515	$ 265,107,173
Net change in value of investments	108,076,197	345,772,527	453,848,724
Net investment income	163,794,855	555,161,042	718,955,897
Contributions from participants	82,121,424	169,748,960	251,870,384
Contributions from employers	-	11,893,961	11,893,961
Total contributions	82,121,424	181,642,921	263,764,345
Miscellaneous income	164,073	674,664	838,737
Total additions	246,080,352	737,478,627	983,558,979
Deductions			
Distributions	116,518,063	392,659,039	509,177,102
Participant fees	1,425,956	5,382,019	6,807,975
Administrative expenses	194,154	788,378	982,532
Total deductions	118,138,173	398,829,436	516,967,609
Change in Fiduciary Net Position	127,942,179	338,649,191	466,591,370
Fiduciary Net Position Held in Trust,			
Beginning of year	1,281,594,188	4,433,489,574	5,715,083,762
End of year	$ 1,409,536,367	$ 4,772,138,765	$ 6,181,675,132

See Notes to Combined Financial Statements

Note 1. General Description of Deferred Comp

The financial statements of the South Carolina Deferred Compensation Program (Deferred Comp) are provided for general information only. Users of the financial statements should refer to the plan documents for complete information. The statements presented herein contain the following defined contribution plans:

- **State of South Carolina 457 Deferred Compensation Plan and Trust (457 plan)** - the plan was established by the South Carolina General Assembly on May 11, 1977 through Act 97. Enrollment in the 457 plan began in August 1980, and the first contributions were made in September 1980; and
- **State of South Carolina Salary Deferral [401(k)] and Savings Profit Sharing Plan and Trust (401(k) plan)** - the plan was established by the South Carolina Deferred Compensation Commission (the Commission) effective January 1, 1985. Contributions to the plan began in October 1985.

The Commission, established in Chapter 23 of Title 8 of the State of South Carolina (State) Code of Laws, was the trustee of Deferred Comp through December 31, 2013. Effective after December 31, 2013, the Commission was abolished, and all the functions and duties of the Commission were devolved upon the Board of Directors of the South Carolina Public Employee Benefit Authority (PEBA). PEBA was created by the South Carolina General Assembly effective July 1, 2012, and is the state agency responsible for the administration and management of the state's employee insurance programs and retirement systems.

The PEBA Board of Directors consists of 11 members. The membership composition is as follows:

- three non-representative members appointed by the Governor;
- two members appointed by the President Pro Tempore of the Senate, one a non-representative member and one a representative member who is either an active or retired member of the South Carolina Police Officers Retirement System (PORS);
- two members appointed by the Chairman of the Senate Finance Committee, one a non-representative member and one a representative member who is a retired member of the South Carolina Retirement System (SCRS);
- two members appointed by the Speaker of the House of Representatives, one a non-representative member and one a representative member who must be a state employee who is an active contributing member of SCRS; and
- two members appointed by the Chairman of the House Ways and Means Committee, one a non-representative member and one a representative member who is an active contributing member of SCRS employed by a public school district.

Non-representative members of the PEBA board may not belong to the classes of employees and retirees from which representative members must be appointed. Individuals appointed to the PEBA board must possess certain qualifications.

Members of the PEBA board serve for terms of four years, on a staggered schedule and until their successors are appointed and qualify. Vacancies on the PEBA Board must be filled within 60 days in the manner of the original appointment for the unexpired portion of the term.

As of December 31, 2025, 760 South Carolina public sector entities (employers) participate in Deferred Comp. These entities include state agencies, public and charter school districts, public higher education institutions, and other local subdivisions of government that have elected to join.

Eligibility:

In accordance with Deferred Comp provisions, any employee of a participating employer who elects to participate in Deferred Comp is eligible. Contributions to Deferred Comp are made through payroll deductions from an employee's total compensation subject to certain limits, as discussed on the following page. At December 31, 2025, there were 26,271 participant accounts in the 457 plan and 71,708 participant accounts in the 401(k) plan.

Note 1. General Description of Deferred Comp (continued)

Contributions:

Deferred Comp participants elect salary deferral contributions to reduce their compensation by not less than $10 per pay period and not more than 100 percent of their compensation; not to exceed the contribution limits established by the Internal Revenue Service (IRS). Participants are allowed to participate in either or both plans, and contribution limits are separate for each plan. Elections may be made in either dollar increments or percentage of salary per pay period. Amounts contributed on a pre-tax basis by participants are deferred, subject to the limitations above, for federal and state income tax purposes until distributions are paid to the participants. Contribution limits for 2025 for the plans were as follows:

- **State of South Carolina 457 Deferred Compensation Plan and Trust (457 plan)** –
  - $23,500 for under age 50
  - $31,000 for ages 50-59 or 64 and older (with catch-up contribution)
  - $34,750 for ages 60-63 (with age 60-63 catch-up contributions)
  - Up to $47,000 with Special 457(b) catch up (cannot be combined with any other catch-up)

  Effective January 1, 2009, the 457 plan was amended to provide for matching contributions at the discretion of the employer. This amendment permits employers to make contributions to the 457 plan on behalf of each employee who is a participant and who is active during the plan year at an amount to be determined by the employer. Contribution limits are the same whether the contribution is made by the employee or by the employer.

  Effective January 1, 2011, the 457 plan was amended to provide for Roth contributions. This amendment permits employees to contribute to the 457 plan with after-tax dollars.

- **State of South Carolina Salary Deferral [401(k)] and Savings Profit Sharing Plan and Trust (401(k) plan)** –
  - $23,500 for under age 50
  - $31,000 for ages 50-59 or 64 and older (with catch-up contribution)
  - $34,750 for ages 60-63 (with age 60-63 catch-up contributions)

  Effective July 1, 1999, the 401(k) plan was amended to provide for employer matching contributions. This amendment permits employers to make contributions to the 401(k) plan on behalf of each employee who is a participant and who is active during the plan year at an amount to be determined by the employer. Furthermore, the 401(k) plan was amended to provide for discretionary employer contributions, permitting an employer to make contributions to the plan on behalf of each employee who has not elected to make salary deferral contributions and who has an annual salary of less than $20,000 during such plan year. Employer matching and discretionary contributions shall not exceed contribution limitations as specified by the plan.

  Effective November 2, 2009, the 401(k) plan was amended to provide for Roth contributions. This amendment permits employees to contribute to the 401(k) plan with after-tax dollars.

Participant accounts:

Participant accounts are credited with the participant's salary deferral contributions, employer matching or discretionary contributions, investment earnings or losses, and investment revenue sharing rebates and are charged with third-party administrator recordkeeping fees, investment option fees, and program administration fees.

Vesting:

Participants are immediately vested in both their employee and employer contributions plus actual earnings thereon.

Note 1. General Description of Deferred Comp (continued)

Distributions:

Participants may withdraw the present value of funds contributed to Deferred Comp based on the following:

- **State of South Carolina 457 Deferred Compensation Plan and Trust (457 plan)** –
  - severance of employment from all participating employers,
  - attainment of age 59½, or
  - due to unforeseen emergency, in accordance with the plan document.
- **State of South Carolina Salary Deferral [401(k)] and Savings Profit Sharing Plan and Trust (401(k) plan)** –
  - severance of employment from all participating employers,
  - attainment of age 59½, or
  - due to financial hardship, in accordance with the plan document.

Participants can take a rollover from their Deferred Comp account to purchase service credit in a defined benefit governmental plan such as SCRS. In addition, they have the option to take a distribution of up to $5,000 at any time during the one-year period following the birth or legal adoption of a child.

Participants may select various payout options including lump-sum payments or installment payments for the following: a fixed period, a fixed dollar amount until the account is exhausted, or payments throughout the participants' life expectancy or joint life expectancy with a spouse. Participants are required by the IRS to begin receiving minimum distributions in the year they reach age 73 or sever covered employment, whichever is later. A participant's beneficiary would be entitled to claim the present value of a participant's Deferred Comp account in the event of their death.

Notes receivable from participants:

Participants may borrow from their Deferred Comp account provided the note is at least $2,500 and not more than the greater of 50 percent of their vested account balance or $50,000. Notes are repayable in one to five years except for notes for the purchase of a primary residence which may be paid back over twenty years. Interest is charged at a fixed rate over the term of the note. The note's interest rate is established based upon prime interest rate plus an additional 2 percent, as listed in the Wall Street Journal on the last business day of the month prior to origination. Interest rates charged on participant notes ranged from 5.25 percent to 10.50 percent for the year ended December 31, 2025. Effective January 1, 2025, the participant is charged a $75 loan origination fee at initiation of the note. Previously, the origination fee was $50. Participants are also charged a quarterly maintenance fee of $6.25 until the note is paid in full.

If a participant fails to repay a note at maturity or to make a scheduled payment by the end of the quarter following the quarter in which the payment was due, the note plus accrued interest is considered to be in default, and a Form 1099-R is issued to report the defaulted total as a distribution. Due to IRS recordkeeping regulations, if a defaulted note was issued after January 1, 2002, and the participant is still active, the note remains on Deferred Comp's books. Management believes it is unlikely that such notes will be repaid since they have been reported to the participant and the IRS as withdrawals from the applicable plan. Therefore, management has excluded defaulted notes from notes receivable. Notes receivable from participants are valued at their unpaid balances plus accrued interest.

Accounts payable:

Deferred Comp holds funds from unclaimed distributions in a separate account until the payments are reissued. The funds are considered payable and are classified as accounts payable in the financial statements. Also included in accounts payable are administrative expenses incurred on or before December 31 but not paid until the following year.

Note 2. Summary of Significant Accounting Policies

The financial statements of Deferred Comp have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following are the significant accounting policies used in preparing the accompanying financial statements of Deferred Comp.

Basis of accounting:

The financial statements have been prepared in accordance with GAAP, including all applicable effective statements of the GASB and the accrual basis of accounting.

Use of estimates:

The preparation of financial statements in conformity with GAAP requires PEBA to make estimates and assumptions that affect the reported amounts of assets, liabilities, and the changes therein and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Contributions and contributions receivable:

Contributions are recognized when amounts are withheld from employee payroll checks. Contributions receivable represents amounts withheld from employees but not yet received by the third-party administrator at December 31.

Distributions:

Participant withdrawals are recorded when due and payable under the provisions of Deferred Comp.

Investment valuation and income recognition:

Variable earning investments are stated at fair value. If available, quoted market prices are used to value investments. Units of collective investment trusts are stated at net asset value as provided by the fund managers.

Investments in the Stable Value Fund are valued at contract value reported daily by Empower Annuity Insurance Company of America (Company), which approximates fair value. The investment valuation includes contributions received plus investment income earned to date, less applicable fees and amounts withdrawn.

Purchases and sales of securities are recorded on a trade-date basis. Variable earning investment income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net realized and unrealized gains and losses on investments are included in the net appreciation in fair value of investments as reported on the combined statement of changes in fiduciary net position. Interest on participant loans is recorded as earned on the accrual basis.

Administrative expenses:

All direct expenses of maintaining Deferred Comp are paid from Deferred Comp’s net position.

Subsequent events:

These financial statements have not been updated for events occurring subsequent to June 29,2026, which is the date these financial statements were available to be issued.

Note 3. Investments

Deferred Comp investments are managed by several fund managers and are subject to various risks. Among these risks are custodial credit risk, credit risk, concentration of credit risk, foreign currency risk, and interest rate risk. Each one of these risks is discussed in more detail below.

Custodial credit risk:

Custodial credit risk, as it relates to investments, is the risk that in the event of the failure of the custodian, Deferred Comp would not be able to recover the value of investments or collateral securities that are in the possession of the third-party. Deferred Comp's investment securities are exposed to a minimal level of custodial credit risk as they are held in segregated trust accounts with the custodian but in the name of Deferred Comp.

Credit risk:

Credit risk is the risk that an issuer or the counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody's Investor Services (Moody's), Standard & Poor's (S&P), and Fitch Ratings (Fitch). Deferred Comp manages the overall credit risk of its fixed income investments by requiring the Stable Value Fund to invest in accordance with PEBA's approved Statement of Investment Policy (Policy).

The Policy lists the primary objective of the Stable Value Fund to preserve principal and provide a stable, competitive rate of return. The Company is permitted to invest Deferred Comp assets in investment grade fixed income instruments, including those of the U.S. Government and its agencies, corporate bonds, and mortgage and asset-backed securities. According to the Company's contract with Deferred Comp (Contract), the Company must maintain or exceed an overall weighted average credit quality rating by Moody's of "Aa2" (or equivalent of Aa2) within the Stable Value Fund at all times. At the time of issuance, investments must meet or exceed the following Moody's credit ratings: Commercial paper - P; Corporate bonds - A3; and Asset backed securities, agency mortgage-backed securities, agency collateralized mortgage obligations, and commercial mortgage-backed securities – Aaa.

Deferred Comp also offers participants the ability to invest in two bond mutual funds: the Baird Aggregate Bond Fund and the Fidelity Inflation-Protected Bond Index. The average S&P rating of holdings for the Baird Aggregate Bond Fund is an "A" rating. The Fidelity Inflation-Protected Bond Index's holdings consist of obligations of the U.S. government, which are not considered to have credit risk.

Concentration of credit risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The concentration of investments is determined by the participants' elections to invest in the available investment options as selected by the Board. Mutual funds and collective investment trust funds that exceed 5 percent of fiduciary net position held in trust are identified in Note 5 on page 18.

The Stable Value Fund balance at December 31, 2025, exceeded 5 percent of fiduciary net position held in trust. The Contract dictates that amounts in the fund must be invested in accordance with the following limits:

- A minimum of 50 percent must be invested in U.S. Treasury debt, agency mortgage-backed securities or collateralized mortgage obligations.
- A maximum of 35 percent may be invested in corporate bonds or asset-backed securities.
- A maximum of 20 percent may be invested individually in either corporate bonds or asset-backed securities.
- No more than 10 percent may be invested in corporate securities rated "BBB" as measured by Moody's.
- No more than 5 percent may be invested in any one corporate issuer (including asset-backed securities). For purposes of diversification, each asset-backed or non-agency mortgage-backed securities will be treated as a separate issuer.

Note 3. Investments (continued)

Foreign currency risk:

Foreign currency risk is the risk that changes in exchange rates could adversely affect the fair value of an investment. Deferred Comp allows the option to invest in mutual funds of countries outside of the U.S that invest in securities not required to disclose the individual assets within the fund. Such international funds are identified in Note 5 on page 18.

Interest rate risk:

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a theoretical measurement that gauges the sensitivity of a particular bond to changes in interest rates based on current prepayment speeds and scheduled interest payments. The Contract limits the Stable Value Fund's average duration to not exceed 5 years. The Stable Value Fund's average duration at December 31, 2025 was 3.5 years. Refer to Note 4, Stable Value Fund for a table summarizing fixed income investments by their credit rating and future maturities. The average effective duration for the Baird Aggregate Bond Fund and Fidelity Inflation-Protected Bond Index are 5.98 and 6.57, respectively.

Fair Value Measurements:

Fair value measurements are categorized within the fair value hierarchy defined in GASB Statement No. 72, *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of the assets and consists of three levels as follows:

Level 1 inputs: Quoted prices (unadjusted) for identical assets or liabilities in active markets that a reporting entity can access at the measurement date. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2 inputs: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs: Unobservable inputs for an asset or liability. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, Deferred Comp utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.

Fair value of certain investments that do not have a readily determinable fair value is established using net asset value (or its equivalent) as a practical expedient. These investments are not categorized according to the fair value hierarchy.

Note 3. Investments (continued)

Deferred Comp had the following recurring fair value measurements as of December 31, 2025:

		Fair Value Measurements Using		
	At 12.31.2025	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments at fair value				
Mutual funds	$ 3,874,042,306	$ 3,874,042,306	$ -	$ -
Self-directed brokerage	42,682,333	42,682,333	-	-
Total investments at fair value	$ 3,916,724,639	$ 3,916,724,639	$ -	$ -
Investments at net asset value (NAV)				
Collective investment trusts	$ 1,125,084,157			
Investments at contract value				
Stable value fund	$ 1,104,672,564			
Total investments	$ 6,146,481,360			

Mutual funds and self-directed brokerage: These investments are stated at the fair value of shares held by the plans at year-end, which are determined by quoted market prices.

Collective investment trusts: This investment type includes:

- a fund that invests primarily in non-U.S. common stocks, and
- a series of 11 target retirement date funds that are diversified across a range of asset classes and investment styles and are automatically rebalanced. Generally, the asset allocation of each target date fund gradually becomes more conservative as the fund nears the target retirement date.

The fair value of these investments has been determined using NAV per share of the fund as reported by the Investment Manager. There were no unfunded commitments or redemption notice periods for investments measured at the NAV.

Note 4. Stable Value Fund

The Stable Value Fund (Fund) is an investment option in Deferred Comp in which bond securities are held as underlying investments in a segregated trust for participants. The Company is the Fund manager for Deferred Comp. All monies invested in the Fund are maintained and held separate and apart from the Company's general account and any other investment account the Company may have. In addition, the Company has assumed sole responsibility of providing wrap coverage to guarantee return of the participants' principal and accrued interest.

This investment seeks to preserve principal value and provide a relatively stable rate of interest income. The objective of the Fund is to achieve returns, which over time exceed the returns on bank savings accounts and money market funds. The Fund invests in securities issued by the U.S. Government or one of its agencies, as well as high-grade corporate bonds, and mortgage and asset-backed securities.

Note 4. Stable Value Fund (continued)

Quarterly interest rates are declared by the Company prior to each calendar quarter for participant accounts based upon factors such as the current yield of the investments held by the Fund and Fund expenses. Once declared, the effective interest rates are guaranteed for the calendar quarter. The quarterly effective interest rate declared each calendar quarter applies to all assets in the Fund regardless of the date of deposit. Interest is credited to the participants' accounts in the Fund daily, at a rate which compounds to the effective rate for the quarter.

The following represents the Fund's annual interest rate credited to participants for the quarters during the year ended December 31, 2025:

1Q 2025	2.91%
2Q 2025	3.05%
3Q 2025	3.19%
4Q 2025	3.21%

The following represents the contract value of the Fund's underlying investments by fixed income sector at December 31, 2025:

Fixed Income Sector		December 31, 2025
Treasury Securities	$	121,776,303
Agency MBS		282,772,357
Agency CMO		134,137,711
Agency CMBS		191,529,966
Asset Backed Securities		121,129,485
Non-Agency CMBS		21,930,207
Corporate Bonds		215,051,550
Cash, Short Term & Other		16,344,985
Total	**$**	**1,104,672,564**

The following represents the contract value of the Fund's underlying investments by their Moody's Credit Rating at December 31, 2025:

Moody's Credit Rating		December 31, 2025
Aaa	$	86,094,989
Aa1		729,004,671
Aa2		2,787,058
Aa3		18,416,710
A1		39,265,987
A2		43,393,975
A3		22,112,405
Baa1		30,165,749
Baa2		50,372,299
Not Rated		83,058,721
Total	**$**	**1,104,672,564**

Note 4. Stable Value Fund (continued)

The following represents the contract value of the Fund's underlying investments by their future maturities at December 31, 2025:

Maturities in Years		December 31, 2025
Less than 1	$	16,344,163
1-5		431,276,278
6-10		249,587,900
11-15		128,417,943
16 - 20		17,609,191
21 - 25		101,629,121
26 - 30		140,798,714
More than 30		19,009,254
Total	**$**	**1,104,672,564**

Mortgage-backed securities and collateralized mortgage obligations make up the majority of investments with maturities exceeding 10 years. The fair values of these securities are based on cash flows from principal and interest payments of the underlying mortgages and are subject to the credit worthiness of the individual mortgagors. These securities are sensitive to prepayments, which are likely in an environment of declining interest rates and thereby reduce the value of the security.

Note 5. Variable earning investments

Deferred Comp's variable earning investments are held by the custodian in pooled separate accounts. The following represents the fair value of Deferred Comp's units of participation at December 31, 2025:

		December 31, 2025	
Mutual funds			
Vanguard Institutional Index Fund Plus	$	1,398,061,607	*
Dodge and Cox Stock Fund X		425,863,902	*
T. Rowe Price Growth Stock Fund		421,701,730	*
American Funds EuroPacific Growth Fund R6		302,548,216	**
Baird Aggregate Bond Fund		296,318,258	
T. Rowe Price Mid Cap Value Fund		232,462,681	
American Funds New Perspective Fund		183,230,729	**
Fidelity Inflation Protected Bond Index Fund		161,404,130	
MFS Mid Cap Growth Fund R6		121,790,207	
Nuveen Small Cap Blend Index Fund		108,603,150	
Vanguard Mid Cap Index Institutional Plus Fund		105,085,881	
AllianceBerstein Small Cap Growth Fund		74,384,012	
American Beacon Small Cap Value Fund		42,587,803	
	$	**3,874,042,306**	

				Effective Duration
Collective investment trusts				
SSgA Target Retirement Fund SL Class V	$	438,000,051	*	2.44
SSgA Target Retirement 2030 Fund SL Class V		176,232,254		2.67
Fidelity Diversified International Commingled Pool		154,346,167		
SSgA Target Retirement 2040 Fund SL Class V		126,084,426		2.24
SSgA Target Retirement 2035 Fund SL Class V		65,428,986		2.41
SSgA Target Retirement 2050 Fund SL Class V		46,298,445		1.64
SSgA Target Retirement 2025 Fund SL Class V		43,135,375		2.57
SSgA Target Retirement 2045 Fund SL Class V		35,432,791		1.94
SSgA Target Retirement 2055 Fund SL Class V		18,855,276		1.46
SSgA Target Retirement 2060 Fund SL Class V		12,900,255		1.46
SSgA Target Retirement 2065 Fund SL Class V		7,593,949		1.46
SSgA Target Retirement 2070 Fund SL Class V		776,182		1.46
	$	**1,125,084,157**		

* Represents investments exceeding 5 percent or more of net position.
** Represents international funds.

Note 6. Schwab Self-Directed Brokerage Account

Effective January 1, 2010, Deferred Comp participants have the option to invest in a self-directed brokerage account. The self- directed brokerage account is offered through Charles Schwab & Co., Inc. and allows participants to select from numerous mutual funds and other types of securities, such as stocks and bonds, for an additional fee or fees. As of December 31, 2025, the balance invested in the Schwab self-directed brokerage account was $42,682,333.

Note 7. Program Termination

Currently, there are no intentions to terminate either of the plans within Deferred Comp. However, the State reserves the right to terminate, suspend, withdraw, or amend Deferred Comp at any time.

Note 8. Tax Status

The 457 plan most recently received a favorable determination from the IRS by private letter ruling dated March 25, 2009, stating the plan constitutes an eligible deferred compensation plan as defined in Section 457(b) of the Internal Revenue Code (IRC), and, as such, is exempt from federal and state income taxes. Amounts of compensation deferred by employees participating in the 457 plan are not subject to federal income tax withholding, and the compensation is not includable in taxable income until actually paid or otherwise made available to the participant, their beneficiary or their estate.

The 401(k) plan most recently received a favorable determination from the IRS by letter dated March 18, 2014, as qualifying under Section 401(k) of the IRC and, as such, is also exempt from federal and state income taxes. As a result, amounts of compensation deferred by employees participating in the 401(k) plan are not subject to federal income tax withholding, and the compensation is not includable in taxable income until actually paid or otherwise made available to the participant, their beneficiary or their estate.

Revenue procedure 2016-37 modified the IRS determination letter program for qualified plans to eliminate, as of January 1, 2017, the five-year remedial amendment cycle system for individually designed plans. Although both plans have been amended since receiving favorable determinations from the IRS, Deferred Comp management believes that the plans are designed and being operated in compliance with the applicable requirements of the IRC. Therefore, they believe that the plans were qualified and the related trusts were tax-exempt as of the financial statement date.

Accounting principles generally accepted in the United States of America require Deferred Comp management to evaluate tax positions taken by Deferred Comp and recognize a tax liability (or asset) if Deferred Comp has taken an uncertain position that more likely than not would not be substantiated upon examination by the IRS. Management has analyzed the tax positions taken by Deferred Comp, and has concluded that as of December 31, 2025, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

Note 9. Risks and Uncertainties

Deferred Comp invests in various investment securities. Investment securities are exposed to various risks such as interest rate risk, market risk, credit risk, and risks associated with global events. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the combined statement of fiduciary net position.

Note 10. Commitments

Effective January 1, 2025, PEBA entered into a contract with Empower to provide recordkeeping, administration, communication, education, investment management and custodial trustee services for Deferred Comp. The initial contract period runs through December 31, 2027. The contract can be extended beyond the initial contract period but cannot exceed two additional one-year periods, which would carry the contract through December 31, 2029. Under the terms of the contract that began January 1, 2025, participants pay Empower an annual recordkeeping fee of 0.049% of their account balance.

Effective July 1, 2022, PEBA entered into a contract with CapFinancial Partners, LLC D/B/A CAPTRUST Financial Advisors to provide investment consulting services for Deferred Comp. The contract requires an annual fee of $60,000, payable in four equal quarterly installments. The initial contract period ran through June 30, 2025, but may be extended for two additional one-year periods unless the consultant or PEBA elects not to extend the contract. The first year of the contract extension is in effect, which carries the contract period through June 30, 2026. PEBA anticipates the second-year extension will be automatically executed carrying the contract period through June 30, 2027. Costs associated with the investment consultant contract are shared pro-rata between the 457 plan and the 401(k) plan, based upon plan assets under management.