

**SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY
INSURANCE BENEFITS AND
OTHER POST EMPLOYMENT BENEFITS TRUST FUNDS**

**AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2026**

SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY
INSURANCE BENEFITS AND OTHER POST EMPLOYMENT BENEFITS TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2026

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SOUTH CAROLINA OFFICE OF THE STATE AUDITOR
1401 Main Street, Suite 1200 • Columbia, SC 29201

October 15, 2026

Members of the South Carolina Public Employee
Benefit Authority
Columbia, South Carolina

This report on the audit of the financial statements of the South Carolina Public Employee Benefit Authority, Insurance Benefits and Other Post Employment Benefits Trust Funds for the fiscal year ended June 30, 2026, was issued by Crowe LLP, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

Sue F. Moss, CPA
Interim State Auditor

INDEPENDENT AUDITOR'S REPORT

Ms. Sue F. Moss, CPA
State Auditor
Office of the State Auditor and
Members of the South Carolina Public
Employee Benefit Authority
South Carolina Public Employee Benefit Authority Insurance Benefits, the South Carolina Retiree
Health Insurance Trust Fund and the South Carolina Long-Term Disability Insurance Trust Fund
Columbia, South Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of South Carolina Public Employee Benefit Authority Insurance Benefits (PEBA), an internal service fund of the State of South Carolina, the South Carolina Retiree Health Insurance Trust Fund, a fiduciary fund of the State of South Carolina, and the South Carolina Long-Term Disability Insurance Trust Fund, a fiduciary fund of the State of South Carolina, collectively referred to as "PEBA Insurance Benefits," as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the PEBA Insurance Benefits' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of PEBA Insurance Benefits as of June 30, 2026, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 PEBA Insurance Benefits, 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 opinions.

Emphasis of a Matter

As discussed in Note 1, the financial statements present only South Carolina Public Employee Benefit Authority Insurance Benefits (PEBA), an internal service fund of the State of South Carolina, the South Carolina Retiree Health Insurance Trust Fund, a fiduciary fund of the State of South Carolina, and the South Carolina Long-Term Disability Insurance Trust Fund, a fiduciary fund of the State of South Carolina, and do not purport to, and do not present fairly the financial position of the State of South Carolina as of June 30, 2026, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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 PEBA Insurance Benefits' 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 opinions. 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 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 PEBA Insurance Benefits' 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 PEBA Insurance Benefits' 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 4-9, Schedule of South Carolina Public Employee Benefit Authority, Insurance Benefits' Employers' Proportionate Share of the Net Pension Liability – South Carolina Retirement System on page 47, Schedule of South Carolina Public Employee Benefit Authority, Insurance Benefits' Employer Pension Contributions – South Carolina Retirement System on page 48, Schedule of South Carolina Public Employee Benefit Authority, Insurance Benefits' Employer's Proportionate Share of the Net OPEB Liability on page 49, Schedule of South Carolina Public Employee Benefit Authority, Insurance Benefits' Employer OPEB Contributions on page 50, Schedule of Changes in Net OPEB Liability and Related Ratios on page 51, and Schedule of OPEB Investment Returns on page 53 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2026 on our consideration of the PEBA Insurance Benefits' 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 PEBA Insurance Benefits' 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 PEBA Insurance Benefits' internal control over financial reporting and compliance.



Crowe LLP

Dallas, Texas
October 15, 2026

**SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY
INSURANCE BENEFITS AND OTHER POST EMPLOYMENT BENEFITS TRUST FUNDS
MANAGEMENT’S DISCUSSION AND ANALYSIS**

This section presents management’s discussion and analysis (MD&A) of the financial position and performance for the South Carolina Public Employee Benefit Authority’s Insurance Benefits program (PEBA-Insurance Benefits), the South Carolina Retiree Health Insurance Trust Fund (SCRHITF), and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF) for the fiscal year ended June 30, 2026. This section should be read in conjunction with the financial statements and accompanying notes, which follow this section.

Questions about this report or requests for additional financial information should be addressed to:

South Carolina Public Employee Benefit Authority
Attn: Insurance Finance
202 Arbor Lake Drive
Columbia, SC 29223

Overview of the Financial Statements

The financial statements provide financial information for PEBA-Insurance Benefits, SCRHITF, and SCLTDITF.

The financial statements for PEBA-Insurance Benefits are presented as proprietary fund financial statements and include a Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows. These statements provide information about the financial position, operating results, and cash flows of PEBA-Insurance Benefits.

The financial statements for SCRHITF and SCLTDITF are presented as fiduciary fund financial statements and include Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position. These statements provide information about the resources held in trust for the benefit of participants and the changes in those resources during the fiscal year.

All of the financial statements use the economic resources measurement focus and accrual basis of accounting. Accordingly, they report all economic resources and obligations of the funds, including assets, liabilities, deferred outflows of resources, deferred inflows of resources, and changes in net position or fiduciary net position, as applicable.

The notes following the financial statements provide additional information about the amounts and activities reported in the financial statements and are integral to understanding the financial statements. The notes present information in greater detail than is possible within the financial statements themselves and explain the nature of amounts reported in the financial statements as well as how those amounts were determined.

Financial Summary and Detailed Analyses – PEBA-Insurance Benefits

Exhibit 1 PEBA-Insurance Benefits Condensed Statement of Net Position (amounts expressed in thousands)

	2026	2025
Assets		
Current assets	\$ 1,233,059	\$ 896,242
Noncurrent assets	20,522	49
Total assets	1,253,581	896,291
Deferred outflow of resources	6,557	6,957
Liabilities		
Current liabilities	356,693	371,782
Noncurrent liabilities	23,584	25,364
Total liabilities	380,277	397,146
Deferred inflow of resources	6,104	5,522
Net position		
Net investment in capital assets	221	49
Unrestricted	873,537	500,532
Total net position	\$ 873,758	\$ 500,581

The net position for PEBA-Insurance Benefits increased approximately \$373.2 million, or 74.55%, during fiscal year 2026. Total assets increased nearly \$357.3 million, or 39.86%, which was primarily driven by a \$109.5 million increase in cash and cash equivalents and a \$250.6 million increase in prescription drug rebate receivables. Total liabilities decreased roughly \$16.9 million, or 4.25%, mainly due to a \$45.2 million increase in claims payable that was offset by a \$55.6 million decrease in claims incurred but not reported and a \$7.3 million decrease in unearned premium revenue.

Exhibit 2
PEBA-Insurance Benefits
Condensed Statements of Revenues, Expenses, and Changes in Net Position
(amounts expressed in thousands)

	<u>2026</u>	<u>2025</u>
Operating:		
Revenues	\$ 4,880,275	\$ 4,262,829
Expenses	(4,825,439)	(4,529,289)
Total operating income/(loss)	<u>54,836</u>	<u>(266,460)</u>
Noncapital subsidies¹	<u>286,561</u>	<u>259,423</u>
Other nonoperating revenues	<u>31,780</u>	<u>23,085</u>
Change in net position	<u>373,177</u>	<u>16,048</u>
Net position, beginning of year	500,581	484,533
Net position, end of year	<u>\$ 873,758</u>	<u>\$ 500,581</u>

¹ - Fiscal year 2025 Medicare Part D subsidy revenue has been reclassified from operating revenues to conform to the fiscal year 2026 presentation in accordance with GASB Statement No. 103.

Operating revenues for PEBA-Insurance Benefits increased approximately \$617.4 million, or 14.48%, while operating expenses increased roughly \$296.2 million, or 6.54%, during fiscal year 2026. There was also a \$27.1 million increase in Medicare Part D subsidy revenue (reported as noncapital subsidies) and an \$8.7 million increase in investment income (reported as other nonoperating revenues). As a result, net position increased approximately \$373.2 million during fiscal year 2026, compared with an increase of \$16.0 million in fiscal year 2025.

The primary factors affecting the increase in net position for PEBA-Insurance Benefits during fiscal year 2026 are as follows:

- 1) **Insurance Premium Revenue** – Insurance premium revenue increased roughly \$318.6 million, or 8.81%. The largest component of this increase was State Health Plan premium revenue, which increased nearly \$297.6 million from the prior fiscal year. The main drivers of the increase in State Health Plan premium revenue were increases in the employer contribution rates of 11.80% for plan year 2025 and 4.60% for plan year 2026.
- 2) **Prescription Drug Rebate Revenue** – Prescription drug rebate revenue increased approximately \$253.5 million, or 39.72%. This increase reflects both an increase in prescription drug rebate activity as well as the reclassification of certain amounts previously reported as Medicare Part D subsidies in accordance with GASB Statement No. 103. Under the prior classification, approximately \$107.2 million of the prescription drug rebate revenue reported in fiscal year 2026 would have been reported as Medicare Part D subsidy revenue. On a comparable basis, prescription drug rebate revenue increased roughly \$146.2 million, or 22.91%, after adjusting for the amounts reclassified between these two categories.

Another contributor to the increase was the change in the Pharmacy Benefits Manager (PBM) for the State Health Plan from Express Scripts to CVS Caremark on January 1, 2026. Following the change in PBM, estimates of prescription drug rebates earned but not yet received became more accurate due to the availability of more timely and accurate reporting.

Finally, prescription drug rebate revenue increased in tandem with the continued growth in prescription drug claims during fiscal year 2026.

- 3) **Medicare Part D Subsidy Revenue** – On a comparable basis, Medicare Part D subsidy revenue increased approximately \$108.8 million after adjusting for amounts that were reclassified from Medicare Part D subsidy revenue to prescription drug rebate revenue. The increase is primarily due to higher Medicare Part D prescription drug claims during fiscal year 2026, changes to Medicare Part D benefits under the Inflation Reduction Act that resulted in more government subsidies being paid upfront, and higher-than-anticipated Manufacturer Discount Program revenue, which is now classified as prescription drug rebate revenue.
- 4) **Claims Expense** - Claims expense increased nearly \$270.0 million, or 6.42%. The increase reflects continued growth in medical and pharmacy costs that were driven in large part by higher hospital expenditures and increased prescription drug costs.

Financial Summary and Detailed Analyses – SCRHITF and SCLTDITF

Exhibit 3 SCRHITF and SCLTDITF Condensed Statement of Fiduciary Net Position (amounts expressed in thousands)

	SCRHITF		SCLTDITF	
	2026	2025	2026	2025
Total assets	\$ 2,082,118	\$ 1,980,027	\$ 37,757	\$ 35,029
Total liabilities	86,214	48,636	4,697	2,602
Total fiduciary net position	<u>\$ 1,995,904</u>	<u>\$ 1,931,391</u>	<u>\$ 33,060</u>	<u>\$ 32,427</u>

The fiduciary net position for SCRHITF increased roughly \$64.5 million, or 3.34%, during fiscal year 2026. Total assets increased approximately \$102.1 million, or 5.16%, which was primarily caused by an \$86.1 million increase in investments and a \$12.8 million increase in accrued interest receivable. Total liabilities increased nearly \$37.6 million, or 77.27%, due to a \$37.6 million increase in obligations under the securities lending program.

The fiduciary net position for SCLTDITF experienced a modest increase of almost \$633.3 thousand during fiscal year 2026, which was only a 1.95% increase from the prior fiscal year. The increase was primarily due to a \$335.4 thousand increase in cash and cash equivalents, a \$144.3 thousand increase in accrued interest receivable, and a \$78.9 thousand decrease in claims payable.

Exhibit 4
SCRHITF and SCLTDITF
Condensed Statement of Changes in Fiduciary Net Position
(amounts expressed in thousands)

	SCRHITF		SCLTDITF	
	2026	2025	2026	2025
Total additions	\$ 609,553	\$ 811,524	\$ 9,572	\$ 9,979
Total deductions	545,041	652,720	8,939	9,324
Change in fiduciary net position	64,512	158,804	633	655
Fiduciary net position, beginning of year	1,931,391	1,772,587	32,427	31,772
Fiduciary net position, end of year	<u>\$ 1,995,903</u>	<u>\$ 1,931,391</u>	<u>\$ 33,060</u>	<u>\$ 32,427</u>

The change in fiduciary net position for SCRHITF decreased almost \$94.3 million, or 59.38%, from \$158.8 million in fiscal year 2025 to \$64.5 million in fiscal year 2026. This was primarily due to a \$41.4 million decrease in net investment income and the net effect of decreases in employer contributions and benefits expense, which reduced the change in fiduciary net position by approximately \$52.9 million. The decrease in investment income was largely attributable to a significant decrease in unrealized gains on investments, which reflected the less favorable market conditions for fixed-income securities during fiscal year 2026 compared with fiscal year 2025. Additionally, the employer contribution rate decreased from 6.35% for fiscal year 2025 to 6.10% for fiscal year 2026.

During fiscal year 2026, total additions for SCLTDITF decreased by \$407.3 thousand, while total deductions decreased by \$385.1 thousand. This resulted in the change in fiduciary net position decreasing by only \$22.2 thousand, or 3.39%, from \$655.4 thousand in fiscal year 2025 to \$633.3 thousand in fiscal year 2026.

Currently Known Facts, Decisions, or Conditions

Management is currently aware of the following factors that may have a significant effect on future operating results and financial position:

- In accordance with Proviso 108.5 of the 2026-2027 Appropriations Act, employer and subscriber premiums for the State Health Plan will not increase for plan year 2027. Because claims expenses are expected to continue increasing, operating income for PEBA-Insurance Benefits is expected to decrease. However, the net impact of unchanged premiums and expected increases in claims expenses is not expected to result in negative operating income or a negative change in net position.
- The suspension of the statutorily required SCRHITF transfer under Proviso 108.11 of the 2025-2026 Appropriations Act was removed for fiscal year 2027. Accordingly, the transfer required by Section 11-705(I)(2) of the South Carolina Code of Laws is expected to occur on January 31, 2027. The amount transferred will be the operating cash balance for PEBA-Insurance Benefits that exceeds 140.00% of the actuarially determined incurred but not reported reserves of the State's health and dental plans as of December 31, 2026. The transfer is projected to have a substantial effect on net position for PEBA-Insurance Benefits and to significantly increase SCRHITF's fiduciary net position.
- CVS Caremark became the new PBM for the State Health Plan on January 1, 2026. The new contract moves away from pricing and rebate guarantees to global financial guarantees tied to net prescription costs. The new contract also mandates acquisition cost-based reimbursement for prescriptions filled at PBM-owned specialty and home delivery pharmacies. These changes have resulted in considerable savings for the State Health Plan that helped mitigate the need for premium increases for plan year 2027. The cost-containment measures are expected to have a greater impact in fiscal year 2027 once CVS Caremark has been the State Health Plan's PBM for a full fiscal year.

SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY-INSURANCE BENEFITS
STATEMENT OF NET POSITION
JUNE 30, 2026

Assets

Current assets:

Cash and cash equivalents	\$ 776,551,012
Premiums receivable	4,433,707
Prescription drug rebate receivable	404,077,758
Medicare Part D subsidy receivable	44,736,754
Accrued interest receivable	2,807,158
Prepaid items	452,784
Total current assets	<u>1,233,059,173</u>

Noncurrent assets:

Medicare Part D subsidy receivable, net of current portion	19,838,663
Capital assets, net of accumulated depreciation	683,137
Total noncurrent assets	<u>20,521,800</u>
Total assets	<u>1,253,580,973</u>

Deferred outflow of resources

Pension related	3,562,880
Other post-employment benefits related	2,994,383
Total deferred outflow of resources	<u>6,557,263</u>

Liabilities

Current liabilities:

Accounts payable	3,136,391
Accrued payroll	981,806
Accrued compensated absences	447,503
Subscription liability	95,233
Unearned premium revenue	22,889,341
Claims payable	123,087,303
Claims incurred but not reported	206,055,198
Total current liabilities	<u>356,692,775</u>

Noncurrent liabilities:

Accrued compensated absences, net of current portion	498,418
Subscription liability, net of current portion	367,001
Net pension liability	12,279,812
Net OPEB liability	10,438,717
Total non-current liabilities	<u>23,583,948</u>
Total liabilities	<u>380,276,723</u>

Deferred inflow of resources

Pension related	997,382
Other post-employment benefits related	5,106,320
Total deferred inflow of resources	<u>6,103,702</u>

Net Position

Net investment in capital assets	220,903
Unrestricted	873,536,908
Total net position	<u>\$ 873,757,811</u>

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

**SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY-INSURANCE BENEFITS
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2026**

Operating revenues

Charges for services:	
Insurance premiums	\$ 3,935,791,509
Administrative fees	2,702,869
Total charges for services	<u>3,938,494,378</u>
Prescription drug rebates	891,753,513
Other operating revenues	50,027,386
Total operating revenue	<u>4,880,275,277</u>

Operating expenses

Claims	4,476,235,035
Premiums	235,748,303
Reinsurance premiums	3,701,190
Third-party administrative fees	95,063,422
Salaries and benefits	10,771,895
Professional services	819,463
Other services	1,458,555
Adoption Assistance Program	262,473
Other operating expenses	1,378,844
Total operating expenses	<u>4,825,439,180</u>
Operating income	54,836,097

Noncapital subsidies

Medicare Part D subsidy	<u>286,560,894</u>
Operating income and noncapital subsidies	341,396,991

Other nonoperating revenues

Investment income	<u>31,780,088</u>
Change in net position	373,177,079

Net position, beginning of year	<u>500,580,732</u>
Net position, end of year	<u>\$ 873,757,811</u>

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

SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY-INSURANCE BENEFITS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2026

Cash Flows from Operating Activities

Receipts from customers	\$ 3,928,852,414
Other receipts	691,227,386
Payments to employees	(12,509,639)
Payments to providers, suppliers and others	(4,821,965,735)
Net cash used in operating activities	<u>(214,395,574)</u>

Cash Flows from Noncapital Financing Activities

Proceeds from Medicare Part D subsidies	295,144,385
Net cash provided by noncapital financing activities	<u>295,144,385</u>

Cash Flows from Capital and Related Financing Activities

Purchase of capital assets	(92,556)
Principal paid on capital debt	(120,413)
Net cash used in capital and related financing activities	<u>(212,969)</u>

Cash Flows from Investing Activities

Investment income received	29,000,018
Net cash provided by investing activities	<u>29,000,018</u>
Net increase in cash and cash equivalents	109,535,860

Cash and cash equivalents

Cash and cash equivalents, beginning of year	667,015,152
Cash and cash equivalents, end of year	<u><u>\$ 776,551,012</u></u>

Reconciliation of operating income to net cash from operating activities:

Operating income	\$ 54,836,097
Adjustments to reconcile operating income to net cash used in operating activities:	
Depreciation expense	40,985
Effect of changes in operating assets and liabilities:	
Premiums receivable	(2,291,381)
Prescription drug rebate receivable	(250,553,512)
Prepaid items	(78,189)
Deferred outflows	399,548
Accounts payable	3,136,391
Accrued payroll and compensated absences	(518,718)
Unearned premium revenue	(7,350,583)
Claims payable claims incurred but not reported	(10,397,637)
Other liabilities	(2,200,720)
Deferred inflows	582,145
Net cash used in operating activities	<u><u>\$ (214,395,574)</u></u>

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

**SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY
OTHER POST EMPLOYMENT BENEFITS TRUST FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2026**

	South Carolina Retiree Health Insurance Trust Fund	South Carolina Long-Term Disability Insurance Trust Fund
Assets		
Cash and cash equivalents	\$ 78,744,545	\$ 1,140,494
Due from South Carolina Retirement Systems	108,796,689	-
Accrued interest receivable	27,070,612	415,464
Investments - Domestic Fixed Income	1,781,291,735	32,118,268
Invested securities lending collateral	86,214,185	4,082,640
Total assets	<u>2,082,117,766</u>	<u>37,756,866</u>
Liabilities		
Obligations under securities lending	86,214,185	4,082,640
Claims payable	-	613,805
Total liabilities	<u>86,214,185</u>	<u>4,696,445</u>
Net position restricted for other postemployment benefits	<u>\$ 1,995,903,581</u>	<u>\$ 33,060,421</u>

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

**SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY
OTHER POST EMPLOYMENT BENEFITS TRUST FUNDS
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2026**

	South Carolina Retiree Health Insurance Trust Fund	South Carolina Long-Term Disability Insurance Trust Fund
Additions		
Contributions:		
Employer contributions	\$ 536,661,722	\$ 8,218,116
Nonemployer contributions	2,375,300	-
Total contributions	539,037,022	8,218,116
Investment income:		
Interest income and net appreciation (depletion) in investments	71,196,632	1,360,716
Securities lending income	1,910,246	91,352
Total investment income	73,106,878	1,452,068
Less investment expense:		
Investment expense	804,722	14,887
Securities lending expense	1,786,418	83,611
Net investment income	70,515,738	1,353,570
Total additions	609,552,760	9,571,686
Deductions		
Benefits expense	544,965,556	8,863,537
Administrative expenses	74,870	74,875
Total deductions	545,040,426	8,938,412
Net increase in fiduciary net position	64,512,334	633,274
Net position, beginning of year	1,931,391,247	32,427,147
Net position, end of year	\$ 1,995,903,581	\$ 33,060,421

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

SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY
INSURANCE BENEFITS AND OTHER POST EMPLOYMENT BENEFITS TRUST FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

General

The South Carolina Public Employee Benefit Authority (PEBA) was created by the South Carolina General Assembly effective July 1, 2012. PEBA is a state agency responsible for the administration and management of the State's employee insurance programs, other postemployment benefits trusts, and retirement systems.

The governing board of PEBA consists of 11 members: three members appointed by the Governor, two members appointed by the President Pro Tempore of the Senate, two members appointed by the Chairman of the Senate Finance Committee, two members appointed by the Speaker of the House of Representatives, and two members appointed by the Chairman of the House Ways and Means Committee. Individuals appointed to the PEBA board must meet certain qualifications. Members serve four-year terms and continue to serve until a qualified successor is appointed. The PEBA board appoints the Executive Director. PEBA is governed by State law and State policies and procedures.

The financial statements presented herein include PEBA's Insurance Benefits program (PEBA-Insurance Benefits) and the other postemployment benefit (OPEB) trust funds administered by PEBA: the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF). The financial statements were prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

PEBA-Insurance Benefits, SCRHITF, and SCLTDITF are all reported as part of the State of South Carolina's primary government in the State's Annual Comprehensive Financial Report (ACFR). The financial statements presented herein are separate financial statements of PEBA-Insurance Benefits and the OPEB Trust Funds and do not present the financial position or changes in financial position of the State of South Carolina as a whole. No component units are included in these financial statements.

PEBA-Insurance Benefits

PEBA-Insurance Benefits is an internal service fund of the State and manages the group health, dental, life, accidental death and dismemberment, and long-term disability programs as authorized in Sections 1-11-710 and 1-11-720 of the South Carolina Code of Laws. PEBA-Insurance Benefits provides these coverages to eligible employees and retirees of State agencies, school districts, higher education institutions, and participating political subdivisions through self-insured and fully insured plans.

Note 1 – Summary of Significant Accounting Policies (continued)

For active State employees, employee premiums are collected through payroll deductions and the respective employer pays the employer's monthly premium portion. Participating school districts, higher education institutions, and local subdivisions are responsible for remitting the employee and employer monthly premiums for active employees. Retirees of the State and school districts pay monthly premiums through individual retirement benefit withholdings and/or individual billing. The employer portion for State and school district retirees is funded by the SCRHITF through monthly employer surcharge contributions. For retirees of local subdivisions, the employer is also responsible for collecting the retiree's monthly premium and remitting the entire monthly premium, including the employer portion, to PEBA-Insurance Benefits.

Details on eligibility requirements and coverage for all plans may be found in PEBA's annual *Insurance Benefits Guide*. Premium rates for all plans are reviewed each calendar year and adjusted as considered necessary based on actuarial calculations. The State of South Carolina, as the predominant participant, retains the risk of loss for the self-insured health, dental and basic long-term disability plans.

Other Postemployment Benefits Trust Funds

The Other Postemployment Benefits Trust Funds (OPEB Trusts), collectively refer to SCRHITF and SCLTDITF, were established by the State of South Carolina pursuant to 2008 Act No. 195, effective May 1, 2008, and are fiduciary funds of the State. SCRHITF funds and accounts for the employer costs of the State's retiree health and dental plans. SCLTDITF funds and accounts for the employer costs of the State's basic long-term disability insurance plan.

SCRHITF provides health and dental benefits to eligible retirees of the State, including retirees of all State agencies and public school districts. SCLTDITF provides disability benefits to eligible employees of the State, including employees of State agencies, public school districts, and participating local governmental entities.

Risks and Uncertainties

The OPEB Trusts invest in various 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 at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statement of fiduciary net position available for benefits.

Basis of Presentation

PEBA-Insurance Benefits is an internal service fund of the State and is considered and reported as a proprietary fund in these separately issued financial statements. The financial statements provide information on the fund's net position, changes in net position, and cash flows. The OPEB Trusts are fiduciary funds of the State and are presented as such in these financial statements. The OPEB Trusts exist for the benefit of their respective plan participants and may not be utilized for any other purpose.

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting

The financial statements for PEBA-Insurance Benefits and the OPEB Trusts have been presented using the economic resources measurement focus and the accrual basis of accounting. Revenues and contributions are recognized in the period in which they are earned and become measurable. Expenses are recognized in the period incurred, if measurable. Claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

Cash and Cash Equivalents

Most State entities included in the State's primary government, including PEBA-Insurance Benefits and the OPEB Trusts, participate in the State's internal cash management pool. However, some agency accounts are not included in the pool because of restrictions on the use of funds. The State's internal cash management pool is administered by the State Treasurer and operates as a demand deposit account. Accordingly, amounts held in the pool are classified as cash and cash equivalents. The pool includes some long-term investments such as obligations of the United States (U.S.) and certain agencies of the U.S., obligations of domestic corporations, certificates of deposit, and collateralized repurchase agreements. All of the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agents in the State's name. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's investments is disclosed in the State's ACFR.

The State's internal cash management pool consists of a general deposit account and several special deposit accounts. The State records each fund's equity interest in the general deposit account; however, all earnings on that account are credited to the General Fund of the State. Interest earned by the special deposit accounts is retained by the respective entity. Interest earnings are allocated based on the percentage of an entity's accumulated daily interest receivable to the total income receivable of the pool. Deposits in the general deposit account and special deposit accounts are reported at fair value.

Amounts reported as cash and cash equivalents in the financial statements represent cash on deposit with the State Treasurer as part of the State's internal cash management pool and cash invested in various short-term instruments by the State Treasurer and held in separate agency accounts.

Cash equivalents for the OPEB Trusts also include investments in short-term, highly liquid securities with a maturity at the time of purchase of three months or less. These investments typically include collateralized repurchase agreements, commercial paper, and/or money market mutual funds held by the State or its agent in the name of the State Treasurer as custodian and attributable to the respective trust fund.

For purposes of the PEBA-Insurance Benefits Statement of Cash Flows, all amounts held by the State Treasurer's Office are considered highly liquid securities with a maturity of three months or less at the time of purchase.

Note 1 – Summary of Significant Accounting Policies (continued)

Investments

The State Treasurer is authorized by State statute to be the custodian of and invest all State funds. The State Treasurer's investment objectives are preservation of capital, maintenance of adequate liquidity, and obtaining the best yield possible within prescribed parameters. To meet those objectives, the State Treasurer uses various resources including an investment advisory service, electronic financial quotation and information services, various economic reports, and daily communication with brokers and financial institution investment officers.

To ensure safety of principal, the State Treasurer's policy is to limit liquid investments (i.e., those with maturities not exceeding one year) to cash, repurchase agreements (when collateralized by U.S. Treasury or federal agency obligations with a market value in excess of 100.00% of funds advanced), U.S. Treasury bills, federal agency discount notes, and commercial paper. The State Treasurer further preserves principal by investing in only the highest investment grade securities. In order to diversify investment holdings, asset allocation policies are utilized for investments having more than one year to maturity. Overall credit exposure is managed by asset allocation policies and by additional constraints controlling risk exposure to individual corporate issuers.

Investments are stated at fair value, as determined by the custodian from the last reported sales price as provided by Bank of New York Mellon (BNY Mellon), and are accounted for in accordance with GASB Statement No. 72. Net unrealized appreciation or depreciation for the fiscal year is reflected in the Statement of Changes Fiduciary Net Position and is included as a component of investment income. Investment income also includes interest earned during the fiscal year and net realized appreciation or depreciation from the sale of investment securities.

Receivables

Receivables are recorded when earned and due. Receivables determined to be uncollectible are written off. Receivables due from other State agencies are detailed in Note 8.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods. These amounts are recorded as prepaid items and recognized as expenses as the related goods or services are received or consumed.

Capital Assets

PEBA-Insurance Benefits adheres to State policy for capitalization, valuation, and depreciation of capital assets and reports its capital assets in two categories: furniture and equipment and subscription assets. Furniture and equipment are valued at historical cost. Subscription assets are valued as the sum of the present value of payments expected to be made during the subscription term and any payments made at the commencement of the subscription term.

Note 1 – Summary of Significant Accounting Policies (continued)

An individual furniture and equipment asset is capitalized and reported if it has an estimated useful life of at least two years and an initial historical cost of more than \$5,000. An individual subscription asset is capitalized and reported if it has an estimated useful life exceeding one year and an initial capitalizable value of more than \$100,000.

Depreciation and amortization are recorded using the straight-line method over estimated useful lives of 2-25 years for furniture and equipment and over the length of the subscription term for subscription assets. Depreciation and amortization are calculated using a full month of expense beginning in the month the asset is capitalized and continuing each month until the asset is fully depreciated/amortized or retired.

Unearned Premium Revenue

Premium payments received in advance of the applicable coverage period and overpayments collected in excess of premiums earned are recorded as unearned premium revenue.

Claims Payable and Claims Incurred But Not Reported

Claims payable represents medical, dental, and prescription drug claims that have been incurred and processed but not yet paid as of June 30. Claims incurred but not reported represents an actuarial estimate of amounts due for covered medical, dental, and prescription drug claims incurred but not yet reported as of June 30.

Compensated Absences

Generally, all permanent full-time State employees and certain part-time employees scheduled to work at least half of the days in the month are entitled to accrue and carry forward at calendar year-end a maximum of 45 days of annual vacation leave. Upon termination of State employment, employees are entitled to be paid for accumulated unused annual vacation leave up to the maximum. The compensated absences liability includes accrued annual leave earned for which employees are entitled to paid time off or payment at termination.

Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the Statement of Net Position reports separate sections for deferred outflows of resources, representing a consumption of net position that applies to future periods, and deferred inflows of resources, representing an acquisition of net position that applies to future periods. The PEBA-Insurance Benefits Statement of Net Position includes deferred outflows and inflows of resources related to the net OPEB liability, as detailed in Note 3, and the net pension liability, as detailed in Note 6.

Note 1 – Summary of Significant Accounting Policies (continued)

Pensions and OPEB

For purposes of measuring the net pension and net OPEB liabilities, deferred outflows and inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the pension and OPEB plans and additions to and deductions from the pension and OPEB plans' fiduciary net positions has been determined on the same basis as reported by the pension and OPEB plans. For this purpose, the pension and OPEB plans recognize benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

Net position for PEBA-Insurance Benefits is recorded in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and amortization, reduced by outstanding balances for notes, subscription liabilities, and other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on the use of net position are imposed by external resource providers, such as creditors, grantors, contributors, or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. PEBA Benefits did not have restricted net position at June 30, 2026.

Unrestricted net position consists of all other net position that does not meet the definition of restricted net position or net investment in capital assets.

The unrestricted net position of the PEBA-Insurance Benefits is required by State statute to be used for the purposes of providing insurance benefits for employees and retirees.

Operating and Nonoperating Revenues and Expenses

Operating revenues and expenses consist of revenues and expenses other than those reported as noncapital subsidies and nonoperating revenues and expenses. Operating revenues and expenses generally result from providing insurance benefits and related services in connection with the principal ongoing operations of PEBA-Insurance Benefits. Noncapital subsidies are reported separately from operating revenues and expenses. Nonoperating revenues and expenses consist of revenues and expenses related to investment income and other financing activities, as applicable.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the need to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from those estimates.

Note 1 – Summary of Significant Accounting Policies (continued)

Implementation of New Accounting Standards

For the fiscal year ended June 30, 2026, PEBA-Insurance Benefits implemented GASB Statement No. 103, Financial Reporting Model Improvements, and GASB Statement No. 104, Disclosure of Certain Capital Assets. Implementation of GASB Statement No. 103 resulted in revisions to the presentation of operating revenues and noncapital subsidies and to the Management's Discussion and Analysis.

Note 2 – Deposits and Investments

As prescribed by State statute, the State Treasurer is the custodian and investment manager of all deposits and investments held by PEBA-Insurance Benefits and the OPEB Trusts.

The following schedule reconciles the amounts reported in the PEBA-Insurance Benefits Statement of Net Position to the note disclosure for the fiscal year ended June 30, 2026:

	PEBA-Insurance Benefits	
	Statements	Note Disclosure
Cash and cash equivalents	\$ 776,551,012	
Deposits		776,551,012
Total	<u>\$ 776,551,012</u>	<u>\$ 776,551,012</u>

The following schedule reconciles the amounts reported in the OPEB Trusts Statements of Fiduciary Net Position to the note disclosure for the fiscal year ended June 30, 2026:

	SCRHITF		SCLTDITF	
	Statements	Note Disclosure	Statements	Note Disclosure
Cash and cash equivalents	\$ 78,744,545	\$ -	\$ 1,140,494	\$ -
Deposits	-	(3,324,551)	-	(65,619)
Invested securities lending collateral	86,214,185	86,214,185	4,082,640	4,082,640
Investments	1,781,291,735	1,863,360,831	32,118,268	33,324,381
Total	<u>\$ 1,946,250,465</u>	<u>\$ 1,946,250,465</u>	<u>\$ 37,341,402</u>	<u>\$ 37,341,402</u>

Deposits

Cash deposits held by the State Treasurer's Office for PEBA-Insurance Benefits and the OPEB Trusts at June 30, 2026 were as follows:

PEBA-Insurance Benefits	\$ 776,551,012
SCRHITF	(3,324,551)
SCLTDITF	(65,619)
Total	<u>\$ 773,160,842</u>

Note 2 – Deposits and Investments (continued)

The negative deposit balances for the OPEB Trusts represent fund equity balances in the State Treasurer's internal pooled cash and investments. The deficit balances are the result of reporting conventions and there are sufficient investments in place to cover these balances if an actual liquidity constriction were to occur.

Custodial credit risk for deposits is the risk that, in the event of a bank failure, deposits or collateral securities that are in the possession of a third party may not be recovered. The State's deposit policy, established by law, requires banks and savings and loan associations that receive State funds deposited by the State Treasurer to secure the deposits by deposit insurance, surety bonds, collateral securities, or letters of credit to protect the State against any loss. All deposits under the control of the State Treasurer are fully insured and/or collateralized.

Investments

The OPEB Trusts' investments are accounted for and managed by the State Treasurer in investment portfolios that are separate and distinct from the rest of the State's pooled cash and investments. The separate portfolios consist of specific, identifiable investment securities held by BNY Mellon. Investment earnings are attributable to and retained by the respective OPEB Trust.

The following table represents the fair values of the OPEB Trusts' investments at June 30, 2026:

Investment Type	SCRHITF	SCLTDITF	Total
U.S. treasuries	\$ 1,067,784,614	\$ 12,095,293	\$ 1,079,879,907
U.S. agencies	23,114,125	754,375	23,868,500
Corporate bonds	690,392,996	19,268,600	709,661,596
Commercial paper	52,951,192	-	52,951,192
Repurchase agreements	29,117,000	1,206,000	30,323,000
Money market mutual funds	904	113	1,017
Total	<u>\$ 1,863,360,831</u>	<u>\$ 33,324,381</u>	<u>\$ 1,896,685,212</u>

Due to higher cash flows at certain times during the year, the repurchase agreements fluctuated significantly throughout the fiscal year. The maximum amounts in this classification during the year ended June 30, 2026 were \$172,442,000 for the SCRHITF and \$2,577,000 for the SCLTDITF.

Fair Value

The OPEB Trusts categorize fair value measurements within the fair value hierarchy established by GASB Statement No. 72, Fair Value Measurement and Application. The valuation technique uses a three-level hierarchy of inputs to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). These classifications are summarized 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.

Note 2 – Deposits and Investments (continued)

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.

In the event that inputs used to measure the fair value of an asset or liability fall into different levels in the fair value hierarchy, the overall measurement is classified based on the lowest-level input that is significant to the entire valuation. These levels are not necessarily an indication of risk but are based upon the pricing transparency of the investment.

Investments classified according to the fair value hierarchy are valued according to pricing policies established by the OPEB Trusts' custodian bank. Pricing is based primarily on prices from third-party vendors or other specified alternative sources that are considered reliable. Where available, the custodian bank uses more than one vendor for securities of each asset type, class, or issue. The price received from a primary source is used in the valuation unless a tolerance check or price challenge results in the use of a price from a secondary vendor. Prices provided by the custodian bank may be overridden if deemed necessary or appropriate.

The OPEB Trusts had the following recurring fair value measurements as of June 30, 2026:

Investment Type	At 6/30/2026	Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
U.S. treasuries	\$ 1,079,879,907	\$ 1,079,879,907	\$ -
U.S. agencies	23,868,500	-	23,868,500
Corporate bonds	709,661,596	-	709,661,596
Commercial paper	52,951,192	-	52,951,192
Repurchase agreements	30,323,000	-	30,323,000
Money market mutual funds	1,017	1,017	-
Total	<u>\$ 1,896,685,212</u>	<u>\$ 1,079,880,924</u>	<u>\$ 816,804,288</u>

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the value of the investments or collateral securities that are in the possession of an outside party may not be recovered. Investment securities for the OPEB Trusts are registered in the name of the State and are held by the State's third-party investment custodian, BNY Mellon.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holders of its securities. The State Treasurer's credit policy mitigates potential for loss of principal by purchasing only high investment grade fixed-income securities. If the rating of a security falls below investment grade, that security may continue to be held contingent upon an evaluation of the longer-term investment merits of the security.

Note 2 – Deposits and Investments (continued)

As of June 30, 2026, the OPEB Trusts' investments subject to credit risk, stated at fair value, were categorized by credit rating in the table below. Credit ratings were aggregated based on ratings assigned by Moody's, Fitch, and/or S&P. Investments with split ratings were aggregated using the rating(s) indicative of the greatest degree of credit risk.

	Corporate Bonds	Commercial Paper	Money Market Mutual Funds	Total
Aaa/AAA	\$ -	\$ -	\$ 1,017	\$ 1,017
Aa/AA	23,729,598	-	-	23,729,598
A	228,838,923	-	-	228,838,923
Baa/BBB	379,426,347	-	-	379,426,347
P-1/F1/A-1	16,056,052	52,951,192	-	69,007,244
P-2/F2/A-2	30,380,311	-	-	30,380,311
P-3/F3/A-3	8,054,540	-	-	8,054,540
Below Investment Grade	10,984,333	-	-	10,984,333
Unrated	12,191,492	-	-	12,191,492
Total	<u>\$ 709,661,596</u>	<u>\$ 52,951,192</u>	<u>\$ 1,017</u>	<u>\$ 762,613,805</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The State's policy for mitigating this risk is to diversify investments and limit exposure to any single issuer to no more than 5.00%, except for U.S. Treasury and U.S. agency obligations. As of June 30, 2026, the OPEB Trusts did not have any investments that exceeded the 5.00% threshold for any single issuer, other than U.S. Treasury and U.S. agency obligations.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The State Treasurer's Comprehensive Investment Policy addresses interest rate risk by limiting exposure to types of securities, issuers, and minimum liquidity amounts. The policy objectives for the preservation of capital and the maintenance of adequate liquidity focus the management of interest rate sensitivity on investing in securities with a range of maturities from one day to 30 years.

At June 30, 2026, the maturities of the OPEB Trusts' investments, stated at fair value, were distributed according to the following segmented time distribution:

Investment Type	Investment Maturities (in years)				
	Less than 1	1 - 5	6 - 10	More than 10	Total
U.S. treasuries	\$ 109,385,573	\$ 525,497,612	\$ 241,143,849	\$ 203,852,873	\$ 1,079,879,907
U.S. agencies	38,756	678,068	936,512	22,215,164	23,868,500
Corporate bonds	58,955,894	296,913,623	210,224,233	143,567,846	709,661,596
Commercial paper	52,951,192	-	-	-	52,951,192
Repurchase agreements	30,323,000	-	-	-	30,323,000
Money market mutual funds	1,017	-	-	-	1,017
Total	<u>\$ 251,655,432</u>	<u>\$ 823,089,303</u>	<u>\$ 452,304,594</u>	<u>\$ 369,635,883</u>	<u>\$ 1,896,685,212</u>

Note 2 – Deposits and Investments (continued)

Securities Lending Transactions

By law, the State Treasurer may lend securities from its investment portfolios on a collateralized basis to third parties with a simultaneous agreement to return the collateral for the same securities in the future. Through the State Treasurer and its custodial agent, BNY Mellon, the OPEB Trusts participate in a securities lending program whereby securities held in the OPEB Trusts' investment portfolios are loaned to third parties to generate additional income. Securities are loaned on a collateralized basis. The fair value of the required collateral must initially equal at least 102.00% of the fair value of the securities loaned and, if the fair value of collateral falls below 100.00%, additional collateral is required.

During the fiscal year ended June 30, 2026, securities loaned included U.S. Treasury securities, U.S. agency securities, and corporate bonds; cash and U.S. Treasury securities were received as collateral. There were no restrictions on the amount of securities that could be lent. Securities received as collateral cannot be pledged or sold unless the borrower defaults. The contractual agreement with BNY Mellon provides indemnification in the event the borrower fails to return the loaned securities or pay the OPEB Trusts' income distributions attributable to the securities while the securities are on loan.

During fiscal year 2026, the average number of days that securities loans were outstanding was one day and the weighted average maturity of investments made with cash collateral was one day for the OPEB Trusts. At June 30, 2026, the OPEB Trusts had no credit risk exposure related to securities lending transactions because the amounts owed by the OPEB Trusts to the borrowers exceeded the amounts owed to the OPEB Trusts by the borrowers. All securities loaned can be terminated on demand by either the OPEB Trusts or the borrower. The OPEB Trusts experienced no losses on its securities lending transactions as a result of borrower defaults for the fiscal year ended June 30, 2026.

Cash collateral received through the securities lending program is invested and reported as an asset of the OPEB Trusts. A corresponding liability is also reported for the obligation to return the cash collateral to the borrower upon expiration of the loan. The following table presents the fair value of the securities on loan and the fair value of investments made with cash collateral at June 30, 2026:

	SCRHIF	SCLTDITF
Securities lent for cash collateral		
U.S. treasuries	\$ 44,086,866	\$ 1,465,238
Corporate bonds	39,551,695	2,508,238
Total securities lent for cash collateral	<u>83,638,561</u>	<u>3,973,476</u>
Securities lent for noncash collateral		
Corporate bonds	10,986,921	1,408,855
Total securities on loan	<u>\$ 94,625,482</u>	<u>\$ 5,382,331</u>
Fair value of investments made with cash collateral		
Overnight repurchase agreements	<u>\$ 86,214,185</u>	<u>\$ 4,082,640</u>

The securities lending obligations for the OPEB Trusts were equal to the fair value of the investments made with cash collateral at June 30, 2026.

Note 3 – Other Postemployment Benefits

Plan Reporting in Accordance with GASB Statement No. 74

Plan Description and Administration

In accordance with 2008 Act No. 195, the OPEB Trusts are administered by PEBA-Insurance Benefits and the State Treasurer is the custodian of the funds held in trust. The Board of Directors of PEBA has been designated as the Trustee. The OPEB Trusts are cost-sharing multiple-employer defined benefit OPEB plans. Sections 1-11-705 and 1-11-707 of the South Carolina Code of Laws define the OPEB Trusts and provide for their administration, including the Trustee's authority to adjust the plans, including its benefits and contributions, as necessary to ensure the fiscal stability of the plans.

Eligibility and Benefits

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides postemployment health, dental, and long-term disability benefits to retired State and school district employees and their covered dependents. Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15-24 years of service for 50% employer funding. Basic long-term disability benefits are provided to active State, public school district, and participating local government employees approved for disability.

Funding Policies

Section 1-11-710 of the South Carolina Code of Laws provides for funding of the postemployment health, dental, and basic long-term disability benefits through employer and nonemployer contributions for active employees and retirees.

Postemployment health and dental benefits are primarily funded by employer contributions. Participating employers are mandated by State statute to contribute at a rate assessed each year by the Department of Administration's Executive Budget Office, which was 6.10% of active employee covered payroll for the fiscal year ended June 30, 2026. The South Carolina Retirement System collects the monthly covered payroll surcharge for all participating employers and remits it directly to the SCRHITF.

Other funding sources for postemployment health and dental benefits are State General Fund appropriations (reported as nonemployer contributions), investment income, and statutorily required transfers of accumulated reserves from PEBA-Insurance Benefits. The statutorily required transfer from PEBA-Insurance Benefits was suspended by the General Assembly during the COVID-19 pandemic and remained suspended at June 30, 2026.

Basic long-term disability benefits are funded through investment income and premiums charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to PEBA-Insurance Benefits was \$3.22 for the fiscal year ended June 30, 2026. The SCLTDITF premium is billed monthly by PEBA-Insurance Benefits and transferred monthly to the SCLTDITF.

Note 3 – Other Postemployment Benefits (continued)

At June 30, 2026, plan membership and the number of participating employers for SCRHITF and SCLTIDTF were as follows:

	<u>SCRHITF</u>	<u>SCLTIDTF</u>
Active members	201,797	208,661
Retirees and beneficiaries receiving benefits	101,099	994
Inactive vested members	1,604	-
Total plan members	<u>304,500</u>	<u>209,655</u>
Number of participating employers	246	864

Actuarial Assumptions and Methods

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plans (as understood by the employer and plan participants) and include the types of benefits provided at the time of the valuation and the historical pattern of sharing of benefit costs between the employer and plan members.

Additional information as of the latest actuarial valuation for SCRHITF:

Valuation Date:	June 30, 2025 census data; rolled forward to June 30, 2026
Actuarial Cost Method:	Individual Entry-Age Normal
Inflation:	2.25%
Investment Rate of Return:	4.00%, net of OPEB Plan investment expense; including inflation
Single Discount Rate:	4.61% as of June 30, 2026
Demographic Assumptions:	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2023
Health Care Trend Rate:	Initial trend starting at 7.20% and gradually decreasing to an ultimate trend rate of 4.25% over a period of 15 years
Participation Assumption:	75% for retirees that are eligible for funded premiums 60% for retirees that are eligible for partially funded premiums 20% for retirees that are eligible for non-funded premiums
Notes:	The long-term rate of return assumption was increased from 2.75% to 4.00%. This change contributed to the Single Discount Rate decreasing from 5.05% as of June 30, 2025 to 4.61% as of June 30, 2026. Additionally, the health care trend rates were updated to reflect the plan's anticipated experience.

Note 3 – Other Postemployment Benefits (continued)

Additional information as of the latest actuarial valuation for SCLTDITF:

Valuation Date:	June 30, 2025 census data; rolled forward to June 30, 2026
Actuarial Cost Method:	Individual Entry-Age Normal
Inflation:	2.25%
Investment Rate of Return:	4.00%, net of OPEB Plan investment expense; including inflation
Single Discount Rate:	4.41% as of June 30, 2026
Salary, Termination Rates, and Retirement Rates:	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2023
Disability Incidence:	The disability incidence rates used in the valuation are 245% of the rates developed for the South Carolina Retirement Systems pension plans.
Disability Recovery:	For participants in payment, 1987 CGDT Group Disability; For active employees, 60% were assumed to recover after the first year and 93% were assumed to recover after the first two years.
Offsets:	45% are assumed to be eligible for Social Security benefits. Assumed percentage who will be eligible for a pension plan offset varies based on employee group.
Expenses:	Third-party administrative expenses are included in the benefit projections.
Notes:	The long-term rate of return assumption changed from 3.00% to 4.00% per year.

The following table represents the components of the net OPEB liability as of June 30, 2026:

OPEB Trust	Total OPEB Liability	Plan Fiduciary		Plan Fiduciary
		Net Position	Net OPEB Liability	Net Position as a % of Total OPEB Liability
SCRHITF	\$ 18,453,209,119	\$ 1,995,903,581	\$ 16,457,305,538	10.82%
SCLTDITF	50,158,025	33,060,421	17,097,604	65.91%

Single Discount Rate

The Single Discount Rate (SDR) of 4.61% was used to measure the total OPEB liability for the SCRHITF. The SDR was based on an expected rate of return on plan investments of 4.00% and a municipal bond rate of 4.67%. The projection of cash flows used to determine this SDR assumed that employer contributions would not exceed benefit payments. Based on these assumptions, the fiduciary net position and future contributions were sufficient to finance the benefit payments through fiscal year 2037. As a result, the long-term expected rate of return on plan investments was applied to projected benefit payments through fiscal year 2037 and the municipal bond rate was applied to all benefit payments after that date.

Note 3 – Other Postemployment Benefits (continued)

A SDR of 4.41% was used to measure the total OPEB liability for the SCLTDITF. This SDR was based on an expected rate of return on plan investments of 4.00% and a municipal bond rate of 4.67%. The projection of cash flows to determine this SDR assumed that employer contributions will remain \$38.64 per year for each covered active employee. Based on these assumptions, the fiduciary net position and future contributions were sufficient to finance the benefit payments through fiscal year 2036. As a result, the long-term expected rate of return on plan investments was applied to projected benefit payments through fiscal year 2036 and the municipal bond rate was applied to all benefit payments after that date.

Long-term Expected Rate of Return

The long-term expected rate of returns represents assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees. The components of the long-term expected rates of return, including the target asset allocation, expected real rates of return, and expected inflation, are summarized below.

Asset Class	Target Asset Allocation	SCRHITF		SCLTDITF	
		Long-Term Expected Real Rate of Return	Allocation-Weighted Long-Term Expected Real Rate of Return	Long-Term Expected Real Rate of Return	Allocation-Weighted Long-Term Expected Real Rate of Return
U.S. Domestic Fixed Income	80.00%	2.08%	1.66%	2.08%	1.66%
Cash	20.00%	1.16%	0.23%	1.16%	0.23%
Total	100.00%		1.89%		1.89%
Expected Inflation			2.25%		2.25%
Total Return			4.14%		4.14%
Investment Return Assumption			4.00%		4.00%

The annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, expresses investment performance adjusted for the changing amounts actually invested. For the fiscal year ended June 30, 2026, the annual money-weighted rates of return were 3.93% for SCRHITF and 4.13% for SCLTDITF.

Sensitivity Analysis

The following table presents the SCRHITF's net OPEB liability calculated using a SDR of 4.61%, as well as what the plan's net OPEB liability would be if it were calculated using a SDR that is one percentage point lower or one percentage point higher:

	1% Decrease 3.61%	Current Discount Rate 4.61%	1% Increase 5.61%
SCRHITF Net OPEB Liability	\$ 19,388,193,343	\$ 16,457,305,538	\$ 14,097,083,971

Note 3 – Other Postemployment Benefits (continued)

The following table presents the SCRHITF's net OPEB liability calculated using the assumed healthcare cost trend rate, as well as what the plan's net OPEB liability would be if it were calculated using a trend rate that is one percentage point lower or one percentage point higher:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
SCRHITF Net OPEB Liability	\$ 13,631,067,523	\$ 16,457,305,538	\$ 20,079,078,702

The following table presents the SCLTDITF's net OPEB liability calculated using a SDR of 4.41%, as well as what the plan's net OPEB liability would be if it were calculated using a SDR that is one percentage point lower or one percentage point higher:

	1% Decrease 3.41%	Current Discount Rate 4.41%	1% Increase 5.41%
SCLTDITF Net OPEB Liability	\$ 19,019,787	\$ 17,097,604	\$ 15,260,420

Note 3 – Other Postemployment Benefits (continued)

Employer Reporting for PEBA-Insurance Benefits in Accordance with GASB Statement No. 75

PEBA-Insurance Benefits participates in the OPEB plans administered through the SCRHITF and SCLTDITF. The proportionate share for PEBA-Insurance Benefits of the Net OPEB Liability associated with SCLTDITF is insignificant and has not been recognized in the financial statements or note disclosures for PEBA-Insurance Benefits.

Actuarial Assumptions and Methods

Valuation Date:	June 30, 2024 census data; rolled forward to June 30, 2025
Actuarial Cost Method:	Individual Entry-Age Normal
Inflation:	2.25%
Investment Rate of Return:	2.75%, net of OPEB Plan investment expense; including inflation
Single Discount Rate:	5.05% as of June 30, 2025
Demographic Assumptions:	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2023
Health Care Trend Rate:	Initial trend starting at 6.80% and gradually decreasing to an ultimate trend rate of 4.25% over a period of 15 years
Participation Assumptions:	75% participation for retirees who are eligible for funded premiums 60% participation for retirees who are eligible for partially funded premiums 20% participation for retirees who are eligible for nonfunded premiums
Notes:	The discount rate changed from 3.97% as of June 30, 2024 to 5.05% as of June 30, 2025. Additionally, the demographic and salary increase assumptions, the healthcare trend rates, and the election assumption rates were updated.

Single Discount Rate

The Single Discount Rate of 5.05% was used to measure the total OPEB liability. The accounting policy for this plan is to set the Single Discount Rate equal to the prevailing municipal bond rate. Due to the plan's investment and funding policies, the difference between a blended discount rate and the municipal bond rate would be less than several basis points (several hundredths of one percent).

Long-term Expected Rate of Return

The components of the long-term expected rates of return, including the target asset allocation, expected real rates of return, and expected inflation, are summarized below.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Allocation-Weighted Long-Term Expected Real Rate of Return</u>
U.S. Domestic Fixed Income	80.00%	0.95%	0.76%
Cash	20.00%	0.35%	0.07%
Total	100.00%		0.83%
Expected Inflation			2.25%
Total Return			3.08%
Investment Return Assumption			2.75%

Note 3 – Other Postemployment Benefits (continued)

Net OPEB Liability

The allocation of each employer's proportionate share of the collective net OPEB liability and collective OPEB expense was determined using the employer's payroll-related contributions over the measurement period. At June 30, 2026, the proportionate share for PEBA-Insurance Benefits was \$10,438,717, or 0.069047%, of the collective net OPEB liability.

Sensitivity Analysis

The following table presents the proportionate share of the collective net OPEB liability for PEBA-Insurance Benefits calculated using a Single Discount Rate of 5.05%, as well as the amounts that would result using a Single Discount Rate that is one percentage point lower or one percentage point higher:

1% Decrease	Current	1% Increase
4.05%	Discount Rate	6.05%
\$ 12,230,258	\$ 10,438,717	\$ 9,027,001

The following table presents proportionate share of the collective net OPEB liability for PEBA-Insurance Benefits calculated using the assumed healthcare cost trend rate, as well as the amounts that would result using a trend rate that is one percentage point lower or one percentage point higher:

1% Decrease	Current Healthcare	1% Increase
Cost Trend Rate	Cost Trend Rate	Cost Trend Rate
\$ 8,739,102	\$ 10,438,717	\$ 12,648,530

OPEB Expense

For the fiscal year ended June 30, 2026, PEBA-Insurance Benefits recognized OPEB expense of \$333,085.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The deferred outflows of resources and deferred inflows of resources related to OPEB for PEBA-Insurance Benefits at June 30, 2026 are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 833,665	\$ 1,235,424
Net difference between projected and actual earnings on OPEB plan investments	-	11,365
Changes of assumptions	1,636,205	2,951,225
Employer contributions subsequent to the measurement date	524,513	-
Net changes in proportion and differences between employer contributions and proportionate share of contributions	-	908,306
Total	\$ 2,994,383	\$ 5,106,320

Note 3 – Other Postemployment Benefits (continued)

Contributions made by PEBA-Insurance Benefits subsequent to the measurement date of \$524,513 that are reported as deferred outflows of resources will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement Period Ending June 30,	Fiscal Year Ending June 30,	SCRHITF
2026	2027	\$ 545,089
2027	2028	783,800
2028	2029	927,542
2029	2030	249,554
2030	2031	7,690
Thereafter	Thereafter	122,775
		<u>\$ 2,636,450</u>

Note 4 - Premiums Receivable

Premiums receivable at June 30, 2026 for PEBA-Insurance Benefits consisted of the following:

State government	\$ 1,183,804
Local government	2,919,319
Individuals and other quasi-governmental entities	330,584
	<u>\$ 4,433,707</u>

Note 5 - Capital Assets

Capital asset activity for PEBA-Insurance Benefits for the fiscal year ended June 30, 2026 was as follows:

	Beginning Balances July 1, 2025	Increases	Decreases	Ending Balances June 30, 2026
<i>Capital assets being depreciated or amortized:</i>				
Furniture and equipment	\$ 1,363,262	\$ 92,556	\$ (244,151)	\$ 1,211,667
Subscription assets	-	582,647	-	582,647
Total capital assets being depreciated or amortized	<u>1,363,262</u>	<u>675,203</u>	<u>(244,151)</u>	<u>1,794,314</u>
<i>Less accumulated depreciation or amortization for:</i>				
Furniture and equipment	(1,314,343)	(31,274)	244,151	(1,101,466)
Subscription assets	-	(9,711)	-	(9,711)
Total accumulated depreciation and amortization	<u>(1,314,343)</u>	<u>(40,985)</u>	<u>244,151</u>	<u>(1,111,177)</u>
Capital Assets, Net	<u>48,919</u>	<u>634,218</u>	<u>-</u>	<u>683,137</u>

Depreciation and amortization expense was \$40,985 for the fiscal year ended June 30, 2026.

Note 6 – Pension Plans

PEBA is the State agency responsible for the administration and management of the State's Retirement Systems (Systems) and retirement programs, including the State Optional Retirement Program and the South Carolina Deferred Compensation Program. As such, PEBA is responsible for administering the Systems' five defined benefit pension plans. PEBA's Board of Directors serves as custodian, co-trustee, and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission (Commission), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds' assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority, which consists of five elected officials, also reviews certain decisions made by the PEBA Board of Directors regarding the actuary of the Systems.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems' fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with GAAP. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues separate financial statements and required supplementary information for the Systems' Pension Trust Funds. These financial statements are publicly available through PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. The Systems' Pension Trust Funds are reported as fiduciary funds of the primary government of the State of South Carolina and are included in the State's ACFR.

Plan Descriptions

SCRS, a cost-sharing multiple-employer defined benefit pension plan, was established July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws. SCRS provides retirement allowances and other benefits to eligible employees of participating employers.

The State Optional Retirement Program (State ORP) is a defined contribution plan offered as an alternative to SCRS. State ORP participants direct the investment of their funds into an account administered by one of four third-party service providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the four third-party service providers. For this reason, State ORP assets are not part of the Systems' trust funds for financial statement purposes.

Note 6 – Pension Plans (continued)

Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws and the requirements under SCRS and State ORP are summarized below.

SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers employees of State agencies, public school districts and participating charter schools, public higher education institutions, and other participating local subdivisions of government, as well as individuals elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of SCRS with an effective date of membership prior to July 1, 2012 is a Class Two member. An employee member of SCRS with an effective date of membership on or after July 1, 2012 is a Class Three member.

State ORP - As an alternative to membership in SCRS, newly hired State, public higher education institution, and public school district employees, as well as individuals elected to the South Carolina General Assembly beginning with the November 2012 general election have the option to participate in the State ORP. Contributions to State ORP are at the same rates as SCRS. A direct remittance is required from the employer to the member's account with the State ORP service provider for the employee contribution and 5.00% of the employer contribution. A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, which is retained by SCRS.

SCRS Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws and may be amended by the South Carolina General Assembly.

A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A Class Two member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight years of earned service is eligible for a monthly pension once the sum of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they have at least five and eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance for eligible retirees and their surviving annuitants is increased annually on July 1 by the lesser of 1.00% or five hundred dollars. To be eligible for the increase, retirees and surviving annuitants must have been receiving benefits on July 1 of the preceding year. Members who retire under the early retirement provisions at age 55 with at least 25 years of creditable service are not eligible for the benefit adjustment until the earlier of the second July 1 after reaching age 60 or the second July 1 after the date they would have attained 28 years of creditable service had they not retired.

Note 6 – Pension Plans (continued)

Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS contribution requirements must be sufficient to maintain an amortization period for the financing the unfunded actuarial accrued liability (UAAL) that does not exceed the period established by State statute. Effective July 1, 2017, employee contribution rates were increased and capped at 9.00%. Employer contribution rates were also increased to 13.56% effective July 1, 2017, with subsequent annual increases of one percentage point until the rate reached 18.56%. State statute also includes a provision that, if the scheduled contributions are not sufficient to meet the applicable funding period, the PEBA Board of Directors may increase the employer contribution rates as necessary.

State statute was further modified to allow the employer contribution rates to be further increased by no more than one-half of 1.00% of earnable compensation in any one year when necessary to improve the plan funding. The State statute established rates intended to reduce the UAAL amortization period from 30 years to 20 years over a ten-year schedule, as determined by the annual actuarial valuations of the plan. Finally, under the revised statute, the contribution rates for SCRS may not be decreased until the plan is at least 85.00% funded.

For fiscal year 2026, the required employee contribution rate for SCRS and State ORP is 9.00% and the required employer contribution rate for SCRS and State ORP is 18.56%. These contribution rates are calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws. The employer contribution rate includes an incidental death benefit contribution rate of 0.15%. For State ORP, the amount calculated by applying five percentage points of the employer contribution rate to earnable compensation is remitted by the employer directly to the State ORP service provider for allocation to the member's account.

Actuarial Assumptions and Methods

Actuarial valuations of the ongoing plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. State statute requires an actuarial experience study be completed at least once within each five-year period. The GASB Statement No. 67 valuation report prepared as of June 30, 2025 is based on the experience study report for the period ending June 30, 2023.

The June 30, 2025 total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by the consulting actuary, Gabriel Roeder Smith & Company (GRS) for SCRS and are based on an actuarial valuation performed as of July 1, 2024. The total pension liability was rolled forward from the valuation date to the plan fiscal year end, June 30, 2025, using generally accepted actuarial principles. There was no legislation enacted during the 2025 legislative session that had a material change in the benefit provisions for any of the Systems.

Note 6 – Pension Plans (continued)

Actuarial assumptions and methods used to calculate the TPL as of June 30, 2025 are as follows:

Actuarial cost method	Entry age normal
Actuarial assumptions:	
Investment rate of return	7.00%, includes inflation at 2.25%
Projected salary increases	3.00% to 11.25% (varies by service), includes inflation at 2.25%
Benefit adjustments	Lesser of 1.00% or \$500 annually

The post-retiree mortality assumption is dependent upon the member’s job category and gender. The base mortality assumptions, the 2020 Public Retirees of South Carolina Mortality table (2020 PRSC), was developed using the Systems’ mortality experience. These base rates are adjusted for future improvement in mortality using 80.00% of Scale UMP projected from the year 2020.

Assumptions used in the determination of the TPL as of June 30, 2025 are as follows:

Former Job Class	Males	Females
Educators	2020 PRSC multiplied by 95.00%	2020 PRSC multiplied by 94.00%
General Employees and Members of the General Assembly	2020 PRSC multiplied by 97.00%	2020 PRSC multiplied by 107.00%

Discount Rate

The discount rate used to measure the TPL was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System’s fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 30-year capital market assumptions. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees.

Note 6 – Pension Plans (continued)

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2025 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7.00% assumed annual investment rate of return used in the calculation of the TPL includes a 4.75% real rate of return and a 2.25% inflation component. The target asset class allocation, expected arithmetic real rates of return, as well as long-term expected portfolio real rates of return, for each major asset class are summarized in the table below.

Asset Class	Policy Target	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Public Equity	46.00%	5.87%	2.70%
Bonds	26.00%	3.20%	0.83%
Private Equity¹	9.00%	8.50%	0.77%
Private Debt¹	7.00%	7.40%	0.52%
Real Assets			
Real Estate ¹	9.00%	5.00%	0.45%
Infrastructure ¹	3.00%	7.70%	0.23%
	100.00%		
	Total Expected Real Return ²		5.50%
	Inflation for Actuarial Purposes		2.25%
	Total Expected Nominal Return		7.75%

¹ RSIC staff and consultant will notify the Commission if the collective exposure to Private Equity, Private Debt, and Private Real Assets exceeds 30.00% of total plan assets.

² Portable Alpha Strategies, which utilize Hedge Funds and are not included in the Policy Target, will be capped at 15.00% of total ass

Net Pension Liability

The NPL represents the TPL determined in accordance with GASB Statement No. 67 less the fiduciary net position. The total NPL, as of June 30, 2026 (measurement date of June 30, 2025) is shown below.

Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
\$ 63,956,318,760	\$ 42,347,352,061	\$ 21,608,966,699	66.20%

The TPL is calculated by the Systems' actuary and the plan's fiduciary net position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB Statement No. 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Statement Nos. 67 and 68 are not applicable for other purposes, such as determining the plan funding requirements.

Note 6 – Pension Plans (continued)

The proportionate share of the collective net pension liability for PEBA-Insurance Benefits was based on a projection of the proportionate long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2026, the proportionate share for PEBA-Insurance Benefits was \$12,279,812, or 0.056827%, of the collective net pension liability. The proportionate share of the collective net pension liability for PEBA-Insurance Benefits decreased by \$1,247,962, or 0.000860%, since the prior measurement date.

Sensitivity Analysis

The following table presents the proportionate share of the collective net pension liability for PEBA-Insurance Benefits calculated using the discount rate of 7.00%, as well as the amounts that would result if the discount rate were 1.00% lower (6.00%) or 1.00% higher (8.00%).

1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
\$ 16,594,233	\$ 12,279,812	\$ 8,689,564

Pension Expense

For the fiscal year ended June 30, 2026, PEBA-Insurance Benefits recognized pension expense of \$531,030 for the SCRS pension plan and \$37,273 for the State ORP pension plan.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The deferred outflows of resources and deferred inflows of resources related to pensions for PEBA-Insurance Benefits at June 30, 2026 are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 576,141	\$ -
Net difference between projected and actual earnings on pension plan investments	-	788,409
Changes of assumptions	145,130	-
Employer contributions subsequent to the measurement date	1,558,628	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,282,981	208,973
Total	<u>\$ 3,562,880</u>	<u>\$ 997,382</u>

Note 6 – Pension Plans (continued)

Contributions made by PEBA-Insurance Benefits subsequent to the measurement date of \$1,558,628 that are reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Period Ending	Fiscal Year	SCRS
June 30,	Ending June 30,	
2026	2027	\$ (806,364)
2027	2028	(412,292)
2028	2029	30,024
2029	2030	181,762
		<u>\$ (1,006,870)</u>

Note 7 – Subscription Based Information Technology Arrangements

During fiscal year 2026, PEBA-Insurance Benefits entered into a five-year subscription-based information technology arrangement (SBITA) for software used to design, develop, and maintain its benefits application database. The subscription liability was measured using a discount rate of 6.75%.

The following is a schedule by fiscal year of the SBITA's future principal and interest payments as of June 30, 2026:

Fiscal Year Ending June 30,	Principal	Interest
2027	\$ 95,233	\$ 31,201
2028	107,983	24,772
2029	121,910	17,484
2030	137,108	9,255
Total	<u>462,234</u>	<u>82,712</u>

Note 8 – Transactions with State Entities

PEBA-Insurance Benefits has significant transactions with the State and various State entities. Services received at no cost include payroll processing, disbursement processing, and maintenance of certain accounting records from the Comptroller General's Office; check preparation, banking, and investment functions from the State Treasurer's Office; legal services from the Attorney General's Office; and record storage from the Department of Archives and History.

Insurance services are provided for a fee to various State entities. The fees are recorded as revenues in the financial statements for PEBA-Insurance Benefits. The insurance coverage provided consists of health, dental, vision, life, and long-term disability insurance.

The following table presents the insurance premiums charged by PEBA-Insurance Benefits to other State entities during the fiscal year ended June 30, 2026:

State Entity	Amount	State Entity	Amount
Adjutant General's Office	\$ 3,708,497	Governor's Office - Mansions And Grounds	\$ 67,330
Aid To Subdivisions-County Auditors & Treasurers	792,050	Greenville Technical College	8,744,067
Aiken Technical College	1,704,496	Higher Education Tuition Grants Commission	49,483
Attorney General's Office	3,346,128	Horry-Georgetown Technical College	5,409,749
Central Carolina Technical College	2,405,249	House Of Representatives	3,233,117
Clemson University	74,888,966	InvestSC, Inc.	7,924
Coastal Carolina University	19,619,182	Lander University	5,674,546
College Of Charleston	17,350,164	Legislative Audit Council	234,849
Commission On Higher Education	596,507	Legislative Council	450,233
Comptroller General's Office	350,577	Legislative Services Agency	551,625
Confederate Relic Room And Military Commission	74,678	Medical University Hospital Authority	20,743
Denmark Technical College	798,800	Medical University Of SC	68,648,409
Department Of Administration	6,232,914	Midlands Technical College	8,030,645
Department Of Agriculture	3,171,225	MUSC Community Physicians	20,455,432
Department Of Archives & History	555,737	MUSC Health Chester	3,711,165
Department Of Children's Advocacy	2,658,140	MUSC Health Columbia Medical Center	11,802,903
Department Of Education	12,588,269	MUSC Health Florence	14,887,316
Department Of Health And Human Services	14,976,236	MUSC Health Kershaw Medical Center	4,491,100
Department Of Labor, Licensing And Regulation	4,952,581	MUSC Health Lancaster	7,456,785
Department Of Mental Health	33,283,511	MUSC Health Marion	2,421,449
Department Of Revenue	8,355,976	MUSC Health Orangeburg Medical Center	11,076,457
Department Of Social Services	47,804,995	MUSC Hospital Authority	95,560,849
Department Of Transportation	48,085,346	Northeastern Technical College	1,117,917
Department Of Veteran Affairs	604,038	Office Of First Steps	864,140
Department On Aging	606,308	Office Of Regulatory Staff	1,351,543
Department Of Parks, Recreation, and Tourism	5,382,829	Office Of State Auditor	574,853
Florence-Darlington Technical College	2,761,100	Office Of State Infrastructure Bank	49,869
Forestry Commission	5,071,121	Office Of The Inspector General	161,501
Francis Marion University	6,019,128	Orangeburg - Calhoun Technical College	2,107,064
Governor's Office - Executive Control Of State	240,714	Patriots Point Development Authority	823,363

Note 8 – Transactions with State Entities (continued)

State Entity	Amount	State Entity	Amount
Piedmont Technical College	\$ 3,750,837	SC State Housing Finance & Development Authority	\$ 1,734,810
Procurement Review Panel	20,554	SC State Library	561,482
Public Service Commission	423,773	SC State Senate	2,054,910
Retirement System Investment Commission	488,128	SC State University	6,597,600
Revenue And Fiscal Affairs Office	864,877	SC Workers' Compensation Commission	595,703
Santee Cooper Public Service Authority	37,613,885	Sea Grant Consortium	243,873
SC Administrative Law Court	338,817	Secretary Of State	363,295
SC Arts Commission	290,765	South Carolina Aeronautics Commission	159,077
SC Commission For The Blind	1,073,636	South Carolina Conservation Bank	48,643
SC Commission On Indigent Defense	764,157	South Carolina Criminal Justice Academy	1,446,541
SC Commission On Prosecution Coordination	605,211	South Carolina Education Lottery	1,679,401
SC Department Of Commerce	1,324,191	South Carolina Judicial Branch	8,240,721
SC Department Of Consumer Affairs	482,192	South Carolina Museum Commission	624,909
SC Department Of Corrections	42,048,570	South Carolina Office Of Resilience	1,316,628
SC Department Of Employment And Workforce	7,459,586	South Carolina Public Railways	610,201
SC Department Of Environmental Services	12,532,024	South Carolina State Ports Authority	13,470,932
SC Department Of Insurance	1,047,216	Spartanburg Community College	5,486,085
SC Department Of Juvenile Justice	11,634,132	State Accident Fund	963,658
SC Department Of Motor Vehicles	13,067,865	State Board For Technical Education	2,151,310
SC Department Of Natural Resources	12,983,475	State Board Of Financial Institutions	578,901
SC Department Of Probation, Parole, and Pardon Services	8,448,163	State Commission For Minority Affairs	248,501
SC Department Of Public Health	24,130,860	State Election Commission	702,982
SC Department Of Public Safety	16,469,361	State Ethics Commission	215,657
SC Department Of Alcohol & Other Drug Abuse Services	174,098	State Fiscal Accountability Authority	1,575,681
SC Dept Of Behavioral Health & Develop Disabilities	4,701,147	State Law Enforcement Division	9,129,498
SC Department Of Disabilities & Special Needs	11,806,646	State Treasurer's Office	998,291
SC Education Oversight Committee	84,703	Technical College Of Low Country	1,717,940
SC Educational Television Comm	1,733,840	The Citadel	7,335,864
SC Governor's School For Agr At John De La Howe	821,306	Tri-County Technical College	5,049,352
SC Governor's School For Arts & Humanities	1,384,502	Trident Technical College	7,625,992
SC Governor's School For Science & Mathematics	1,298,806	University Of South Carolina	96,785,379
SC Human Affairs Commission	477,047	Vocational Rehabilitation	10,786,112
SC Jobs Economic Development Authority	43,716	Wil Lou Gray Opp School	825,084
SC PEBA - Retirement Division	1,759,081	Williamsburg Technical College	807,796
SC Research Authority	686,153	Winthrop University	8,067,334
SC Rural Infrastructure Authority	222,801	York Technical College	3,686,315
SC School For The Deaf & Blind	3,832,376		
		Total premiums received from State entities	\$ 1,040,396,843

Note 8 – Transactions with State Entities (continued)

PEBA-Insurance Benefits had other financial transactions with various State entities during the fiscal year. Significant payments were made to other State entities for building and grounds maintenance, data integration and analysis, general tort liability insurance coverage, on-site security services, and workers' compensation insurance coverage for employees. Significant payments made to other State entities by PEBA-Insurance Benefits during the fiscal year are as follows:

State Entity	Amount
Department of Administration	\$ 133,527
Revenue and Fiscal Affairs Office	152,900
State Fiscal Accountability Authority	52,387
SC Department of Public Safety	148,612
State Accident Fund	30,743
	<u>\$ 518,169</u>

Premiums receivable due from other State entities at June 30, 2026 are as follows:

State Entity	Amount
Adjutant General's Office	\$ 15,245
Department Of Mental Health	28,245
Department Of Transportation	21,925
Department On Aging	12,232
Orangeburg - Calhoun Technical College	179,456
SC Department Of Alcohol & Other Drug Abuse Services	19,638
SC Department Of Environmental Services	10,212
SC Department Of Public Health	160,776
SC Dept Of Behavioral Health & Develop Disabilities	230,759
SC Governor's School For Agr At John De La Howe	16,460
SC School For The Deaf & Blind	15,449
Williamsburg Tech College	74,137
York Technical College	311,201
Other State Entities	88,069
	<u>\$ 1,183,804</u>

Note 9 – Contingencies

By the nature of its operations and responsibilities as an insurer, PEBA-Insurance Benefits has been named in a number of lawsuits, many of which are pending. A provision has been made in the financial statements for the payment of routine insurance claims. Management is not aware of any other claims that, in their opinion, would have a material effect on the financial statements; therefore, no liability has been recorded.

Note 10 - Risk Management/Reinsurance

PEBA-Insurance Benefits is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks, except for certain types of risks for which it is self-insured. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. There were no significant reductions in insurance coverage from the prior year. Settled claims have not exceeded this coverage in any of the past three years.

PEBA-Insurance Benefits pays insurance premiums to certain other State agencies and commercial insurers to cover risks that may occur in normal operations. The insurers promise to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accord with insurance policy and benefit program limits.

State management believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several State funds accumulate assets and the State itself assumes substantially all risks for the following:

1. Claims of State employees for unemployment compensation benefits handled by the South Carolina Department of Employment and Workforce;
2. Claims of covered employees for workers' compensation benefits for job-related illnesses or injuries handled by the State Accident Fund;
3. Claims of covered public employees for health and dental insurance benefits handled by PEBA-Insurance Benefits; and
4. Claims of covered property damage, theft, automobile collision, liability, and general tort handled by the Insurance Reserve Fund.

Employees elect health coverage through the State Health Plan or a fully funded health plan, if available. The State Health Plan offered by PEBA-Insurance Benefits is self-insured. State agencies and other governmental entities in South Carolina are the primary participants in PEBA-Insurance Benefits.

PEBA-Insurance Benefits obtains coverage of up to \$750,000 per loss through a commercial carrier for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation. PEBA-Insurance Benefits has recorded insurance premium expense related to its internal operations in the applicable administrative expense categories. As of June 30, 2026, no significant uninsured losses were incurred and no additional claims loss expense or related liability was recognized.

PEBA-Insurance Benefits self-insures health and dental insurance for all participating governmental employees. PEBA-Insurance Benefits also offers a fully insured insurance product, Tricare Supplement Plan, to qualifying members who elect this coverage. The basic long-term disability product is self-insured and managed through the SCLTDITF. In addition, a supplemental long-term disability product is available as a fully insured product. Dental Plus, vision, and various life products offered are also fully insured products.

Note 10 - Risk Management/Reinsurance (continued)

The schedule below presents the changes in claims liabilities for PEBA-Insurance Benefits for the past two years.

	<u>2026</u>	<u>2025</u>
Unpaid claims and claim adjustment expenses at beginning of the fiscal year	\$ 338,718,155	\$ 345,423,868
Incurring claims and claim adjustment expenses:		
Provision for insured events of the current fiscal year	4,478,053,617	4,187,421,377
Increases/(decreases) in provision for insured events of prior fiscal years	(10,903,096)	18,861,634
Total incurred claims and claim adjustment expenses	<u>4,467,150,521</u>	<u>4,206,283,011</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	4,214,122,933	4,194,127,090
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	262,603,242	18,861,634
Total Payments	<u>4,476,726,175</u>	<u>4,212,988,724</u>
Total unpaid claims and claim adjustment expenses at end of the fiscal year	<u>\$ 329,142,501</u>	<u>\$ 338,718,155</u>
The above totals are comprised of the following:		
Claims payable	\$ 123,087,303	\$ 77,057,751
Claims incurred but not reported	206,055,198	261,660,404
Total claims liabilities	<u>\$ 329,142,501</u>	<u>\$ 338,718,155</u>

Note 11 - Changes in Long-Term Liabilities

Changes in long-term liabilities for PEBA-Insurance Benefits for the fiscal year ended June 30, 2026 were as follows:

	<u>Beginning Balances July 1, 2025</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances June 30, 2026</u>	<u>Due Within One Year</u>
Accrued compensated absences	\$ 1,432,527	\$ -	\$ (486,606)	\$ 945,921	\$ 447,503
Subscription liability	-	462,234	-	462,234	95,233
Net pension liability	13,527,773	-	(1,247,961)	12,279,812	-
Net OPEB liability	11,391,475	-	(952,758)	10,438,717	-
Total	<u>\$ 26,351,775</u>	<u>\$ 462,234</u>	<u>\$ (2,687,325)</u>	<u>\$ 24,126,684</u>	<u>\$ 542,736</u>

The change in compensated absences liability shown above is presented as a net change.

Note 12 - Insurance Premium Revenues and Insurance-Related Expenses

Insurance premium revenues, by type of insurance, for PEBA-Insurance Benefits for the fiscal year ended June 30, 2026 are as follows:

Type of Insurance	Active Employees	Retirees	Total Premium Revenue
Medical - PPO	\$ 2,593,905,175	\$ 1,032,877,187	\$ 3,626,782,362
Medical - fully insured	645,696	55,468	701,164
Dental	154,979,341	58,586,924	213,566,265
Life and optional dependent life	47,773,333	-	47,773,333
Vision	22,447,821	6,899,043	29,346,864
Long-term disability	17,621,521	-	17,621,521
	<u>\$ 2,837,372,887</u>	<u>\$ 1,098,418,622</u>	<u>\$ 3,935,791,509</u>

Insurance-related expenses, by type of insurance, incurred during fiscal year 2026 for PEBA-Insurance Benefits are as follows:

Type of Insurance	Claims Expenses	Premium Expenses	Third-Party Administrative Expenses	Total Insurance-Related Expenses
Medical - PPO	\$ 2,271,827,653	\$ -	\$ 69,195,471	\$ 2,341,023,124
Medical - fully insured	-	701,164	-	701,164
Dental	67,942,570	140,341,785	19,486	208,303,841
Prescription drug	2,136,464,812	-	25,848,465	2,162,313,277
Life and optional dependent life	-	47,737,901	-	47,737,901
Vision	-	29,346,745	-	29,346,745
Long-term disability	-	17,620,708	-	17,620,708
	<u>\$ 4,476,235,035</u>	<u>\$ 235,748,303</u>	<u>\$ 95,063,422</u>	<u>\$ 4,807,046,760</u>

**SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY-INSURANCE BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2026**

South Carolina Retirement System					
Fiscal year ended June 30,	Employer's proportion of the net pension liability	Employer's proportionate share of the net pension liability	Employer's covered payroll	Employer's share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2026	0.056827%	\$ 12,279,812	\$ 8,515,424	144.21%	66.20%
2025	0.057687%	13,527,773	8,076,194	167.50%	61.80%
2024	0.058795%	14,215,121	7,570,034	187.78%	58.60%
2023	0.059818%	14,501,122	7,258,109	199.79%	57.10%
2022	0.059942%	12,972,240	6,936,907	187.00%	60.70%
2021	0.062771%	16,038,987	7,170,369	223.68%	50.70%
2020	0.062958%	14,375,970	6,818,615	210.83%	54.40%
2019	0.062879%	14,089,173	7,965,092	176.89%	54.10%
2018	0.059875%	13,478,904	6,743,060	199.89%	53.30%
2017	0.057902%	12,367,845	6,074,479	203.60%	52.90%

**SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY-INSURANCE BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2026**

South Carolina Retirement System					
Fiscal year ended June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percentage of employer's covered payroll
2026	\$ 1,558,628	\$ 1,558,628	\$ -	\$ 8,598,583	18.13%
2025	1,097,231	1,580,463	(483,232)	8,515,424	12.89%
2024	1,770,734	1,498,942	271,792	8,076,194	21.93%
2023	747,061	1,329,298	(582,237)	7,570,034	9.87%
2022	389,759	1,201,943	(812,184)	7,258,109	5.37%
2021	938,226	1,079,383	(141,157)	6,936,907	13.53%
2020	2,106,765	1,115,709	991,056	7,170,369	29.38%
2019	1,970,109	992,790	977,319	6,818,615	28.89%
2018	1,818,301	879,384	938,917	7,965,092	22.83%
2017	1,456,265	712,738	743,527	6,743,060	21.60%

**SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY-INSURANCE BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
FOR THE PLAN YEAR ENDED JUNE 30, 2026**

South Carolina Retiree Health Insurance Trust Fund					
Fiscal year ended June 30 ¹ ,	Employer's proportion of the net OPEB liability	Employer's proportionate share of the net OPEB liability	Employer's covered payroll	Employer's share of the net OPEB liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2026	0.069047%	\$ 10,438,717	\$ 8,589,688	121.53%	11.33%
2025	0.070659%	11,391,475	8,154,265	139.70%	9.91%
2024	0.074289%	9,725,571	7,788,513	124.87%	11.24%
2023	0.074634%	11,353,184	7,335,736	154.77%	9.64%
2022	0.075121%	15,642,619	7,005,658	223.29%	7.48%
2021	0.079702%	14,387,388	7,346,819	195.83%	8.39%
2020	0.079079%	11,958,964	6,916,706	172.90%	8.44%
2019	0.078745%	11,158,027	6,790,371	164.32%	7.91%
2018	0.077012%	10,429,917	6,493,527	160.62%	7.60%

Notes to the Schedule:

¹ - This schedule will present 10 years of information once it is accumulated.

**SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY-INSURANCE BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2026**

South Carolina Retiree Health Insurance Trust Fund

Fiscal year ended June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percentage of employer's covered payroll
2026	\$ 524,513	\$ 524,513	\$ -	\$ 8,598,583	6.10%
2025	545,445	545,445	-	8,589,688	6.35%
2024	517,796	517,796	-	8,154,265	6.35%
2023	486,782	486,782	-	7,788,513	6.25%
2022	458,484	458,484	-	7,335,736	6.25%
2021	437,854	437,854	-	7,005,658	6.25%
2020	459,177	459,177	-	7,346,819	6.25%
2019	418,461	418,461	-	6,916,706	6.05%
2018	373,470	373,470	-	6,790,371	5.50%
2017	346,105	346,105	-	6,493,527	5.33%

**SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY
OTHER POST EMPLOYMENT BENEFITS TRUST FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
FOR THE FISCAL YEAR ENDED JUNE 30, 2026**

	South Carolina Retiree Health Insurance Trust Fund									
Fiscal year ending June 30,	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability:										
Service cost	\$ 432,841,679	\$ 559,839,198	\$ 487,751,534	\$ 474,883,891	\$ 862,552,785	\$ 759,721,682	\$ 636,259,701	\$ 510,940,536	\$ 521,172,493	\$ 610,843,077
Interest on the total OPEB liability	858,176,562	708,565,076	566,382,641	619,463,139	435,503,577	485,243,030	518,306,015	556,576,392	522,862,057	455,295,633
Changes of benefit terms	-	-	-	-	-	-	-	-	-	-
Difference between expected and actual experience	(1,396,407,367)	655,512,878	821,628,591	(2,243,529,371)	(1,073,786,474)	(237,319,945)	433,120,608	(567,028,397)	246,504,202	(6,819,786)
Changes of assumptions	2,053,906,574	(2,116,004,715)	1,909,766,716	(366,029,880)	(5,384,572,423)	2,350,744,687	2,149,988,446	1,163,754,700	(96,913,144)	(1,478,557,636)
Benefit payments	(544,965,556)	(652,644,820)	(640,779,027)	(570,651,217)	(510,792,861)	(555,537,137)	(550,193,715)	(535,093,624)	(466,121,568)	(416,089,964)
Net change in total OPEB liability	1,403,551,892	(844,732,383)	3,144,750,455	(2,085,863,438)	(5,671,095,396)	2,802,852,317	3,187,481,055	1,129,149,607	727,504,040	(835,328,676)
Total OPEB liability - beginning	17,049,657,227	17,894,389,610	14,749,639,155	16,835,502,593	22,506,597,989	19,703,745,672	16,516,264,617	15,387,115,010	14,659,610,970	15,494,939,646
Total OPEB liability - ending	\$18,453,209,119	\$17,049,657,227	\$17,894,389,610	\$14,749,639,155	\$16,835,502,593	\$22,506,597,989	\$19,703,745,672	\$16,516,264,617	\$15,387,115,010	\$14,659,610,970
Plan fiduciary net position:										
Employer contributions	\$ 536,661,722	\$ 697,256,562	\$ 685,916,766	\$ 600,558,699	\$ 558,629,410	\$ 581,528,115	\$ 572,237,512	\$ 533,327,819	\$ 460,477,569	\$ 411,799,086
Nonemployer contributing entities	2,375,300	2,375,300	2,375,300	2,375,300	2,375,300	2,375,300	133,360,738	103,178,492	106,948,694	79,306,737
OPEB plan net investment income	70,515,738	113,657,859	67,953,116	2,274,894	(109,166,082)	3,849,643	103,173,562	77,682,485	515,607	13,460,171
Benefit payments	(544,965,556)	(652,644,820)	(640,779,027)	(570,651,217)	(510,792,861)	(555,537,137)	(550,193,714)	(535,093,624)	(466,121,568)	(416,089,964)
OPEB plan administrative expense	(74,870)	(1,841,166)	(1,031,566)	(66,156)	(801,356)	(1,098,114)	(1,018,962)	(885,185)	(65,000)	(10,000)
Other	-	-	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	64,512,334	158,803,735	114,434,589	34,491,520	(59,755,589)	31,117,807	257,559,136	178,209,987	101,755,302	88,466,030
Plan fiduciary net position - beginning	1,931,391,247	1,772,587,512	1,658,152,923	1,623,661,403	1,683,416,992	1,652,299,185	1,394,740,049	1,216,530,062	1,114,774,760	1,026,308,730
Plan fiduciary net position - ending	\$ 1,995,903,581	\$ 1,931,391,247	\$ 1,772,587,512	\$ 1,658,152,923	\$ 1,623,661,403	\$ 1,683,416,992	\$ 1,652,299,185	\$ 1,394,740,049	\$ 1,216,530,062	\$ 1,114,774,760
Net OPEB liability - ending	\$16,457,305,538	\$15,118,265,980	\$16,121,802,098	\$13,091,486,232	\$15,211,841,190	\$20,823,180,997	\$18,051,446,487	\$15,121,524,568	\$14,170,584,948	\$13,544,836,210
Plan fiduciary net position as a percentage of total OPEB liability	10.82%	11.33%	9.91%	11.24%	9.64%	7.48%	8.39%	8.44%	7.91%	7.60%
Covered payroll	\$12,920,647,131	\$12,331,259,858	\$11,540,302,146	\$10,483,088,096	\$ 9,846,492,976	\$ 9,367,714,944	\$ 9,261,422,144	\$ 8,748,981,785	\$ 8,614,421,372	\$ 8,437,059,071
Net OPEB liability as a percentage of covered payroll	127.37%	122.60%	139.70%	124.88%	154.49%	222.29%	194.91%	172.84%	164.50%	160.54%
Single discount rate used in each year	4.61%	5.05%	3.97%	3.86%	3.69%	1.92%	2.45%	3.13%	3.62%	3.56%

Notes to Schedule:

Changes of assumptions reflects the effects of changes in the Single Discount Rate each period.

For fiscal year 2026, the long-term rate of return assumption was increased to 4.00% and the health care trend rates were updated.

For fiscal year 2025, the demographic and salary increase assumptions were updated to reflect the 2024 SCRS experience study, and the healthcare trend rates and election assumption rates were reset to reflect the plan's anticipated experience.

For fiscal year 2024, the tables used to model the impact of aging on the underlying claims and the health care trend rates were updated.

For fiscal year 2022, there was a slight update to the healthcare trend assumption.

For fiscal year 2021, the demographic and salary increase assumptions were updated to reflect the 2020 SCRS experience study, and the healthcare trend rates were reset to better reflect the plan's anticipated experience.

For fiscal year 2020, there were updates to the healthcare trend assumption; including an adjustment to reflect the repeal of the "Cadillac Tax."

For fiscal year 2019, there was a slight update to the healthcare trend assumption.

SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY
OTHER POST EMPLOYMENT BENEFITS TRUST FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2026

South Carolina Long-Term Disability Insurance Trust Fund

Fiscal year ending June 30,	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability:										
Service cost	\$ 8,562,012	\$ 8,770,538	\$ 8,547,520	\$ 8,454,529	\$ 8,740,142	\$ 8,676,335	\$ 8,410,412	\$ 7,941,182	\$ 7,555,741	\$ 7,952,412
Interest on the total OPEB liability	2,188,114	1,794,797	1,690,809	1,561,081	1,091,274	1,212,045	1,246,540	1,536,123	1,481,366	1,399,527
Changes of benefit terms	-	-	-	-	-	-	-	-	-	-
Difference between expected and actual experience	(1,496,417)	1,964,330	657,763	1,444,821	3,404,056	(1,367,092)	(40,459)	(1,329,978)	(207,107)	-
Changes of assumptions	-	(2,523,899)	(205,555)	(299,067)	(1,712,085)	1,659,414	310,807	1,224,654	(58,966)	(182,868)
Benefit payments, including refunds of contributions	(8,863,537)	(9,248,615)	(9,535,359)	(9,716,160)	(9,491,998)	(8,584,087)	(7,888,739)	(7,889,317)	(8,020,511)	(8,205,609)
Net change in total OPEB liability	390,172	757,151	1,155,178	1,445,204	2,031,389	1,596,615	2,038,561	1,482,664	750,523	963,462
Total OPEB liability - beginning	49,767,853	49,010,702	47,855,524	46,410,320	44,378,931	42,782,316	40,743,755	39,261,091	38,510,568	37,547,106
Total OPEB liability - ending	\$ 50,158,025	\$ 49,767,853	\$ 49,010,702	\$ 47,855,524	\$ 46,410,320	\$ 44,378,931	\$ 42,782,316	\$ 40,743,755	\$ 39,261,091	\$ 38,510,568
Plan fiduciary net position:										
Employer contributions	\$ 8,218,116	\$ 8,059,203	\$ 7,875,756	\$ 7,638,864	\$ 7,571,283	\$ 7,575,758	\$ 7,557,968	\$ 7,532,690	\$ 7,479,841	\$ 7,288,566
Nonemployer contributing entities	-	-	-	-	-	-	-	-	-	400,000
OPEB plan net investment income	1,353,570	1,936,884	976,598	(117,342)	(4,376,285)	(177,801)	4,141,005	2,972,915	52,944	371,679
Benefit payments	(8,863,537)	(9,248,615)	(9,535,359)	(9,716,160)	(9,491,998)	(8,584,087)	(7,888,739)	(7,889,317)	(8,020,511)	(8,205,609)
OPEB plan administrative expense	(74,875)	(91,990)	(89,771)	(85,768)	(79,400)	(91,729)	(106,628)	(40,651)	(10,000)	(10,000)
Net change in plan fiduciary net position	633,274	655,482	(772,776)	(2,280,406)	(6,376,400)	(1,277,859)	3,703,606	2,575,637	(497,726)	(155,364)
Plan fiduciary net position - beginning	32,427,147	31,771,665	32,544,441	34,824,847	41,201,247	42,479,106	38,775,500	36,199,863	36,697,589	36,852,953
Plan fiduciary net position - ending	\$ 33,060,421	\$ 32,427,147	\$ 31,771,665	\$ 32,544,441	\$ 34,824,847	\$ 41,201,247	\$ 42,479,106	\$ 38,775,500	\$ 36,199,863	\$ 36,697,589
Net OPEB liability - ending	\$ 17,097,604	\$ 17,340,706	\$ 17,239,037	\$ 15,311,083	\$ 11,585,473	\$ 3,177,684	\$ 303,210	\$ 1,968,255	\$ 3,061,228	\$ 1,812,979
Plan fiduciary net position as a percentage of total OPEB liability	65.91%	65.16%	64.83%	68.01%	75.04%	92.84%	99.29%	95.17%	92.20%	95.29%
Covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net OPEB liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Single discount rate used in each year	4.41%	4.41%	3.68%	3.57%	3.41%	2.48%	2.83%	3.04%	3.91%	3.87%

Notes to Schedule:

Changes of assumptions reflects the effects of changes in the Single Discount Rate each period. The Single Discount Rate at the beginning of fiscal year 2017 was 3.74%.

For fiscal year 2026, the long-term rate of return assumption was increased to 4.00% per year.

For fiscal year 2025, the salary, termination and retirement assumptions were updated to reflect the 2024 experience study for the SCRS' pension valuations. In addition, the disability incidence assumption was updated to reflect the plan's anticipated experience.

For fiscal year 2021, the salary, termination rates, and retirement rates assumptions were updated to reflect the 2020 experience study for the SCRS' pension valuations. In addition, the disability incidence, disability recovery, administration fee and offset assumptions were updated to better reflect the plan's anticipated experience.

For fiscal year 2019, the long-term rate of return assumption was changed from 4.00% to 3.00%.

**SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY
OTHER POST EMPLOYMENT BENEFITS TRUST FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
FOR THE FISCAL YEAR ENDED JUNE 30, 2026**

South Carolina Retiree Health Insurance Trust Fund

Fiscal Year Ending June 30,	Annual Return ¹
2026	3.93%
2025	12.94%
2024	2.83%
2023	-3.60%
2022	-6.62%
2021	0.39%
2020	7.70%
2019	6.77%
2018	0.27%
2017	1.36%

South Carolina Long-Term Disability Insurance Trust Fund

Fiscal Year Ending June 30,	Annual Return ¹
2026	4.13%
2025	6.10%
2024	3.01%
2023	-0.34%
2022	-10.67%
2021	-0.42%
2020	10.57%
2019	8.13%
2018	0.14%
2017	1.00%

¹ - Annual money-weighted rate of return, net of investment expenses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Ms. Sue F. Moss, CPA
State Auditor
Office of the State Auditor and
Members of the South Carolina Public
Employee Benefit Authority
South Carolina Public Employee Benefit Authority Insurance Benefits, the South Carolina Retiree
Health Insurance Trust Fund and the South Carolina Long-Term Disability Insurance Trust Fund
Columbia, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of South Carolina Public Employee Benefit Authority Insurance Benefits (PEBA), an internal service fund of the State of South Carolina, the South Carolina Retiree Health Insurance Trust Fund, a fiduciary fund of the State of South Carolina, and the South Carolina Long-Term Disability Insurance Trust Fund, a fiduciary fund of the State of South Carolina, collectively referred to as "PEBA Insurance Benefits" as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise PEBA Insurance Benefits' basic financial statements, and have issued our report thereon dated October 15, 2026.

Report on Internal Control Over Financial Reporting

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

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

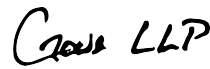
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Crowe LLP". The signature is stylized, with the "C" being large and looping, and the "LLP" being written in a more compact, cursive style.

Crowe LLP

Dallas, Texas
October 15, 2026