

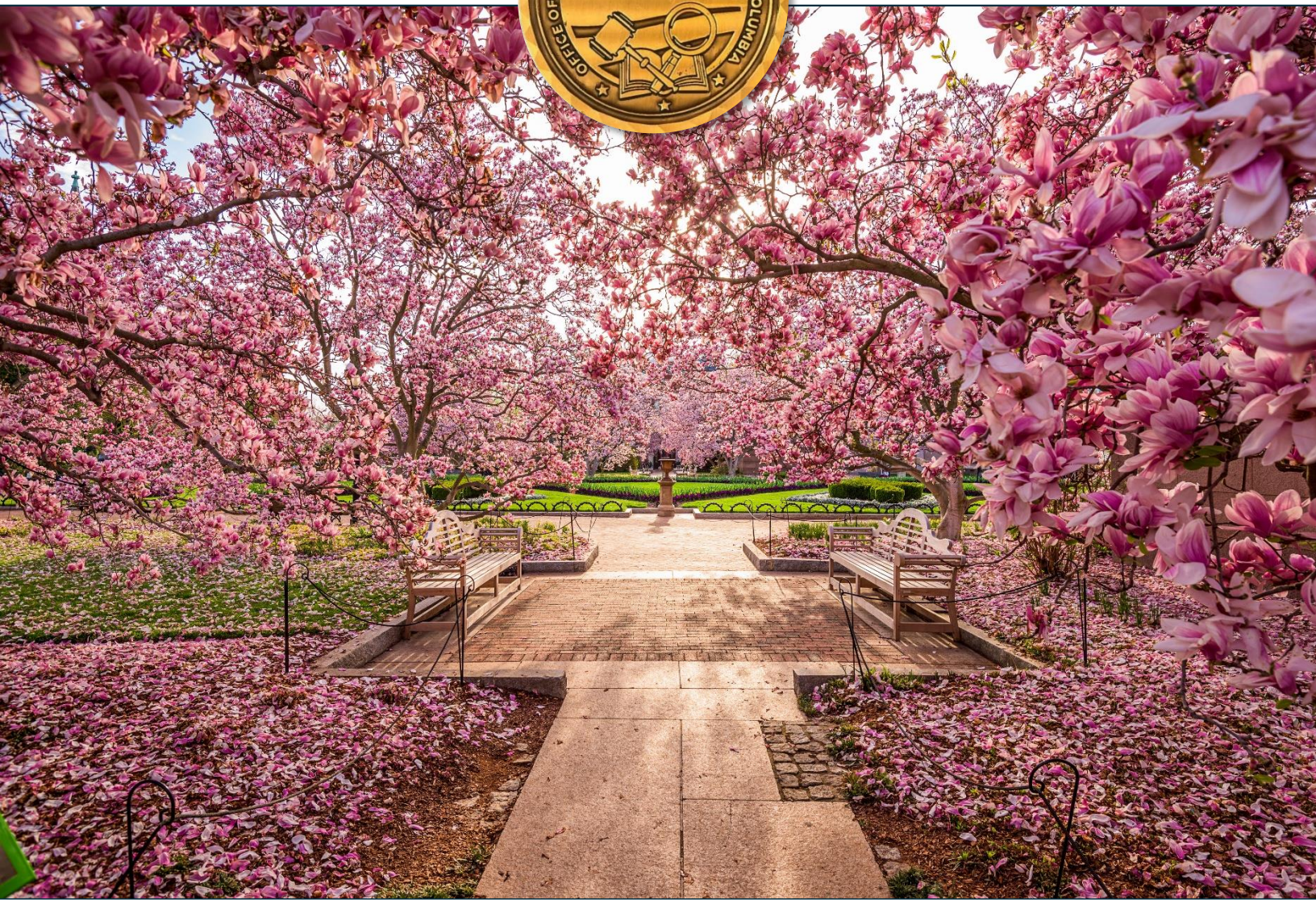
# AUDIT REPORT

## 457(b) Deferred Compensation Fund

Annual Financial Statements and Independent Auditor's Reports  
Fiscal Year 2025

OIG No. 25-1-16AT

January 30, 2026



**DANIEL W. LUCAS**  
INSPECTOR GENERAL



## OUR MISSION

We independently audit, inspect, and investigate matters pertaining to the District of Columbia government in order to:

- prevent and detect corruption, mismanagement, waste, fraud, and abuse;
- promote economy, efficiency, effectiveness, and accountability;
- inform stakeholders about issues relating to District programs and operations; and
- recommend and track the implementation of corrective actions.



## OUR VISION

We strive to be a world-class Office of the Inspector General that is customer focused and sets the standard for oversight excellence!

## OUR VALUES

**Accountability:** We recognize that our duty extends beyond oversight; it encompasses responsibility. By holding ourselves accountable, we ensure that every action we take contributes to the greater good of the District.

**Continuous Improvement:** We view challenges not as obstacles, but as opportunities for growth. Our commitment to continuous improvement drives us to evolve, adapt, and enhance our practices.

**Excellence:** Mediocrity has no place in our lexicon. We strive for excellence in every facet of our work.

**Integrity:** Our integrity is non-negotiable. We act with honesty, transparency, and unwavering ethics. Upholding the public's trust demands nothing less.

**Professionalism:** As stewards of oversight, we maintain the utmost professionalism. Our interactions, decisions, and conduct exemplify the dignity of our role.

**Transparency:** Sunlight is our ally. Transparency illuminates our processes, decisions, and outcomes. By sharing information openly, we empower stakeholders, promote understanding, and reinforce our commitment to accountability.

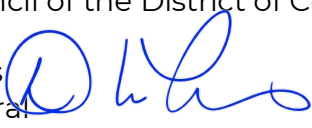


DISTRICT OF COLUMBIA | OFFICE OF THE INSPECTOR GENERAL

## MEMORANDUM

To: The Honorable Muriel Bowser  
Mayor of the District of Columbia

The Honorable Phil Mendelson  
Chairman, Council of the District of Columbia

From: Daniel W. Lucas   
Inspector General

Date: January 30, 2026

Subject: **457(b) Deferred Compensation Fund Annual Financial Statements**  
**OIG No. 25-1-16AT**

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This memorandum transmits the final *457(b) Deferred Compensation Fund Financial Statements and Independent Auditor's Reports* for fiscal year 2025. CliftonLarsonAllen LLP (CLA) provided these reports to the Office of the Inspector General as part of the annual audit of the District of Columbia's general-purpose financial statements for fiscal year 2025. As part of their contract, CLA reviewed the work papers of F.S. Taylor & Associates, P.C. (FSTA), which audited the financial statements of the 457(b) Deferred Compensation Fund to independently determine whether the financial statements are fairly presented.

On December 15, 2025, FSTA issued its opinion and concluded that the financial statements are presented fairly in all material respects, in accordance with accounting principles generally accepted in the United States of America. FSTA found no material weaknesses in internal control over financial reporting. CLA concurred with FSTA's opinion and conclusions.

Should you have questions or concerns, please contact me or Dr. Slemo Warigon, Assistant Inspector General for Audits, at (202) 792-5684.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
457(b) DEFERRED COMPENSATION PLAN**

**FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT**

**YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
457(b) DEFERRED COMPENSATION PLAN**

**FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR’S REPORT**

**YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

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**F.S. TAYLOR & ASSOCIATES, P.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS**

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1420 N Street, N.W., Suite 100 / Washington, D.C. 20005 / 202/898-0008 Fax 202/898-0208

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**INDEPENDENT AUDITOR'S REPORT**

Office of Finance and Treasury  
Office of the Chief Financial Officer  
Government of the District of Columbia

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the accompanying statements of fiduciary net position of the Government of the District of Columbia 457(b) Deferred Compensation Plan (the "Plan") as of September 30, 2025 and 2024, and the related statements of changes in fiduciary net position for the years then ended and the related notes to the financial statements, which collectively comprise the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan as of September 30, 2025 and 2024, and the changes in the fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audits in accordance with 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 generally accepted auditing standards 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 generally accepted auditing standards 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 Plan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 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 December 15, 2025, on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

*J. S. Taylor & Associates, P.C.*

Washington, D.C.  
December 15, 2025



**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
457(b) DEFERRED COMPENSATION PLAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

The following presents our discussion and analysis of the financial performance of the Government of the District of Columbia 457(b) Deferred Compensation Plan (the "Plan") for the fiscal years ended September 30, 2025 and 2024. This discussion and analysis should be read in conjunction with the financial statements and notes disclosures.

Under the District's Deferred Compensation Act of 1984, D.C. Law 5-118 and D.C. Code Section 47-3601, the Government of the District of Columbia (the "District") offers for eligible employees a qualified employee deferred compensation plan. The Plan enables eligible employees to make tax deferred contributions towards their retirement. The duties of the Plan's Administrator are performed jointly by the District's Office of the Chief Financial Officer, Office of Finance and Treasury and the D.C. Department of Human Resources.

**Overview of Financial Statements**

The Plan financial statements consist of two basic financial statements: (a) Statement of Fiduciary Net Position and (b) Statement of Changes in Fiduciary Net Position. In addition to the basic financial statements, there are also notes to the financial statements.

- Statement of Fiduciary Net Position presents the Plan's assets, liabilities and net position restricted for participant benefits.
- Statement of Changes in Fiduciary Net Position presents the additions to and deductions from the Plan's net position.
- The notes to the financial statements provide a detailed discussion of key accounting policies and activities that occurred during the year. The notes provide additional information that is essential to a full understanding of the information provided in the financial statements.

**2025 Financial Highlights**

- Investments increased by \$229,979,241 or 14.18%
- Receivables increased by \$4,015,951 or 8.02%
- Net investment income was \$192,254,087, a decrease in net investment income of \$100,235,403 or (34.27%)
- Benefits paid to participants increased by \$30,873,002 or 33.59%

**2024 Financial Highlights**

- Investments increased by \$351,632,936 or 27.68%
- Receivables increased by \$8,172,250 or 19.51%
- Net investment income was \$292,489,490, an increase in net investment income of \$160,844,981 or 122.18%
- Benefits paid to participants increased by \$17,103,251 or 22.87%

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
457(b) DEFERRED COMPENSATION PLAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

**Financial Analysis – Fiduciary Net Position**

**Table 1 – Condensed Statements of Fiduciary Net Position as of September 30, 2025, 2024 and 2023**

				<b>2025-2024</b>		<b>2024-2023</b>	
	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>Variance</b>	<b>% Variance</b>	<b>Variance</b>	<b>% Variance</b>
<b>ASSETS</b>							
Investments	\$1,851,993,950	\$1,622,014,709	\$1,270,381,773	\$ 229,979,241	14.18%	\$ 351,632,936	27.68%
Receivables	54,072,482	50,056,531	41,884,281	4,015,951	8.02%	8,172,250	19.51%
Total Assets	1,906,066,432	1,672,071,240	1,312,266,054	233,995,192	13.99%	359,805,186	27.42%
<b>LIABILITIES</b>							
Due to Program Manager	311,424	748,793	-	(437,369)	(58.41%)	748,793	100.00%
Due to District Government	1,742,790	1,840,964	1,285,167	(98,174)	(5.33%)	555,797	43.25%
Total Liabilities	2,054,214	2,589,757	1,285,167	(535,543)	(20.68%)	1,304,590	101.51%
Fiduciary Net Position Available for Plan Benefits	\$1,904,012,218	\$1,669,481,483	\$1,310,980,887	\$ 234,530,735	14.05%	\$ 358,500,596	27.35%

**Fiscal Year 2025**

The Plan's investments increased by \$229,979,241 or 14.18% from the prior fiscal year. The increase is primarily due to positive net investment income during the fiscal year, the excess of contributions over benefit payments offset by the increase in receivables due from participants. For fiscal year 2025, there was a net appreciation in the fair value of investments and an increase in dividends and interest income. Of the 29 managed investment funds 27 had a positive rate of return in fiscal year 2025.

As shown in **Table 2a - Investment by Fund with Rates of Returns as of September 30, 2025**, a significant portion of the Plan's investments remain in Vanguard Institutional Index Fund (15.2%), MissionSquare Plus Fund (15.1%), DCPLUS Large Cap Value Portfolio (6.2%), Vanguard Target Retirement 2050 Trust (5.4%) and DCPLUS Large Cap Growth Portfolio (5.3%). The Vanguard Institutional Index Fund invests primarily in equity securities of U.S. companies in the Standard & Poor's 500 Index. The MissionSquare Plus Fund invests primarily in a diversified portfolio of stable value insurance contracts and fixed income securities that back certain stable value investment contracts and seeks to provide preservation of principal and maximize current yield. The DCPLUS Large Cap Value Portfolio invests primarily in large capitalization common stocks and seeks growth in capital.

Receivables are mainly comprised of notes receivable from participants and contributions receivable. For the fiscal year 2025, receivables increased by \$4,015,951 or 8.02% due to an increase in participant loans and offset contributions receivable.

The amount "Due to District Government" represents funds owed to the District by the Plan Administrator, which is used towards paying the Plan's administrative expenses. The Program Manager provides revenue sharing funds to the Plan Administrator monthly. The funding is equal to 5.5 basis points (0.055%) of the Plan's daily asset value.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
457(b) DEFERRED COMPENSATION PLAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

**Table 2a - Investment by Fund with Rates of Returns as of September 30, 2025**

	<b>Investment Value</b>	<b>Percent of Total Investments</b>	<b>Rate of Return %</b>
American Funds Fundaments Investors	\$ 54,074,580	2.9%	21.41%
American Funds New Perspective Fund	31,754,891	1.7%	17.64%
Ariel Institutional	89,497,299	4.8%	10.21%
Brown Capital Management Small	21,061,205	1.1%	(3.40%)
DCPLUS Fixed Income Portfolio	32,524,136	1.8%	2.77%
DCPLUS Large Cap Growth Portfolio	97,690,855	5.3%	24.23%
DCPLUS Large Cap Value Portfolio	114,096,532	6.2%	7.27%
DFA US Core Equity 1 Portfolio	12,087,293	0.7%	14.53%
Harbor International Institutional	50,071,135	2.7%	15.38%
MissionSquare Broker	32,164,858	1.8%	N/A**
MissionSquare Income Advantage	5,906,228	0.3%	9.82%
MissionSquare Plus Fund	282,139,244	15.1%	3.16%
Nuveen Real Estate Securities Fund	13,013,381	0.7%	(3.43%)
PIMCO All Asset Fund Institutional Class	2,025,841	0.1%	7.69%
PIMCO Real Return Collective Trust II	9,804,835	0.5%	4.21%
Vanguard Federal Money Market	31,987,455	1.7%	4.41%
Vanguard Institutional Index Fund	282,190,150	15.2%	17.57%
Vanguard Small Cap Index Fund	53,087,150	2.9%	8.67%
Vanguard Target Retirement 2020 Fund	15,796,490	0.9%	8.63%
Vanguard Target Retirement 2025 Fund	40,457,145	2.2%	10.56%
Vanguard Target Retirement 2030 Fund	69,677,579	3.8%	11.75%
Vanguard Target Retirement 2035 Fund	76,214,972	4.1%	12.85%
Vanguard Target Retirement 2040 Fund	78,387,917	4.2%	13.93%
Vanguard Target Retirement 2045 Fund	92,695,058	5.0%	14.96%
Vanguard Target Retirement 2050 Fund	100,478,343	5.4%	16.14%
Vanguard Target Retirement 2055 Fund	81,062,275	4.4%	16.13%
Vanguard Target Retirement 2060 Fund	43,561,956	2.4%	16.15%
Vanguard Target Retirement 2065 Fund	21,466,172	1.2%	16.09%
Vanguard Target Retirement Inc.	11,030,063	0.6%	7.95%
Virtus Emerging Markets Fund Class 1	5,988,912	0.3%	8.45%
	<u>\$ 1,851,993,950</u>	<u>100%</u>	

\*\*MissionSquare Broker are funds held in the "Self-Directed Brokerage Accounts."

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
457(b) DEFERRED COMPENSATION PLAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

**Fiscal Year 2024**

The Plan's investments increased by \$351,632,936 or 27.68% from the prior fiscal year. The increase is primarily due to favorable market conditions during the fiscal year and the excess of contributions over benefit payments. For fiscal year 2024, there was a net appreciation in the fair value of investments and an increase in dividends and interest income. Each of the 29 managed investment funds had a positive rate of return in fiscal year 2024.

As shown in **Table 2b - Investment by Fund with Rates of Returns as of September 30, 2024**, a significant portion of the Plan's investments remain in MissionSquare Plus Fund (17.1%), Vanguard Institutional Index Fund (14.8%), DCPLUS Large Cap Value Portfolio (7.1%), the Ariel Institutional (5.6%) and DCPLUS Large Cap Growth Portfolio (5.1%). The MissionSquare Plus Fund invests primarily in a diversified portfolio of stable value insurance contracts and fixed income securities that back certain stable value investment contracts and seeks to provide preservation of principal and maximize current yield. The Vanguard Institutional Index Fund invests primarily in equity securities of U.S. companies in the Standard & Poor's 500 Index. The DCPLUS Large Cap Value Portfolio invests primarily in large capitalization common stocks and seeks growth in capital.

Receivables are mainly comprised of notes receivable from participants and contributions receivable. For the fiscal year 2024, receivables increased by \$8,172,250 or 19.51% due to an increase in participant loans and contributions receivable.

The amount "Due to District Government" represents funds owed to the District by the Plan Administrator, which is used towards paying the Plan's administrative expenses. The Program Manager provides revenue sharing funds to the Plan Administrator monthly. The funding is equal to 5.5 basis points (0.055%) of the Plan's daily asset value.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**457(b) DEFERRED COMPENSATION PLAN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

**Table 2b - Investment by Fund with Rates of Returns as of September 30, 2024**

	<u>Investment Value</u>	<u>Percent of Total Investments</u>	<u>Rate of Return %</u>
American Funds Fundamentals Investors	\$ 41,533,698	2.6%	37.59%
American Funds New Perspective Fund	26,762,965	1.6%	31.71%
Ariel Institutional	90,023,727	5.6%	28.01%
Brown Capital Management Small	23,926,208	1.5%	10.94%
DCPLUS Fixed Income Portfolio	34,041,214	2.1%	11.71%
DCPLUS Large Cap Growth Portfolio	82,272,950	5.1%	41.25%
DCPLUS Large Cap Value Portfolio	115,323,894	7.1%	27.00%
DFA US Core Equity 1 Portfolio	12,791,615	0.8%	33.46%
Harbor International Institutional	45,567,995	2.8%	24.62%
MissionSquare Broker	22,817,703	1.4%	N/A**
MissionSquare Income Advantage	6,863,519	0.4%	21.78%
MissionSquare Plus Fund	278,762,702	17.1%	3.04%
Nuveen Real Estate Securities Fund	13,596,358	0.8%	31.76%
PIMCO All Asset Fund Institutional Class	1,067,587	0.1%	15.13%
PIMCO Real Return Collective Trust II	8,111,404	0.5%	10.20%
Vanguard Federal Money Market	20,724,989	1.3%	5.41%
Vanguard Institutional Index Fund	239,899,748	14.8%	36.32%
Vanguard Small Cap Index Fund	47,738,333	2.9%	27.45%
Vanguard Target Retirement 2020 Fund	14,813,717	0.9%	18.29%
Vanguard Target Retirement 2025 Fund	35,838,273	2.2%	21.19%
Vanguard Target Retirement 2030 Fund	57,959,434	3.6%	23.29%
Vanguard Target Retirement 2035 Fund	65,546,981	4.0%	24.82%
Vanguard Target Retirement 2040 Fund	62,459,186	3.9%	26.34%
Vanguard Target Retirement 2045 Fund	73,246,101	4.5%	27.81%
Vanguard Target Retirement 2050 Fund	78,283,852	4.8%	28.98%
Vanguard Target Retirement 2055 Fund	59,819,240	3.7%	28.98%
Vanguard Target Retirement 2060 Fund	30,584,742	1.9%	28.99%
Vanguard Target Retirement 2065 Fund	14,100,986	0.9%	28.98%
Vanguard Target Retirement Inc.	11,066,309	0.7%	16.27%
Virtus Emerging Markets Fund Class 1	6,469,279	0.4%	8.20%
	<u>\$ 1,622,014,709</u>	<u>100%</u>	

\*\*MissionSquare Broker are funds held in the "Self-Directed Brokerage Accounts."



**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
457(b) DEFERRED COMPENSATION PLAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

**Financial Analysis – Changes in Fiduciary Net Position**

**Table 3 – Condensed Statements of Changes in Fiduciary Net Position for the Years Ended September 30, 2025, 2024 and 2023**

				2025-2024		2024-2023	
	2025	2024	2023	\$Variance	%Variance	\$Variance	%Variance
ADDITIONS							
Employee Contributions	\$162,760,879	\$ 156,514,553	\$ 134,875,972	\$ 6,246,326	3.99%	\$21,638,581	16.04%
Net Investment Income	192,254,087	292,489,490	131,644,509	(100,235,403)	(34.27%)	160,844,981	122.18%
Interest Income on Notes Receivable from Participants	3,614,157	2,592,957	1,556,700	1,021,200	39.38%	1,036,257	66.57%
Total Additions	358,629,123	451,597,000	268,077,181	(92,967,877)	(20.59%)	183,519,819	68.46%
DEDUCTIONS							
Benefits Paid to Participants	122,774,535	91,901,533	74,798,282	30,873,002	33.59%	17,103,251	22.87%
Administrative Expenses	524,798	494,974	458,209	29,824	6.03%	36,765	8.02%
Loan Fees	799,055	699,897	590,228	99,158	14.17%	109,669	18.58%
Total Deductions	124,098,388	93,096,404	75,846,719	31,001,984	33.30%	17,249,685	22.74%
Change in Net Position	234,530,735	358,500,596	192,230,462	(123,969,861)	(34.58%)	166,270,134	86.50%
Fiduciary Net Position Available for Plan Benefit, Beginning of Year	1,669,481,483	1,310,980,887	1,118,750,425	358,500,596	27.35%	192,230,462	17.18%
Fiduciary Net Position Available for Plan Benefit, End of Year	\$ 1,904,012,218	\$ 1,669,481,483	\$ 1,310,980,887	\$ 234,530,735	14.05%	\$358,500,596	27.35%

**Fiscal Year 2025**

Employee contributions increased by \$6,246,326 or 3.99% compared to the prior fiscal year. The number of active Plan participants who made contributions increased to 26,293 in fiscal year 2025 from 24,677 in fiscal year 2024. The average monthly contribution per participant in fiscal year 2025 was \$560.75 compared to a fiscal year 2024 monthly average of \$537.14.

In fiscal year 2025, the Plan had net investment income of \$192,254,087 compared to net investment income of \$292,489,490 in fiscal year 2024. The decrease in net investment income was primarily due to less favorable market conditions during fiscal year 2025 than in the fiscal year 2024. Overall, 27 of the 29 managed funds in the Plan reflected positive rates of return. The Plan's investments collectively had a weighted average positive rate of return of 11.64% in fiscal year 2025 compared to a return of 21.62% in fiscal year 2024.

Benefits paid to participants increased by \$30,873,002 or 33.59%. The increase was due to more participants requesting payouts in fiscal year 2025 compared to fiscal year 2024.

The administrative expenses for fiscal year 2025 were expenses incurred by the Program Manager and Plan Administrator for operations of the Plan. The Program Manager receives an administrative fee of 0.22% (22 basis points) of the Plan's daily asset value and reimburses the Plan Administrator at 0.055% (5.5 basis points) of the Plan's daily asset value or \$524,798.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
457(b) DEFERRED COMPENSATION PLAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

**Fiscal Year 2024**

Employee contributions increased by \$21,638,581 or 16.04% compared to the prior fiscal year. While the number of active Plan participants who made contributions decreased to 24,677 in fiscal year 2024 from 25,075 in fiscal year 2023; the average monthly contributions increased from \$518.66 in fiscal year 2023 to \$537.14 in fiscal year 2024.

In fiscal year 2024, the Plan had net investment income of \$292,489,490 compared to net investment income of \$131,644,509 in fiscal year 2023. The increase in net investment income was primarily due to continued favorable market conditions during fiscal year 2024. Overall, each of the 29 managed funds in the Plan reflected positive rates of return. The Plan's investments collectively had a weighted average positive rate of return of 21.62% in fiscal year 2024 compared to a return of 12.93% in fiscal year 2023.

Benefits paid to participants increased by \$17,103,251 or 22.87%. The increase was due to more participants requesting payouts in fiscal year 2024 compared to fiscal year 2023.

The administrative expenses for fiscal year 2024 were expenses incurred by the Program Manager and Plan Administrator for operations of the Plan. The Program Manager receives an administrative fee of 0.22% (22.0 basis points) of the Plan's daily asset value and reimburses the Plan Administrator at 0.055% (5.5 basis points) of the Plan's daily asset value or \$494,974.

**Contact Information**

The above discussion and analysis are presented to provide additional information regarding the activities of the Plan and to meet the disclosure requirements of the Government Accounting Standards Board. If you have any questions about the report or need additional financial information, contact Rodney Dickerson, Program Director, Government of the District of Columbia, the Office of the Chief Financial Officer, 1101 4th Street, SW, 8<sup>th</sup> floor, Washington, DC 20024, (email: [Rodney.Dickerson@dc.gov](mailto:Rodney.Dickerson@dc.gov); phone: (202)727-0107).

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**457(b) DEFERRED COMPENSATION PLAN**  
**STATEMENTS OF FIDUCIARY NET POSITION**  
**SEPTEMBER 30, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
<b><i>ASSETS</i></b>		
Investments:		
Registered Investment Companies	\$ 1,537,689,848	\$ 1,320,434,305
Stable Value Fund	282,139,244	278,762,702
Self-Directed Brokerage Accounts	<u>32,164,858</u>	<u>22,817,702</u>
Total Investments	<u>1,851,993,950</u>	<u>1,622,014,709</u>
Receivables:		
Due from Program Manager	47,686	42,207
Notes Receivable from Participants	51,645,664	43,763,357
Participant Contributions	<u>2,379,132</u>	<u>6,250,967</u>
Total Receivables	<u>54,072,482</u>	<u>50,056,531</u>
Total Assets	<u>1,906,066,432</u>	<u>1,672,071,240</u>
<b><i>LIABILITIES</i></b>		
Due to Program Manager	311,424	748,793
Due to District Government	<u>1,742,790</u>	<u>1,840,964</u>
Total Liabilities	<u>2,054,214</u>	<u>2,589,757</u>
<b>Fiduciary Net Position Available for Plan Benefits</b>	<u><u>\$ 1,904,012,218</u></u>	<u><u>\$ 1,669,481,483</u></u>

The notes to the financial statements are an integral part of this statement.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**457(b) DEFERRED COMPENSATION PLAN**  
**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
<b><i>ADDITIONS</i></b>		
Employee Contributions	\$ 162,760,879	\$ 156,514,553
Investment Income:		
Appreciation in Fair Value of Investments	168,719,009	279,437,868
Dividends and Interest Income	30,369,240	19,335,864
Less: Investment Management Expenses	(4,492,308)	(4,288,967)
Program Manager Fees	<u>(2,341,854)</u>	<u>(1,995,275)</u>
Net Investment Income	192,254,087	292,489,490
Interest Income on Notes Receivable from Participants	<u>3,614,157</u>	<u>2,592,957</u>
Total Additions	358,629,123	451,597,000
<b><i>DEDUCTIONS</i></b>		
Benefits Paid to Participants	122,774,535	91,901,533
Administrative Expenses	524,798	494,974
Loan Fees	<u>799,055</u>	<u>699,897</u>
Total Deductions	<u>124,098,388</u>	<u>93,096,404</u>
Change in Net Position	234,530,735	358,500,596
Fiduciary Net Position Available for Plan Benefits, Beginning of Year	<u>1,669,481,483</u>	<u>1,310,980,887</u>
<b>Fiduciary Net Position Available for Plan Benefits, End of Year</b>	<u><u>\$ 1,904,012,218</u></u>	<u><u>\$ 1,669,481,483</u></u>

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**457(b) DEFERRED COMPENSATION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025 AND 2024**

**NOTE 1 - DESCRIPTION OF PLAN**

The Government of the District of Columbia (the “District”) offers for eligible employees a qualified employee Deferred Compensation Plan (“Plan”) that was established under the District’s 457(b) Deferred Compensation Act of 1984, D.C. Law 5-118 and D.C. Code Section 47-3601. The Plan enables eligible employees to make tax deferred contributions towards their retirement. The Plan’s assets are held in trust by the District for the exclusive benefit of Plan members and their beneficiaries. All District employees of an agency under the personnel authority of the District’s Mayor, a subordinate agency as defined in the Comprehensive Merit Personnel Act of 1978 and an agency not under the personnel authority of the Mayor or an independent agency, but approved by the Mayor, are eligible to participate in the Plan. There are no age and length of service requirements.

Effective January 1, 2009, the blind licensees of the District’s Randolph Sheppard Vending Facility Program became eligible to participate in the Plan. The blind licensees under the Randolph Sheppard Vending Facility Program shall not become eligible individuals until the later of the date (i) such as licensee has been a participant in the program for 13 months or (ii) a year and one month after their licensure date.

Effective October 1, 2017, the District Comprehensive Merit Personnel Act of 1978, Section 2609(b), made by the Fiscal Year 2018 Budget Support Act of 2017 was amended to include employees of the Council, the Office of the District Auditor and the Office of Advisory Neighborhood Commissions (collectively, “Agencies”). It provided for mandatory matching contributions for employees of those Agencies participating in the Deferred Compensation Plan (“Plan”) who make a pre-tax contribution or Roth contribution under the Plan for each pay period in an amount equal to one hundred percent (100%) of such employee’s Pre-Tax contributions and Roth contributions made during each such pay period, but not in excess of three percent (3%) of the employee’s base salary during such pay period. Matching contributions are made in the Government of the District of Columbia 401(a) Defined Contribution Plan.

Effective July 7, 2019, the District amended the Deferred Compensation Plan to provide automatic enrollment pursuant to the Deferred Compensation Program Enrollment Amendment Act of 2018. Automatic enrollment means any eligible employee hired on or after July 7, 2019 and any eligible employee rehired on or after July 7, 2019, after having a break in service of three (3) consecutive workdays or more, shall automatically be enrolled in the Deferred Compensation Plan. Contributions shall be no less than 5% of their pre-tax annual base salary upon hire until such automatically enrolled participant makes an affirmative election to defer a different amount or percentage amount (including zero).



**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**457(b) DEFERRED COMPENSATION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025 AND 2024**

**NOTE 1 - DESCRIPTION OF PLAN (Continued)**

The District's Office of the Chief Financial Officer, Office of Finance and Treasury ("OCFO-OFT") and the District of Columbia Department of Human Resources are joint Plan Administrators. They are jointly responsible for adopting the Plan's administration rules and regulations and investment policies and overseeing the duties of the Trustee of the Plan. The Program Manager is responsible for the Plan's record keeping, marketing and enrollment efforts. In 2015, the OCFO-OFT contracted with MissionSquare (formerly ICMA Retirement Corporation (ICMA-RC)) to be the Plan's Program Manager. The Program Manager maintains an account for each participant that is adjusted for contributions, distributions and investment earnings and losses. Participants can contribute to the Plan up to \$23,500 and \$23,000 for 2025 and 2024, respectively, or 100% of the participants' includible compensation. Participants who are at least age 50 can contribute up to \$31,000 and \$30,500 for 2025 and 2024, respectively, to the Plan. Participants who qualify for pre-retirement catch-up contributions can contribute up to \$47,000 for 2025 and \$46,000 for 2024 to the Plan. Participants are vested immediately. Participants between ages 60 and 63 who are within three years of the plan's normal retirement age may be eligible for the Special Pre-Retirement Catch-Up, allowing them to contribute up to \$47,000 in 2025 and \$46,000 in 2024, depending on prior unused deferral amounts.

Effective January 1, 2023, the SECURE Act 2.0 increased the threshold age that determines when participants must begin taking a required minimum distribution (RMD) from the plan from age 72 to 73. However, persons who turned 72 in calendar year 2022 must continue to make RMD payments no later than April 1, 2023. Persons who turn 72 in calendar year 2023, do not have to begin taking an RMD until they attain age 73 in 2024, which must be distributed by April 1, 2025. Any person born on June 30, 1949 or earlier, must take an RMD either (1) at age 70 ½, or (2) annual distributions beginning in the calendar year in which the participant retires.

***Loans***

Effective October 1, 2011, participants may borrow from their accounts a minimum of \$1,000 up to a maximum equal to the lesser of (1) \$50,000 reduced by the excess (if any) of the highest outstanding balances of loans from the Plan to the participant during the one-year period ending on the day before the date on which such loan is made, over the outstanding balance of loans from the Plan to the participant on the date on which such loan was made, or (2) 50% of the present value of the non-refundable accrued benefit of the participant under the Plan.

The loans are secured by the balance in the participant's account and must be repaid over a maximum period of 60 months for general purposes and 180 months for a home purchase. All loans, whether general purpose loans or home purchase loans, bear interest at a fixed rate equal to the U.S. prime rate at the time the loan was issued. The prime rate at September 30, 2025 and 2024 was 7.25% and 8.00%, respectively.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**457(b) DEFERRED COMPENSATION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025 AND 2024**

**NOTE 1 - DESCRIPTION OF PLAN (Continued)**

***Plan Membership***

At September 30, 2025 and 2024, the Plan's membership consisted of the following:

	<u><b>2025</b></u>	<u><b>2024</b></u>
Active Members	26,293	24,677
Inactive Members	<u>13,731</u>	<u>13,393</u>
Total Members	<u><u>40,024</u></u>	<u><u>38,070</u></u>

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The Plan's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB), which requires two basic financial statements: statement of fiduciary net position and statement of changes in fiduciary net position. For financial reporting purposes, the Plan is considered a pension trust fund.

***Basis of Accounting***

The financial statements of the Plan are prepared under the accrual basis of accounting. Employee contributions are recognized by the Plan at the time compensation is earned by Plan members and the payments become due from the District government. Investment income is recognized when earned. Deductions are recognized when due and payable in accordance with the terms of the Plan.

***Investment Valuation***

At September 30, 2025 and 2024, the Plan's investments were in mutual funds, a stable value fund and brokerage accounts. Shares in mutual funds and the brokerage accounts are reported at fair value based on quoted market prices, which represent the net asset value of shares held by the Plan at fiscal year-end. Investments in the stable value fund are presented at contract value, which approximates fair value. Contributions of participants who elect this investment option are combined and held in trust. The Plan has an undivided interest in the trust and its ownership is represented by its proportionate dollar interest.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on an accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) includes the Plan's gains and losses on investments bought and sold as well as held during the year.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**457(b) DEFERRED COMPENSATION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025 AND 2024**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Fair Value Measurements***

The Plan categorizes 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.

*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 level of the fair value hierarchy in its entirety is determined 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.

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

***Notes Receivable from Participants***

Loans to participants are recorded at principal less repayments plus accrued interest. The loan balance reflected in the Statement of Fiduciary Net Position is also adjusted for defaulted loans. If a payment is missed for any reason, the loan is considered delinquent and in arrears. All missed payments should be made by the end of the next calendar quarter. A loan is considered in default and taxed as a “deemed distribution” if missed payments are not made during the applicable grace period. Even after a loan is deemed distributed, loan repayments will continue to be deducted from available compensation until the earlier of when the loan is paid in full, or the maturity date is reached. Employees who leave District employment may continue to repay the loan by making alternative payment arrangements. As of September 30, 2025 and 2024, the total of all defaulted loans was \$3,122,009 and \$2,006,227, respectively.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**457(b) DEFERRED COMPENSATION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025 AND 2024**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Employee Contributions***

Employee contributions are recognized as revenue at the time compensation is earned by Plan members on a specified payroll pay date or when received from other eligible plans.

***Payment of Benefits***

Benefit payments are recorded as deductions when due for payment.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Tax Status***

The Plan is an eligible employee deferred compensation plan under Section 457(b) of the Internal Revenue Code.

***Impact of New Accounting Standards***

Statement No. 101 of the Governmental Accounting Standards Board, *Compensated Absences*, updates the accounting and financial reporting guidance for employee leave benefits such as vacation and sick leave. It replaces GASB Statement No. 16, *Accounting for Compensated Absences* and requires governments to recognize a liability for leave that is attributable to past service, can be carried forward, and is more likely than not to be used or paid. The liability should be measured based on the employee's current pay rate, including related payroll costs. The new "more likely than not" threshold lowers the bar for recognition compared to the old "probable" standard, meaning some governments may record larger liabilities than before—especially for sick leave. The standard simplifies certain disclosures, removing the requirement to identify the funds used to liquidate the liability, and instead focuses on policies and balances. GASB 101 is effective for fiscal years beginning after December 15, 2023, with early adoption permitted. Management has assessed the impact of GASB Statement 101 and determined it is not applicable to the Plan's standalone financial statements. Because the 457(b) Plan is a fiduciary trust fund that records only employee deferrals, investment earnings, and participant withdrawals, it does not incur payroll-related obligations such as vacation, sick leave, or other compensated absences. All employee-related leave obligations are recorded and reported at the District-wide level.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**457(b) DEFERRED COMPENSATION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025 AND 2024**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Statement No. 102 of the Governmental Accounting Standards Board, *Certain Risk Disclosures*, enhances transparency by requiring governments to disclose significant concentrations or constraints that make them vulnerable to substantial financial impacts. Concentration refers to reliance on limited revenue sources, employers, or suppliers, while constraints include statutory limits or externally imposed restrictions on resources. A disclosure is required only if the concentration or constraint is known, creates vulnerability to a substantial impact, and is associated with an event that has occurred or is more likely than not to occur within 12 months of the financial statement's issuance. The disclosures must describe the nature of the risk and any mitigating actions taken but do not affect measurement or recognition of amounts in the statements. GASB 102 is effective for fiscal years beginning after June 15, 2024, and early implementation is encouraged. Management has assessed the impact of the implementation of GASB Statement No. 102 on the financial statements and determined that there are no concentrations, constraints, or vulnerabilities that exist that would require disclosure under GASB 102 for fiscal year 2025. The Plan's primary source of contributions is from District government employees, which represents a stable and predictable base. While this concentration links Plan inflows to District employment levels, there is no indication of volatility or significant risk of loss. The Plan operates under IRS deferral limitations applicable to all deferred compensation plans, but these constraints do not impede the Plan's ability to function or meet participant obligations. Investments remain broadly diversified, mitigating exposure to individual issuer or sector risk.

**NOTE 3 - INVESTMENTS**

Investments of the Plan at September 30, 2025 and 2024 consist of the following:

	<b>2025</b>	<b>2024</b>
Stock and Bond Funds	\$ 1,537,689,848	\$ 1,320,434,305
Stable Value Fund	282,139,244	278,762,702
Self-Directed Brokerage Account	32,164,858	22,817,702
Total Investments	<u>\$ 1,851,993,950</u>	<u>\$ 1,622,014,709</u>

The Plan's investments in Registered Investment Companies are stated at fair market value. The stable value fund is valued at contract value, which approximates fair value. The contract value is guaranteed through a related contract with a separate provider. The credited interest rates are reset periodically according to terms set forth in the contract and are actuarially determined.



**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**457(b) DEFERRED COMPENSATION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025 AND 2024**

**NOTE 3 - INVESTMENTS (Continued)**

The Plan's investments are subject to the following risks common to investments:

- *Custodial credit risk* is the risk that the Plan will not be able to recover the value of its investments in the event of a failure by the counterparty to a transaction. Investments are exposed if they are uninsured, are not registered in the name of the Plan and are held by either (a) the counterparty or (b) the counterparty's trust department or agent, but not in the Plan's name. The Plan's investments for fiscal years 2025 and 2024 are partially insured and registered in the Plan's name and are generally segregated by the counterparty in a manner to protect them from certain claims by creditors. The Plan also invests in mutual and commingled trust funds which are not generally exposed to custodial credit risks. The Plan Sponsor performs periodic qualitative assessments of the investment managers and investment strategy to minimize custodial credit risk.
- *Interest rate risk* is the risk that changes in interest rates will adversely affect the fair value of an investment. The Plan manages its exposure to declines in fair values by not offering investments that have excessive average maturities. The following discloses the weighted average maturity for certain mutual funds that include investments in bonds at September 30, 2025.

<u>Investment</u>	<u>Average Maturity</u>
Vantage Trust Plus Fund	3.71 years
DCPLUS Fixed Income Portfolio	8.10 years
PIMCO Real Return Collective Trust II	6.85 years

- *Foreign currency risk* is the risk that changes in exchange rates will adversely affect the fair value of an investment in a foreign financial institution. The Plan mitigates this risk by limiting its investments in any one country to no more than the greater of either 25% of the equity portion of the investment account or by the country's weight in the Europe, Australia and Far East (EAFE) benchmark. In addition, a minimum of eight countries must be represented in each investment account. As a result, the Plan's currency denomination varies.

At September 30, 2025 and 2024, the investment with the largest foreign currency risk is the Harbor International Fund. The major currency denomination for the Harbor International Fund is the Yen.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**457(b) DEFERRED COMPENSATION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025 AND 2024**

**NOTE 3 - INVESTMENTS (Continued)**

- *Credit risk* is the risk that an issuer to an investment will not fulfill its obligations. The Plan does not invest in securities that have an overall quality less than BBB as rated by Moody's Investors Service, Inc. ("Moody's") and S&P Global ("S&P"). There were 14 out of 29 investments that had credit ratings in fiscal years 2025 and 2024. At September 30, 2025 and 2024, those investments and the related credit ratings were as follows:

<b>September 30, 2025</b>	
<b>Funds</b>	<b>Credit Ratings (Moody's and S&amp;P)</b>
DCPLUS Fixed Income Portfolio	AAA/AA/A/BBB/BB
MissionSquare PLUS Fund	AAA/ AA/ A/ BBB
PIMCO Real Return Collective Trust II	AAA/ AA/ A/ BBB
Vanguard Target Retirement Income	AAA/ AA/ A/ BBB
Vanguard Target Retirement 2020	AAA/ AA/ A/ BBB
Vanguard Target Retirement 2025	AAA/ AA/ A/ BBB
Vanguard Target Retirement 2030	AAA/ AA/ A/ BBB
Vanguard Target Retirement 2035	AAA/ AA/ A/ BBB
Vanguard Target Retirement 2040	AAA/ AA/ A/ BBB
Vanguard Target Retirement 2045	AAA/ AA/ A/ BBB
Vanguard Target Retirement 2050	AAA/ AA/ A/ BBB
Vanguard Target Retirement 2055	AAA/ AA/ A/ BBB
Vanguard Target Retirement 2060	AAA/ AA/ A/ BBB
Vanguard Target Retirement 2065	AAA/ AA/ A/ BBB

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**457(b) DEFERRED COMPENSATION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025 AND 2024**

**NOTE 3 - INVESTMENTS (Continued)**

<b>September 30, 2024</b>	
<b>Funds</b>	<b>Credit Ratings (Moody's and S&amp;P)</b>
DCPLUS Fixed Income Portfolio	AAA/ AA/ A/ BBB
MissionSquare PLUS Fund	AAA/ AA/ A/ BBB
PIMCO Real Return Collective Trust II	AAA/ AA/ A/ BBB
Vanguard Target Retirement Income	AAA/ AA/ A/ BBB
Vanguard Target Retirement 2020	AAA/ AA/ A/ BBB
Vanguard Target Retirement 2025	AAA/ AA/ A/ BBB
Vanguard Target Retirement 2030	AAA/ AA/ A/ BBB
Vanguard Target Retirement 2035	AAA/ AA/ A/ BBB
Vanguard Target Retirement 2040	AAA/ AA/ A/ BBB
Vanguard Target Retirement 2045	AAA/ AA/ A/ BBB
Vanguard Target Retirement 2050	AAA/ AA/ A/ BBB
Vanguard Target Retirement 2055	AAA/ AA/ A/ BBB
Vanguard Target Retirement 2060	AAA/ AA/ A/ BBB
Vanguard Target Retirement 2065	AAA/ AA/ A/ BBB

**Investment concentrations** - In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures – An amendment of GASB Statement No. 3*, the Plan is required to disclose the identification, by amount and issuer, of investments in any one issuer that represents 5% or more of the Plan's net position. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments are excluded from this requirement.

The funds that meet the 5% or more disclosure criteria at September 30, 2025, discussed above are: Vanguard Institutional Index Fund (15.2%), MissionSquare Plus Fund (15.1%), DCPLUS Large Cap Value Portfolio (6.2%), Vanguard Target Retirement 2050 (5.4%) DCPLUS Large Cap Growth (5.3%), and Vanguard Target Retirement 2045 Fund (5.0%).

The funds that meet the 5% or more disclosure criteria at September 30, 2024, discussed above are: MissionSquare Plus Fund (17.1%), Vanguard Institutional Index Fund (14.8%), DCPLUS Large Cap Value Portfolio (7.1%), the Ariel Institutional (5.6%) and DCPLUS Large Cap Growth (5.1%).

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**457(b) DEFERRED COMPENSATION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025 AND 2024**

**NOTE 4 - FAIR VALUE MEASUREMENTS**

The Plan categorizes fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plan had the following fair value measurement as of September 30, 2025:

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Total			
Investments measured at fair value:				
Equities				
Materials	\$ 46,193,749	\$ 46,193,749	\$ -	\$ -
Consumer and Cyclical and Defensive	255,343,767	255,343,767	-	-
Financial Services	228,567,906	228,567,906	-	-
Real Estate	51,519,445	51,519,445	-	-
Communication Services	123,182,306	123,182,306	-	-
Energy	54,385,001	54,385,001	-	-
Industrials	162,138,688	162,138,688	-	-
Technology	356,209,649	356,209,649	-	-
Healthcare	161,533,411	161,533,411	-	-
Utilities	35,739,622	35,739,622	-	-
Debt securities				
Government	19,325,392	19,325,392	-	-
Corporate	8,237,742	8,237,742	-	-
Securitized	13,009,654	13,009,654	-	-
Municipal	6,963,733	6,963,733	-	-
Other	5,893,089	5,893,089	-	-
Other funds	41,611,552	41,611,552	-	-
Total investments measured at fair value	1,569,854,706	\$ 1,569,854,706	\$ -	\$ -
Investments measured at contract value:				
Stable Value Fund	282,139,244			
Total Investments	<u>\$ 1,851,993,950</u>			

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**457(b) DEFERRED COMPENSATION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025 AND 2024**

**NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)**

The Plan has the following fair value measurement as of September 30, 2024:

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at fair value:	Total			
Equities				
Materials	\$ 42,280,200	\$ 42,280,200	\$ -	\$ -
Consumer and Cyclical and Defensive	218,646,337	218,646,337	-	-
Financial Services	188,336,543	188,336,543	-	-
Real Estate	44,730,939	44,730,939	-	-
Communication Services	99,586,905	99,586,905	-	-
Energy	54,798,749	54,798,749	-	-
Industrials	141,510,509	141,510,509	-	-
Technology	286,611,311	286,611,311	-	-
Healthcare	149,583,391	149,583,391	-	-
Utilities	33,770,552	33,770,552	-	-
Debt securities				
Government	17,319,910	17,319,910	-	-
Corporate	8,906,644	8,906,644	-	-
Securitized	13,773,075	13,773,075	-	-
Municipal	1,331,011	1,331,011	-	-
Other	6,055,095	6,055,095	-	-
Other funds	36,010,836	36,010,836	-	-
Total investments measured at fair value	1,343,252,007	\$ 1,343,252,007	\$ -	\$ -
Investments measured at contract value:				
Stable Value Fund	278,762,702			
Total Investments	\$ 1,622,014,709			



**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**457(b) DEFERRED COMPENSATION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025 AND 2024**

**NOTE 5 - LIFE INSURANCE POLICIES**

Prior to fiscal year 2000, the Plan offered participants an investment option to purchase life insurance policies underwritten by life insurance companies. Although the life insurance policies are no longer available to participants as an investment option, participants with existing life insurance policies are permitted to continue their contribution to those policies. As of September 30, 2025 and 2024, the contract values of participants' life insurance policies have been excluded from the Plan's assets because the life insurance companies assume the obligations to pay the benefits under the policies. TransAmerica Life and Shenandoah Life Insurance Companies underwrite existing policies. Participants' life insurance contract values for the years ended September 30, 2025 and 2024, totaled \$2,469,179 and \$2,734,493, respectively.

**NOTE 6 - PLAN FEES**

Fees are charged to participants' accounts for investment management services and administrative expenses of the Plan. The investment management fees vary by investment fund and are calculated based on the fund's daily asset value. For the years ended September 30, 2025 and 2024, investment management fees totaled \$4,492,308 and \$4,288,967, respectively. The Program Manager receives a net administrative fee of 0.165% (16.5 basis points) of the Plan's daily asset value. For the years ended September 30, 2025 and 2024, Program Manager administrative fees totaled \$2,341,854 and \$1,995,275, respectively.

**NOTE 7 - DUE TO DISTRICT GOVERNMENT**

Per the contract agreement, the Program Manager annually reimburses the Plan Administrator 5.5 basis points. The reimbursement is accumulated in an administrative reimbursement account held by the Program Manager and is used annually by the District to pay for direct administrative expenses and salaries incurred by the District for the benefit of the Plan. Additions to and deductions from the administrative reimbursement account are not Plan transactions reflected in the Statements of Changes in Fiduciary Net Position.

After recognizing the basis point reimbursement, interest earnings and payments from the administrative reimbursement account, the balance in the administrative reimbursement account as of September 30, 2025 and 2024 was \$1,742,790 and \$1,840,964, respectively. This is recorded in the Statements of Fiduciary Net Position as "Due to District Government." The amount owed from the Program Manager as of September 30, 2025 and 2024 was \$47,686 and \$42,207, respectively.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**457(b) DEFERRED COMPENSATION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025 AND 2024**

**NOTE 8 - ADMINISTRATIVE EXPENSES**

The Plan does not directly incur administrative expenses. Administrative expenses are incurred by the Plan Administrator and the Program Manager for the operation of the Plan.

The amount recorded as administrative expenses in the Statement of Changes in Fiduciary Net Position of \$524,798 and \$494,974 for fiscal years 2025 and 2024, respectively, represents the Program Manager's investment expenses allocation towards administrative expenses.

The administrative expenses incurred by the Plan Administrator and reimbursed from the administrative reimbursement account (see Note 7) for the years ended September 30, 2025 and 2024 totaled \$459,090 and \$442,556, respectively, and were as follows:

	<u><b>2025</b></u>	<u><b>2024</b></u>
Administrative Salaries	\$ 311,424	\$ 281,794
Audit and Compilation Services	108,338	116,436
Investment Consulting Services	<u>39,328</u>	<u>44,326</u>
Total Administrative Account Expenses	<u>\$ 459,090</u>	<u>\$ 442,556</u>

For fiscal years 2025 and 2024, the Plan assessed \$75 for each new participant loan processed and \$50 per participant for existing loans. Loan fees totaled \$799,055 and \$699,897 in fiscal years 2025 and 2024, respectively.

**NOTE 9 - TERMINATED PARTICIPANTS**

As of September 30, 2025 and 2024, the Plan had 10,847 and 9,394 terminated participants, respectively, who have account balances in the Plan. The participants are no longer able to contribute to the Plan, but their account balances are adjusted for fees and investment earnings. The value of the account balances as of September 30, 2025 and 2024 totaled \$403,418,631 and \$376,869,901, respectively.

**NOTE 10 - PLAN TERMINATION**

The District may amend or terminate this Plan provided that such amendment or termination shall not impair the rights of a vested participant or beneficiary to receive any contributions and income earned thereon, allocated to his or her active or inactive account, as the case may be, prior to the date of the termination or amendment of the Plan.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**457(b) DEFERRED COMPENSATION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025 AND 2024**

**NOTE 11 - RISKS AND UNCERTAINTIES**

The Plan invests in investment securities that 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 the investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of fiduciary net position.

**NOTE 12 - SUBSEQUENT EVENTS**

The Plan evaluated subsequent events through December 15, 2025, the date the financial statements were available to be issued. Events or transactions occurring after September 30, 2025, but prior to December 15, 2025, that provided additional evidence about conditions that existed as of September 30, 2025, have been recognized in the financial statements for the year ended September 30, 2025. Events or transactions that provided evidence about conditions that did not exist as of September 30, 2025 but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended September 30, 2025.

**F.S. TAYLOR & ASSOCIATES, P.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS**

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1420 N Street, N.W., Suite 100 / Washington, D.C. 20005 / 202/898-0008 Fax 202/898-0208

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**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***

Office of Finance and Treasury  
Office of the Chief Financial Officer  
Government of the District of Columbia

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 the Government of the District of Columbia 457(b) Deferred Compensation Plan (the “Plan”) as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Plan’s basic financial statements, and have issued our report thereon dated December 15, 2025.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Plan’s 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 the Plan’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan’s 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 were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Plan's 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.

*F. S. Taylor & Associates, P.C.*

Washington, D.C.  
December 15, 2025



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