AUDIT REPORT
OF THE
NEBRASKA PUBLIC EMPLOYEES
RETIREMENT SYSTEMS – STATE AND
COUNTY EMPLOYEES RETIREMENT PLANS

PENSION TRUST FUNDS
OF THE STATE OF NEBRASKA

JANUARY 1, 2020, THROUGH DECEMBER 31, 2020

Issued on August 26, 2021

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
STATE AND COUNTY EMPLOYEES RETIREMENT PLANS

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NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
STATE AND COUNTY EMPLOYEES RETIREMENT PLANS

BACKGROUND

The Nebraska Public Employees Retirement Board (Board) was created in 1971 to administer Nebraska retirement plans for school employees, State employees, judges, and the State Patrol. The Board assumed administration of the retirement system for Nebraska county employees in 1973.

The Board has eight members appointed by the Governor, with legislative approval, to five-year terms. Six of the appointed members must be active or retired participants in the retirement system. Those six members include the following:

- Two participants in the Nebraska School Employees Retirement System, consisting of one administrator and one teacher;
- One participant in the Nebraska Judges Retirement System;
- One participant in the Nebraska State Patrol Retirement System;
- One participant in the Nebraska County Employees Retirement System; and
- One participant in the State Employees Retirement System.

Two appointed Board members must meet the following requirements:

- Cannot be an employee of the State of Nebraska or any of its political subdivisions; and
- Must have at least 10 years of experience in the management of a public or private organization or at least 5 years of experience in the field of actuarial analysis or the administration of an employee benefit plan.

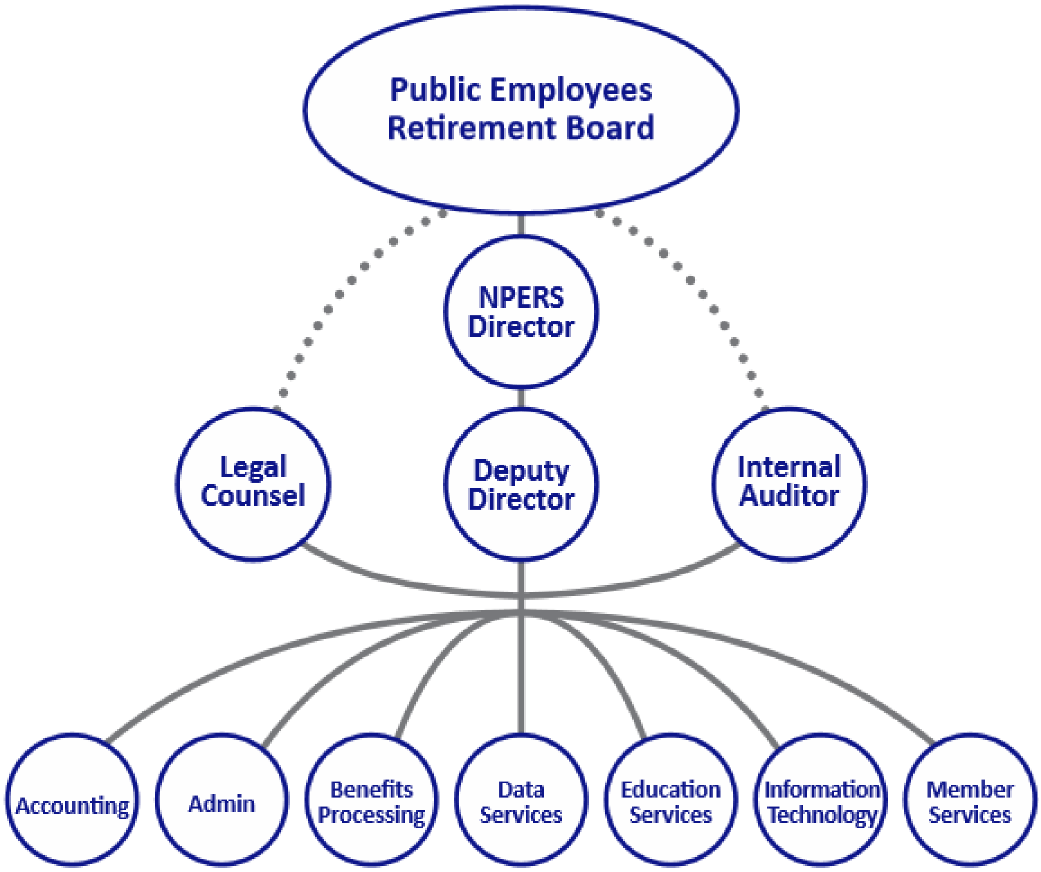
Furthermore, the State Investment Officer serves as a nonvoting, ex-officio Board member.

All appointed Board members must be Nebraska citizens. Members of the Board are paid $50 per diem and reimbursed for actual and necessary expenses. The Board hires a director to manage its day-to-day operations. Expenses are equitably distributed among the retirement systems. All expenses must be provided from investment income earned by various retirement funds, unless other fund sources to pay expenses are specified by law.

MISSION STATEMENT

The Nebraska Public Employees Retirement Systems recognizes the importance of a successful retirement and is dedicated to providing the highest quality service necessary to assist members in achieving this goal.

ORGANIZATIONAL CHART



NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
STATE AND COUNTY EMPLOYEES RETIREMENT PLANS

KEY OFFICIALS AND AGENCY CONTACT INFORMATION

Public Employees Retirement Board Members

Janis Elliott Chairperson – School Member Term Ending January 1, 2024	Open Public Member
Kelli Ackerman Vice-Chair – School Member Term Ending January 1, 2025	Allen Simpson State Member Term Ending January 1, 2025
J. Russell Derr Judge Member Term Ended January 1, 2021	Pamela Lancaster County Member Term Ending January 1, 2026
Thomas Zimmerman Judge Member (Joined April 8, 2021) Term Ending January 1, 2026	Jim Schulz Public Member Term Ending January 1, 2022
Michael W. Walden-Newman Ex-Officio (State Investment Officer)	Mike Jahnke State Patrol Member Term Ending January 1, 2023

Nebraska Public Employees Retirement Systems Executive Management

Randy Gerke Director	Orron Hill Deputy Director	Teresa Zulauf Controller

Nebraska Public Employees Retirement Systems
1526 K Street, Suite 400
P.O. Box 94816
Lincoln, NE 68509
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SUMMARY OF COMMENTS

During our audit of the Nebraska Public Employees Retirement Systems (NPERS) – State and County Employees Retirement Plans, we noted certain matters involving the internal control over financial reporting and other operational matters that are presented here.

1. ***Inaccurate Accrual Entries:*** The APA found a number of inaccurate accrual entries and figures in the financial statements and footnotes to the financial statements: 1) NPERS initially calculated the interest and dividend income and investment expenses on the financial statements incorrectly. 2) The amount of the annuity balance transfer accrual between the Defined Contribution and the Cash Balance plans was inaccurate. Additionally, the APA found that three account balances should have been included in the annuity balance transfer accrual but were not. 3) The APA also determined that NPERS included three members' account balances as benefit payables, which did not meet the criteria set in the benefits payable policy. The APA also found that NPERS failed to properly accrue the death benefits payable for six members at year end.

2. ***Distribution Errors***: We noted that NPERS failed to distribute funds in accordance with a member's Request for Disbursement, resulting in a balance of $507,163 at December 31, 2019, and a second Required Minimal Distribution payment, totaling $19,811, in calendar year 2020. We also found that NPERS made an erroneous Required Minimal Distribution, totaling $61,598, before the member's required due date.

More detailed information on the above items is provided hereinafter. It should be noted this report is critical in nature and contains only our comments and recommendations on the areas noted for improvement.

Draft copies of this report were furnished to NPERS to provide its management with an opportunity to review and to respond to the comments and recommendations contained herein. All formal responses received have been incorporated into this report. Responses that indicate corrective action has been taken were not verified at this time, but they will be verified in the next audit.

COMMENTS AND RECOMMENDATIONS

1. Inaccurate Accrual Entries

NPERS made the following inaccurate accrual entries in the financial statements:

Interest and Dividend Income/Investment Expense
Due to various calculation errors found in the spreadsheets used to accumulate these amounts, the NPERS calculation of Interest and Dividend Income and Investment Expenses on the financial statements were initially incorrect. Because these statement amounts were incorrect, the Net Appreciation (Depreciation) in Fair Value of Investments amounts were also incorrect. The following table shows the differences between the amounts originally provided and the actual amounts:

Description	State Defined Contribution	County Defined Contribution
Original Interest and Dividends Income	$ 4,364,900	$ 1,335,508
Revised Interest and Dividends Income	$ 2,770,355	$ 777,148
Variance Overstated	**$ 1,594,545**	**$ 558,360**

Description	State Defined Contribution	County Defined Contribution	County Cash Balance
Original Investment Expense	$ 710,567	$ 222,487	$ 2,076,242
Revised Investment Expense	$ 636,241	$ 196,737	$ 2,053,643
Variance	**$ 74,326**	**$ 25,750**	**$ 22,599**

Annuity Transfers In/Out
When members of the defined contribution plan elect to purchase an annuity upon retirement, the funds are transferred from the defined contribution plan held at Ameritas to the cash balance plan held by NPERS so that NPERS can calculate and pay the monthly annuities. The amount of the accrual for the annuity balance transfer between the Defined Contribution plans and the Cash Balance plans was incorrect. The following member balances were included in the accrual entry, even though these members all had a retirement date of January 1, 2021, making them not payable at December 31, 2020.

Member	Plan	Payment Date	Term Date	Application Date	Retirement Date	Annuity Selected	Balance
Member 1	State Defined Contribution and Cash Balance	2/3/21	12/15/20	10/8/20	1/1/21	Yes	$ 446,762
Total State							**$ 446,762**
Member 2	County Defined Contribution and Cash Balance	2/4/21	12/1/20	10/9/20	1/1/21	Yes	$ 780,468
Member 3	County Defined Contribution and Cash Balance	2/3/21	10/30/20	12/11/20	1/1/21	Yes	$ 260,752
Member 4	County Defined Contribution and Cash Balance	2/4/21	1/4/17	12/10/20	1/1/21	Yes	$ 69,440
Total County							**$ 1,110,660**

Additionally, the APA found three members whose balances should have been included in the accrued transfers between the Defined Contribution and Cash Balance plans:

COMMENTS AND RECOMMENDATIONS
(Continued)

1. **Inaccurate Accrual Entries** (Continued)

Member	Plan	1st Payment	Term Date	Application Date	Retirement Date	Date of Balance Payout	Monthly Benefit Payable?	Balance
Member 5	County Defined Contribution and Cash Balance	1/11/21	10/19/20	8/25/20	11/1/20	1/5/21	Yes	$ 760,684
Total County								**$ 760,684**
Member 6	State Defined Contribution and Cash Balance	1/11/21	11/13/20	11/23/20	12/1/20	1/5/21	Yes	$ 319,032
Member 7	State Defined Contribution and Cash Balance	1/11/21	1/31/02	11/19/20	12/1/20	1/5/21	Yes	$ 33,188
Total State								**$ 352,220**

Benefits Payable
For members opting an annuity option at retirement, if any of the monthly benefit payments are made after the end of the year for periods prior to the end of the year, those amounts should be accrued. NPERS accrued an incorrect amount of payables for two State Cash Balance members and one County Cash Balance member. Instead of including only the monthly annuity amounts payable at the end of the year, NPERS accrued the members' entire balances, which are significantly larger than the monthly annuity benefit.

Member	Plan	Balance Included in Payable	Actual Payable
Member 8	State Cash Balance	$ 590,000	$ 52,883
Member 9	State Cash Balance	$ 300,000	$ 97,630
Total State		**$ 890,000**	
Member 10	County Cash Balance	$ 350,000	$ 35,701
Total County		**$ 350,000**	

The APA also found that NPERS failed to accrue six death distributions in January 2021 and February 2021 that met the requirements of a payable at December 31, 2020, as follows:

Member	Plan	Distribution
Member 11	State Cash Balance	$ 264,036
Member 12	State Cash Balance	$ 17,863
Member 13	State Cash Balance	$ 852
Total State		**$ 282,751**
Member 14	County Cash Balance	$ 49,646
Member 15	County Cash Balance	$ 7,061
Member 16	County Cash Balance	$ 2,515
Total County		**$ 59,222**

The APA also found several other smaller errors in other accrual entries, including administrative expenses payable, benefits payable, and issues with the investment classification numbers for the footnotes.

Good internal controls require procedures to ensure that reliable financial information is provided, including the correct calculation of accrual entries. These procedures should include a review of all such financial information presented to the auditors by the Controller.

Without such procedures, there is an increased risk of material misstatements occurring and remaining undetected, resulting in inaccurate financial statements.

COMMENTS AND RECOMMENDATIONS
(Continued)

1. <u>Inaccurate Accrual Entries</u> (Concluded)

We recommend NPERS strengthen procedures to ensure financial information is complete, accurate, and compiled correctly. This will require a documented review of the financial information by the Controller prior to submission to the APA.

Management Response: NPERS will review and strengthen our procedures to ensure that the financial information is complete, accurate and compiled correctly.

2. <u>Distribution Errors</u>

The APA found two different distribution errors made by NPERS, which are detailed below.

Rollover Distribution Not Properly Processed
The APA found that NPERS failed to distribute funds in accordance with the Request for Disbursement (RFD) form submitted by a plan participant for 1 of 25 distributions tested.

On October 25, 2019, NPERS received an RFD form from a State Cash Balance Plan member, which requested an $18,915 lump sum distribution and a rollover of the remaining balance to a qualified fund. The lump sum portion of the distribution was processed in November 2019; however, NPERS failed to distribute the rollover portion, in accordance with the request from the member. Therefore, the member had a balance of $507,163 at December 31, 2019.

This error was caught in September 2020, when the member called NPERS to inquire about the remaining funds that should have been sent to the rollover company. NPERS had to request a new RFD form from the member to properly process the remaining funds. Furthermore, since a balance existed at December 31, 2019, the member was required to take a second RMD in the amount of $19,811, prior to the distribution of his account to the rollover company.

In October 2020, NPERS received the new RFD, and the lump sum RMD and rollover distributions were processed.

Incorrect RMD Payment
The APA determined that NPERS made an erroneous Required Minimal Distribution (RMD), totaling $61,598, for one of ten minimum distributions tested.

The State Cash Balance member terminated on January 4, 2019. On November 27, 2019, NPERS received a Request for Distribution (RFD) form from the member requesting an annuity distribution, making his retirement effective date December 1, 2019, (first of the month following termination or submission of the RFD, whichever is later). At that time, the member was 77 years old.

Since the retirement date was determined to be December 1, 2019, and he elected an annuity, the RMD was not required. NPERS incorrectly processed a $61,598 RMD on December 30, 2019. The APA observed the initials of four NPERS employees who reviewed the calculation and processing of the RMD, none of whom caught the error. The error was caught by the member, who subsequently returned the erroneous RMD back to NPERS. NPERS then processed the entire account balance (including the returned funds) as an annuity distribution.

Title 26 Code of Federal Regulations (CFR) § 1.401(a)(9)-2, A-2. (a) (April 1, 2020) states, in part, that the term required beginning date means:

> *April 1 of the calendar year following the later of the calendar year in which the employee attains age 70 1/2 or the calendar year in which the employee retires from employment with the employer maintaining the plan.*

COMMENTS AND RECOMMENDATIONS
(Concluded)

2. <u>Distribution Errors</u> (Concluded)

Good internal control and sound business practices require procedures to ensure member funds are distributed properly upon request and that RMDs are paid only when required.

Without such procedures, there is an increased risk for both loss of member funds and incorrect distributions to members.

> We recommend NPERS strengthen procedures to ensure that all requests for distribution of funds are made in accordance with the members' instructions and applicable laws. NPERS should ensure those involved in the review process are properly trained and knowledgeable of all distribution requirements.

Management Response:

Rollover Distribution Not Properly Processed
NPERS refined the multiple methods distribution procedure, upon notification in September of 2020 of this error. This refinement includes an additional audit protocol, to support processing multiple distribution member requests in accordance with members' instructions and applicable laws. This error was corrected, and the additional procedure implemented, prior to the APA audit.

Incorrect RMD Payment
The member notified NPERS of the RMD distribution prior to the annuity request being processed. NPERS internal controls would identify the RMD distribution for correction upon processing the annuity requested by the member. NPERS took corrective measures upon notification of the RMD distribution and will continue to support employee training and knowledge of all distribution requirements.

NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
STATE AND COUNTY RETIREMENT PLANS

INDEPENDENT AUDITOR'S REPORT

Nebraska Public Employees Retirement Board
Lincoln, Nebraska

Report on the Financial Statements

We have audited the accompanying Statements of Fiduciary Net Position and the related Statements of Changes in Fiduciary Net Position of the Nebraska Public Employees Retirement Systems (NPERS) – State and County Employees Retirement Plans, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the NPERS – State and County Employees Retirement Plans' basic financial statements, as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 NPERS' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions
In our opinions, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the NPERS – State and County Employees Retirement Plans, as of December 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note 1, the financial statements of the NPERS – State and County Employees Retirement Plans are intended to present the financial position and the changes in financial position of only that portion of the State that is attributable to the transactions of the NPERS – State and County Employees Retirement Plans. They do not purport to, and do not, present fairly the financial position of the State of Nebraska as of December 31, 2020, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Schedule of Changes in the State Employer Net Pension Liability, Schedule of Changes in the County Employers' Net Pension Liability, Schedule of State Employer Contributions, Schedule of County Employer Contributions, Schedule of Investment Returns, and Notes to the Required Supplementary Information, on pages 38-47, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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.

Management has omitted its Management Discussion and Analysis, which accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information
Our audit was conducted for the purpose of forming opinions on the financial statements, which collectively comprise the NPERS – State and County Employees Retirement Plans' basic financial statements. The Schedule of Administrative Expenses and the Schedule of Investment-Related Expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Administrative Expenses and the Schedule of Investment-Related Expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinions, the Schedule of Administrative Expenses and the Schedule of Investment-Related Expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2021, on our consideration of the NPERS – State and County Employees Retirement Plans' 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 NPERS' 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 NPERS' internal control over financial reporting and compliance.

Kris Kucera

August 24, 2021

Kris Kucera, CPA, CFE
Audit Manager
Lincoln, Nebraska

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
STATE EMPLOYEES RETIREMENT PLAN
STATEMENT OF FIDUCIARY NET POSITION
AS OF DECEMBER 31, 2020

	STATE CASH BALANCE BENEFIT	STATE DEFINED CONTRIBUTION
ASSETS		
Cash in State Treasury	$ 355,303	$ 104,324
Receivables:		
Contributions	2,380,423	391,511
Interest and Dividends	2,204,319	148,089
Other Investment Receivables (Note 4)	97,139,948	96,364
Total Receivables	101,724,690	635,964
Pooled Investments, at Fair Market Value (Note 4):		
U.S. Treasury Bills	452,785	
U.S. Treasury Notes and Bonds	54,103,134	-
Government Agency Securities	4,424,759	-
Corporate Bonds	146,061,050	-
International Bonds	46,169,519	-
Asset Backed Securities	10,634,488	-
Bank Loans	42,591,103	-
Short Term Investments	45,252,114	21,987,633
Commingled Funds	1,087,231,659	776,388,106
Mortgages	88,297,344	-
Opportunistic Credit	3,794,061	
Municipal Bonds	1,264,333	-
Private Equity Funds	102,337,241	-
Equity Securities	287,339,116	-
Options	(2,286)	-
Private Real Estate Funds	107,973,064	-
Total Investments	2,027,923,484	798,375,739
Invested Securities Lending Collateral (Note 4)	32,228,660	-
Capital Assets (Note 8):		
Equipment	463,030	527,744
Less: Accumulated Depreciation	(461,869)	(527,449)
Total Capital Assets, Net	1,161	295
Total Assets	2,162,233,298	799,116,322
LIABILITIES		
Compensated Absences (Notes 6)	54,496	16,836
Other Investment Payables (Note 4)	135,300,191	493,188
Benefits Payable	2,929,513	-
Obligations Under Securities Lending (Note 4)	32,228,660	-
Total Liabilities	170,512,860	510,024
Fiduciary Net Position - Restricted for Pensions	$ 1,991,720,438	$ 798,606,298

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

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
COUNTY EMPLOYEES RETIREMENT PLAN
STATEMENT OF FIDUCIARY NET POSITION
AS OF DECEMBER 31, 2020

	COUNTY CASH BALANCE BENEFIT	COUNTY DEFINED CONTRIBUTION
ASSETS		
Cash in State Treasury	$ 126,122	$ 55,178
Receivables:		
Contributions	1,796,861	251,955
Interest and Dividends	716,720	39,235
Other Investment Receivables (Note 4)	32,538,140	25,883
Total Receivables	35,051,721	317,073
Pooled Investments, at Fair Market Value (Note 4):		
U.S. Treasury Bills	147,165	
U.S. Treasury Notes and Bonds	17,584,746	-
Government Agency Securities	1,438,147	-
Corporate Bonds	47,473,156	-
International Bonds	15,006,142	-
Asset Backed Securities	3,456,450	-
Bank Loans	13,843,075	-
Short Term Investments	21,006,047	6,056,909
Commingled Funds	353,374,962	244,997,628
Mortgages	28,698,640	-
Opportunistic Credit	1,233,156	
Municipal Bonds	410,937	-
Private Equity Funds	33,261,926	-
Equity Securities	93,391,733	-
Options	(743)	-
Private Real Estate Funds	35,093,696	-
Total Investments	665,419,235	251,054,537
Invested Securities Lending Collateral (Note 4)	10,475,046	-
Capital Assets (Note 8):		
Equipment	264,743	263,902
Less: Accumulated Depreciation	(263,974)	(263,733)
Total Capital Assets, Net	769	169
Total Assets	711,072,893	251,426,957
LIABILITIES		
Compensated Absences (Notes 6)	31,679	8,938
Other Investment Payables (Note 4)	43,973,645	1,126,595
Benefits Payable	1,183,795	-
Obligations Under Securities Lending (Note 4)	10,475,046	-
Total Liabilities	55,664,165	1,135,533
Fiduciary Net Position - Restricted for Pensions	$ 655,408,728	$ 250,291,424

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

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
STATE EMPLOYEES RETIREMENT PLAN
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2020

	STATE CASH BALANCE BENEFIT	STATE DEFINED CONTRIBUTION
ADDITIONS		
Contributions:		
Member	$ 33,007,021	$ 5,628,635
Employer (Note 5)	51,505,962	8,778,065
Total Contributions	84,512,983	14,406,700
Investment Income:		
Net Appreciation in Fair Value of Investments	207,812,367	96,319,351
Interest and Dividends Income	20,330,191	2,770,355
Securities Lending Income	318,236	-
Total Investment Income	228,460,794	99,089,706
Investment Expenses:		
Investment Expense	6,332,939	636,241
Securities Lending Expense	131,403	-
Total Investment Expenses	6,464,342	636,241
Net Investment Income	221,996,452	98,453,465
Other Additions	515	41
Transfers In (Note 9)	9,317,802	-
Total Additions	315,827,752	112,860,206
DEDUCTIONS		
Benefits and Refunds	112,330,647	48,471,906
Administrative Expenses	1,519,944	312,873
Transfers out (Note 9)	-	9,317,802
Total Deductions	113,850,591	58,102,581
Net Increase in Net Position	201,977,161	54,757,625
Net Position - Restricted for Pensions		
Beginning of Year	1,789,743,277	743,848,673
End of Year	$ 1,991,720,438	$ 798,606,298

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

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
COUNTY EMPLOYEES RETIREMENT PLAN
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2020

	COUNTY CASH BALANCE BENEFIT	COUNTY DEFINED CONTRIBUTION
ADDITIONS		
Contributions:		
Member	$ 13,625,158	$ 2,058,170
Employer (Note 5)	20,161,779	3,025,793
Total Contributions	33,786,937	5,083,963
Investment Income:		
Net Appreciation in Fair Value of Investments	68,553,445	30,115,205
Interest and Dividends Income	6,589,282	777,148
Securities Lending Income	103,434	-
Total Investment Income	75,246,161	30,892,353
Investment Expenses:		
Investment Expenses	2,053,643	196,737
Securities Lending Expense	42,709	-
Total Investment Expense	2,096,352	196,737
Net Investment Income	73,149,809	30,695,616
Other Additions	68,432	27
Transfers In (Note 9)	3,453,930	-
Total Additions	110,459,108	35,779,606
DEDUCTIONS		
Benefits and Refunds	29,649,425	13,060,644
Administrative Expenses	811,821	153,177
Transfers out (Note 9)	-	3,453,930
Total Deductions	30,461,246	16,667,751
Net Increase in Net Position	79,997,862	19,111,855
Net Position - Restricted for Pensions		
Beginning of Year	575,410,866	231,179,569
End of Year	655,408,728	250,291,424

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2020

1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying basic financial statements of the Nebraska Public Employees Retirement Systems (NPERS) – State and County Employees Retirement Plans have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

NPERS was restructured by the Legislature in 1971 to administer the existing Nebraska retirement systems. Currently, NPERS is responsible for the administration of five retirement plans and the Deferred Compensation Plan. The following are the five retirement plans administered: the School Employees, State Patrol, Judges, State Employees, and County Employees Retirement Plans.

The NPERS Board is comprised of eight members appointed by the Governor, with legislative approval, to five-year terms. Six of the appointed members must be active or retired participants in the retirement system. Those six members include the following: two participants in the School Retirement System, consisting of one administrator and one teacher; one participant in the Nebraska Judges Retirement System; one participant in the Nebraska State Patrol Retirement System; one participant in the Nebraska County Employees Retirement System; and one participant in the State Employees Retirement System. Two appointed Board members must meet the following requirements: 1) not be an employee of the State of Nebraska or any of its political subdivisions; and 2) have at least 10 years of experience in the management of a public or private organization or at least 5 years of experience in the field of actuarial analysis or the administration of an employee benefit plan. The State Investment Officer serves as a nonvoting, ex-officio Board member.

NPERS is a part of the State of Nebraska reporting entity. The five retirement plans and the Deferred Compensation Plan are classified as pension trust fund types in the State of Nebraska Annual Comprehensive Financial Report.

Separate reports have been issued for the School Employees, Judges, and State Patrol Retirement Plans for the fiscal year ended June 30, 2020, and the Deferred Compensation Plan for the year ended December 31, 2017.

The financial statements reflect only the State and County Employees Retirement Plans and do not reflect all activity of NPERS.

C. Measurement Focus, Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. Pension funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the Statements of Fiduciary Net Position.

1. <u>Summary of Significant Accounting Policies</u> (Continued)

The State and County Employees Retirement Plans' financial statements were prepared on the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded when a liability is incurred. Employee and employer contributions are recognized in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

D. Cash and Cash Equivalents

Cash in State Treasury represents the cash balance of a fund as reflected in the State's General Ledger and is under the control of the State Treasurer or other administrative bodies, as determined by law. This classification includes bank accounts and short-term investments. These short-term investments may have original maturities (remaining time to maturity at acquisition) greater than three months; however, cash is available and is considered cash for reporting purposes. Banks pledge collateral, as required by law, to guarantee State funds held in time and demand deposits.

All cash deposited with the State Treasurer is initially maintained in a pooled cash account. On a daily basis, the State Treasurer invests cash not needed for current operations with the State's Investment Council, which maintains an operating investment pool for such investments. Interest earned on these investments is allocated to funds based on their percentage of the investment pool.

E. Investments

Investments, as reported in the basic financial statements, include long-term investments. Law or legal instruments may restrict these investments. All investments are stated at fair value based on quoted market prices. For investments where no readily ascertainable fair value exists, management has received an estimate of fair value from the investment fund manager based, in part, on real estate appraisals. The State Treasurer is the custodian of all funds; however, investment of funds is the responsibility of the Nebraska Investment Council.

Although the investments of the plans are commingled, each plan's investments may be used only for the payment of benefits to the members of that plan, in accordance with the terms of the plan.

F. Capital Assets

Capital assets consist of computer software and equipment. All capital assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist.

Generally, equipment that has a cost in excess of $5,000 at the date of acquisition and an expected useful life of more than one year is capitalized. Equipment is depreciated over 3 to 10 years, using the straight-line method.

G. Compensated Absences

All permanent employees working for NPERS earn sick and annual leave. Temporary and intermittent employees and Board members are not eligible for paid leave. The liability has been calculated using the vesting method, in which leave amounts, for both employees currently eligible to receive termination payments and other employees expected to become eligible in the future to receive such payments upon termination, are included.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

1. Summary of Significant Accounting Policies (Concluded)

NPERS employees accrue vested annual leave at a variable rate based on years of service. Generally, accrued annual leave cannot exceed 35 days at the end of a calendar year. Employees accrue sick leave at a variable rate based on years of service. In general, accrued sick leave cannot exceed 180 days. There is no maximum limit on the accumulation of sick leave days for employees under certain labor contracts. Sick leave is not vested except upon death or upon reaching the retirement eligibility age of 55, or a younger age, if the employee meets all criteria necessary to retire under the primary retirement plan covering his/her State employment, at which time the State is liable for 25 percent of the employee's accumulated sick leave.

The plans recognize the expense and accrued liability when vacation and compensatory leave is earned or when sick leave is expected to be paid as termination payments.

H. 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 at calendar year end and revenues and expenditures during the reporting period. Actual results could differ from those estimates.

2. Plan Descriptions and Contribution Information

The following summary description of the plans is provided for general information purposes. Participants should refer to Neb. Rev. Stat. §§ 84-1301 through 84-1333 (Reissue 2014, Cum. Supp. 2020) for the State Employees Retirement Plan and Neb. Rev. Stat. §§ 23-2301 through 23-2334 (Reissue 2012, Cum. Supp. 2020) for the County Employees Retirement Plan for more complete information.

A. Nebraska State Employees Retirement Plan

The single employer plan became effective by statute on January 1, 1964. The State Plan consists of a defined contribution option and a cash balance benefit. The cash balance benefit is a type of defined benefit plan. Each member employed and participating in the retirement system prior to January 1, 2003, elected either to continue participation in the defined contribution option or to begin participation in the cash balance benefit. The defined contribution option is closed to new entrants. On or after January 1, 2003, all new members of the State Plan become members of the cash balance benefit.

All permanent full-time employees are required to begin participation in the retirement system upon employment. Prior to April 2011, all permanent part-time employees who had attained the age of 20 could exercise the option to begin participation in the retirement system. Effective April 2011, the age requirement decreased to 18.

Contributions. Per statute, each member contributes 4.8 percent of his or her monthly compensation. The State matches a member's contribution at a rate of 156 percent. The employee's and employer's contributions are kept in separate accounts.

The employee's account is fully vested. The employer's account is fully vested after a total of three years of participation in the system, including credit for participation in another Nebraska governmental plan prior to actual contribution to the State Plan.

2. Plan Descriptions and Contribution Information (Continued)

When employees terminate and are not fully vested, the amount contributed by the State is forfeited and used to reduce NPERS expenses. When forfeitures are not sufficient to pay administrative expenses, NPERS may also assess a charge in the form of basis points against plan assets. NPERS also uses plan assets when forfeitures are not sufficient in the cash balance benefit.

Defined Contribution Option. Upon attainment of age 55, regardless of service, the retirement allowance is equal to the sum of the employee and employer accounts. Members have several forms of payment available, including withdrawals, deferrals, annuities, or a combination of these.

Cash Balance Benefit. Upon attainment of age 55, regardless of service, the retirement allowance is equal to the accumulated employee and employer cash balance accounts, including interest credits, annuitized for payment in the normal form. The normal form of payment is a single-life annuity with five-year certain, payable monthly.

Members have the option to convert their member cash balance account to a monthly annuity with built in cost-of-living adjustments of 2.5 percent annually. Also available are additional forms of payment allowed under the State Plan, which are actuarially equivalent to the normal form, including the option of a lump-sum or partial lump-sum.

State Plan membership consisted of the following at December 31, 2020:

	Defined Contribution	Cash Balance
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	-	2,360
Inactive Plan Members Entitled to but not yet Receiving Benefits	1,209	9,004
Active Plan Members	1,858	14,422
Total	3,067	25,786

The 2,360 retirees and beneficiaries receiving benefits include defined contribution members who elected an annuity. Defined contribution members may also choose from other forms of payment, such as withdrawal or lump-sum payment. Generally, these are one-time payouts. Therefore, these retired members are not shown above.

The NPERS employees are employees of the State of Nebraska and, therefore, participate in the State Plan. The following includes the defined contribution option and cash balance benefit contributions to the State Plan for the current and preceding two years for NPERS employees.

Calendar Year	Employee Contributions	Employer Contributions
2020	$ 109,662	$ 171,073
2019	110,221	171,945
2018	104,642	163,241

2. <u>Plan Descriptions and Contribution Information</u> (Continued)

B. Nebraska County Employees Retirement Plan

In 1973, the State Legislature brought the County Employees Retirement Plan under the administration of the Board. This multiple-employer plan covers employees of 91 of the State's 93 counties, 13 county health districts, and 3 other miscellaneous political subdivisions. Douglas and Lancaster counties have separate retirement plans for their employees, as allowed under Neb. Rev. Stat. § 23-1118 (Cum. Supp. 2020). Saunders Medical Center left the plan effective July 1, 2018; therefore, as of December 31, 2020, there were 107 participating employers.

Prior to January 1, 2003, the County Plan consisted of a defined contribution plan. Effective January 1, 2003, a cash balance benefit was added to the County Employees Retirement Act. The cash balance benefit is a type of defined benefit plan. Each member employed and participating in the retirement system prior to January 1, 2003, elected either to continue participation in the defined contribution option or to begin participation in the cash balance benefit. The defined contribution option is closed to new entrants. On or after January 1, 2003, all new members of the County Plan become members of the cash balance benefit.

Participation in the County Employees Retirement Plan is required of all full-time employees upon employment and of all full-time elected officials upon taking office. Prior to April 2011, all permanent part-time employees could elect voluntary participation upon reaching age 20. Effective April 2011, the age requirement for permanent part-time employees decreased to age 18. Part-time elected officials may exercise the option to join.

Contributions. Per statute, county employees and elected officials contribute 4.5 percent of their total compensation, and the county contributes 150 percent of the member rate. Present and future commissioned law enforcement personnel employed by such counties make additional contributions to a supplemental retirement plan. Commissioned law enforcement personnel in participating counties with fewer than 85,000 inhabitants contribute an extra 1 percent, or a total of 5.5 percent of their total compensation. Commissioned law enforcement personnel in participating counties with a population in excess of 85,000 inhabitants contribute an extra 2 percent, or a total of 6.5 percent of their total compensation; the county contributes 150 percent for the first 4.5 percent and 100 percent for the extra 1 and 2 percent. The employee's and employer's contributions are kept in separate accounts.

The employee's account is fully vested. The employer's account is vested after a total of three years of participation in the system, including credit for participation in another Nebraska governmental plan prior to actual contribution to the County Plan.

When employees terminate and are not fully vested, the amount contributed by the county is forfeited and used to reduce NPERS expenses. When forfeitures are not sufficient to pay administrative expenses, NPERS may also assess a charge in the form of basis points against plan assets. NPERS also uses plan assets when forfeitures are not sufficient in the cash balance benefit.

Defined Contribution Option. Upon attainment of age 55, regardless of service, the retirement allowance is equal to the sum of the employee and employer accounts. Members have several forms of payment available, including withdrawals, deferrals, annuities, or a combination of these.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

2. Plan Descriptions and Contribution Information (Concluded)

Cash Balance Benefit. Upon attainment of age 55, regardless of service, the retirement allowance is equal to the accumulated employee and employer cash balance accounts, including interest credits, annuitized for payment in the normal form. The normal form of payment is a single-life annuity with five-year certain, payable monthly.

Members will have the option to convert their member cash balance account to a monthly annuity with built in cost-of-living adjustments of 2.5 percent annually. Also available are additional forms of payment allowed under the County Plan that are actuarially equivalent to the normal form, including the option of a lump-sum or partial lump-sum.

County Plan membership consisted of the following at December 31, 2020:

	Defined Contribution	Cash Balance
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	-	804
Inactive Plan Members Entitled to but not yet Receiving Benefits	544	3,444
Active Plan Members	768	7,180
Total	1,312	11,428

The 804 retirees and beneficiaries receiving benefits include defined contribution members who elected an annuity. Defined contribution members may also choose from other forms of payment, such as withdrawal or lump-sum payment. Generally, these are one-time payouts. Therefore, these retired members are not shown above.

3. Funded Status and Funding Progress

The components of the net pension asset for each cash balance plan as of January 1, 2021, the most recent actuarial valuation date, were as follows:

	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(a-b) Net Pension Liability/(Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/(Asset)
State	$ 1,795,412,351	$ 1,991,720,438	$ (196,308,087)	110.93%
County	$ 599,412,068	$ 655,408,728	$ (55,996,660)	109.34%

The Total Pension Liability as of December 31, 2020, was determined based on an actuarial valuation prepared as of January 1, 2021. The key actuarial assumptions, as of the latest actuarial valuation date, are as follows:

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

3. Funded Status and Funding Progress (Continued)

	State Employees	County Employees
Valuation date	January 1, 2021	January 1, 2021
Actuarial cost method	Entry Age	Entry Age
Amortization method	Level Dollar Closed	Level Dollar Closed
Single equivalent amortization period	25 Years	25 Years
Asset valuation method	5 year smoothing	5 year smoothing
Actuarial assumptions:		
Inflation	2.65%	2.65%
Investment rate of return, net of investment expense and including inflation	7.30%	7.30%
Municipal bond index rate	2.12%	2.12%
Projected salary increases, including inflation	3.15% - 9.5%	3.15% - 9.65%
Interest credit rating	6.15%	6.15%
Cost-Of-Living Adjustments (COLA)	None, except 2.5% per year for retirees electing annuity payments with a COLA feature.	None, except 2.5% per year for retirees electing annuity payments with a COLA feature.

The State and County plans' pre-retirement mortality rates for active members were based on the Pub-2010 General Members (Above Median) Employee Mortality Table (100% of male rates, 95% of female rates), both male and female rates set back one year, projected generationally using MP-2019 modified to 75% of the ultimate rates.

The State and County plans' post-retirement mortality rates for beneficiaries were based on the Pub-2010 General Members (Above Median) Contingent Survivor Mortality Table (100% of male rates, 95% of female rates), both male and female rates set back one year, projected generationally using MP-2019 modified to 75% of the ultimate rates.

The State and County plans' post-retirement mortality rates for retired members were based on the Pub-2010 General Members (Above Median) Retiree Mortality Table (100% of male rates, 95% of female rates), both male and female rates set back one year, projected generationally using MP-2019 modified to 75% of the ultimate rates.

3. **Funded Status and Funding Progress** (Continued)

The actuarial assumptions used in the valuation are based on the results of the actuarial experience study, which covered the four-year period ending December 31, 2019. The experience study report is dated December 21, 2020.

The long-term expected real rate of return on pension plan investments was based upon the expected long-term investment returns provided by a consultant of the Nebraska Investment Council, which is responsible for investing the pension plan assets. The long-term expected real rate of return and target asset allocation were also the result of the most recent experience study. The State and County plans commingle their investments; thus, the target allocations are the same for each of the plans. The return assumptions were developed using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of the most recent experience study, (see the discussion of the pension plans' investment policy) are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
U.S. Equity	27.0%	4.5%
Global Equity	19.0%	5.3%
Non-U.S. Equity	11.5%	5.8%
Fixed Income	30.0%	.7%
Private Equity	5.0%	7.4%
Real Estate	7.5%	4.2%
Total	100.00%	

*Arithmetic mean, net of investment expenses.

Discount Rate. The discount rate used to measure the Total Pension Liability at December 31, 2020, was 7.30 percent. The discount rate is reviewed as part of the actuarial experience study, which was performed for the period January 1, 2016, through December 31, 2019. The actuarial experience study is reviewed by the NPERS Board, which must vote to change the discount rate.

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate, and contributions from employers and non-employers will be made at the greater of the contractually required rates and the actuarially determined rates. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all 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 total pension liability. The projected future benefit payments for all current plan members were projected through 2120.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension asset of the plans calculated using the discount rate of 7.30%, as well as what the plans' net pension liability/(asset) would be if it were calculated using a discount rate that is one percentage point lower (6.30%) or one percentage point higher (8.30%) than the current rate.

3. Funded Status and Funding Progress (Concluded)

	1% Decrease (6.30%)	Current Discount Rate (7.30%)	1% Increase (8.30%)
Net Pension Liability/(Asset):			
State	$ (30,303,824)	$ (196,308,087)	$ (334,976,602)
County	$ 2,935,311	$ (55,996,660)	$ (105,221,210)

4. Investments

Investments. Listed below is a summary of the investment portfolio that comprises the Investments on the Statement of Fiduciary Net Position. All securities purchased or held must be in the custody of the State or deposited with an agent in the State's name. Neb. Rev. Stat. § 72-1239.01(3) (Cum. Supp. 2020) directs the appointed members of the Nebraska Investment Council to do the following:

> *[A]ct with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims by diversifying the investments of the assets of the retirement systems . . . .*

The pension plans' policy in regards to the allocation of invested assets is established and may be amended by the Nebraska Investment Council. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan. During the year, the Nebraska Investment Council's target investment allocation was:

Asset Class	Target Allocation
U.S. Equities	27.0%
International Equities	11.5%
Global Equities	19.0%
Fixed Income	30.0%
Private Equity	5.0%
Real Estate	7.5%
Total	100.00%

The table below presents all investments stated at fair value using valuation techniques to measure fair value, followed by a table presenting investments at fair value for financial statement purposes, with debt securities presented with effective duration.

The Plans utilize a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets that the Plans have the ability to access at the measurement date. Instruments categorized in Level 1 consist primarily of a broadly traded range of equity and debt securities.

- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

- Level 3 inputs are unobservable inputs for the asset.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

4. Investments (Continued)

Fair value is based on actively quoted market prices, if available. In the absence of actively quoted market prices, price information from external sources, including broker quotes and industry publications, is used. If pricing information from external sources is not available or if observable pricing is not indicative of fair value, judgment is required to develop the estimates of fair value using discounted cash flows and other income valuation approaches.

Plan Investments at December 31, 2020, at Fair Value Measurement Using:

	Fair Value	Level 1	Level 2	Level 3
Debt Securities				
Bank Loans	$ 56,434,178	$ -	$ 56,434,178	$ -
U.S. Treasury Notes and Bonds	71,687,880	-	71,687,880	-
U.S. Treasury Bills	599,950	-	599,950	-
Government Agency Securities	5,862,906	-	5,862,906	-
Corporate Bonds	193,534,206	-	193,534,206	-
International Bonds	61,175,661	-	61,175,661	-
Asset Backed Securities	14,090,938	-	14,090,938	-
Short Term Investments	93,403,279	9,788,258	83,615,021	-
Comingled Debt	549,624,608	477,437,730	72,186,878	-
Mortgages	116,995,984	-	116,995,984	-
Municipal Bonds	1,675,270	-	1,675,270	-
	1,165,084,860	487,225,988	677,858,872	-
Other Investments				
Commingled Funds	$ 1,912,347,258	$ 1,214,224,749	$ 698,122,509	$ -
Private Equity Securities	283,826	283,826	-	-
Equity Securities	380,730,849	380,374,548	356,301	-
Options	(3,029)	-	(3,029)	-
Private Real Estate Funds		-		-
Total Investments by Fair Value Level	$ 3,458,443,764	$ 2,082,109,111	$ 1,376,334,653	$ -
Investments Measured at the Net Asset Value (NAV):		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private Real Estate Funds:				
Core	105,014,743	-	Quarterly	90 days
Non-Core	38,052,017	25,716,208		
Opportunistic Credit	5,027,217	18,388,500		
Commingled Funds-Distressed Securities	20,489	-		
Private Equity Funds	135,315,341	72,865,626		
Short Term Investment Funds	899,424	-		
Total Investments Measured at Net Asset Value	$ 284,329,231	116,970,334		
Total	$ 3,742,772,995			
Securities Lending Collateral	42,703,706			
Total Investments at Fair Value	$ 3,785,476,701			

4. Investments (Continued)

Debt securities and other investments classified in Level 1 are valued using prices quoted in active markets for those securities. Debt securities and other investments classified in Level 2 are valued using the following approaches:

- U.S. Treasury Notes and Bonds, Government Agency Securities, and Short-Term Investments: quoted prices for identical securities in markets that are not active.
- Corporate, International, Municipal Bonds, and Equity Securities: quoted prices for similar securities in active markets.
- Asset Backed Securities, Bank Loans, and Mortgages: matrix pricing, based on accepted modeling and pricing conventions, of the securities' relationship to benchmark quoted prices.
- Commingled Funds: published fair value per share (unit) for each fund.

Debt securities and other investments, including Asset-Backed Securities, Corporate Bonds, and Mortgages, classified in Level 3, are valued using unobservable inputs, such as reviews, recommendations, and adjustments made by portfolio management, or the use of internal data to develop unobservable inputs if there is no objective information available without incurring undue cost and effort.

Certain investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) have not been categorized in the fair value hierarchy. The fair value amounts at NAV presented in the above table are intended to permit reconciliation of the fair value hierarchy to the amount presented in the consolidated statements of financial position. Investments valued using the net asset value per share are considered "alternative investments" and, unlike more traditional investments, generally do not have readily obtainable market values and take the form of limited partnerships. The Plans value these investments based on the partnerships' audited financial statements. If December 31 statements are available, those values are used preferentially. However, some partnerships have fiscal years ending at other than December 31. If December 31 valuations are not available, the value is progressed from the most recently available valuation, taking into account subsequent calls and distributions. The NAV table also presents the unfunded commitments, redemption frequency (if currently eligible), and the redemption notice period for the Plans' alternative investments. Investments measured by NAV are either short term in nature or intended to be held to maturity. Therefore, they do not bear a significant risk of being sold at amounts different than the NAV.

Other investments not classified. The $42,703,706 in Securities Lending Short-Term Collateral Investment Pool Investments, which are investments loaned to broker-dealers and banks under the securities lending program, were not classified for fair value measurement purposes.

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NOTES TO THE FINANCIAL STATEMENTS
(Continued)

4. Investments (Continued)

State and County Employees Retirement Plan Investments at December 31, 2020

	State and County Cash Balance Benefit		State and County Defined Contributions	
	Fair Value	Effective Duration	Fair Value	Effective Duration
Debt Securities				
U.S. Treasury Notes	$ 71,687,880	10.07	$ -	
U.S. Treasury Bills	599,950	0.00	-	
Government Agency Securities	5,862,906	5.49	-	
Corporate Bonds	193,534,206	6.66	-	
International Bonds	61,175,661	8.05	-	
Asset Backed Securities	14,090,938	0.70	-	
Bank Loans	56,434,178	0.11	-	
Short Term Investments	66,258,161	0.00	28,044,542	0.00
Commingled Debt	204,509,583	3.29	345,115,025	5.30
Mortgages	116,995,984	1.32	-	
Municipal Bonds	1,675,270	12.74	-	
	792,824,717		373,159,567	
Other Investments				
Opportunistic Credit	5,027,217		-	
Private Equity Funds	135,599,167		-	
Equity Securities	380,730,849		-	
Commingled Funds	1,236,097,038		676,270,709	
Options	(3,029)		-	
Private Real Estate Funds	143,066,760		-	
Total Investments	2,693,342,719		1,049,430,276	
Invested Securities Lending Collateral	42,703,706		-	
Total	$ 2,736,046,425		$ 1,049,430,276	
As reported on financial statements:				
Investments				
State	$ 2,027,923,484		$ 798,375,739	
County	665,419,235		251,054,537	
Total Investments	2,693,342,719		1,049,430,276	
Securities Lending Collateral				
State	32,228,660		-	
County	10,475,046		-	
Total Securities Lending Collateral	42,703,706		-	
Total reported on financial statements	$ 2,736,046,425		$ 1,049,430,276	

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

4. Investments (Continued)

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of a debt investment's exposure to fair value changes arising from changes in interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. The State has contracts with investment managers that limit the effective duration compared to that of the portfolio's benchmark.

Credit Risk of Debt Securities. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The State has contracts with investment managers that set minimum average quality ratings for its core fixed income accounts at an A. The maximum exposure to any single investment grade issuer, excluding the U.S. government, its agencies or instrumentalities, or government-sponsored entities, is five percent, and the maximum exposure to a single issuer below investment grade is three percent. The minimum credit rating of a derivatives counterparty is A. NPERS' rated debt investments, as of December 31, 2020, were rated by Standards and Poor's and/or an equivalent national rating organization, and the ratings are presented on the following table using the Standard and Poor's rating scale.

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NOTES TO THE FINANCIAL STATEMENTS
(Continued)

4. Investments (Continued)

Cash Balance Benefit/Defined Contribution Investments at December 31, 2020

	Quality Ratings									
	Cash Balance Benefit								Defined Contribution	
	Fair Value	AAA	AA	A	BBB	BB	B	Unrated	Fair Value	Unrated
Asset Backed Securities	$ 14,090,938	$ 9,239,400	$ 866,728	$ 489,940	$ 409,453	$ 379,580	$ 185,715	$ 2,520,122	$ -	$ -
Bank Loans	56,434,178	-	-	-	-	-	-	56,434,178	-	-
Mortgages	116,995,984	14,695,484	2,040,629	390,732	1,399,388	434,045	129,703	97,906,003	-	-
International Bonds	61,175,661	4,110,069	12,019,636	12,207,864	9,098,432	2,218,794	1,117,449	20,403,417	-	-
Corporate Bonds	193,534,206	3,210,142	4,813,853	38,758,114	116,090,476	20,133,551	5,132,539	5,395,531	-	-
Government Agency Securities	5,862,906	936,455	2,370,022	2,250,971	112,009	67,289	-	126,160	-	-
Municipal Bonds	1,675,270	286,746	952,655	355,667	80,202	-	-	-	-	-
Short Term Investments	66,258,161	-	-	-	-	95,041	-	66,163,120	28,044,542	28,044,542
Commingled Debt	204,509,583	-	-	-	-	-	-	204,509,583	345,115,025	345,115,025

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

4. Investments (Continued)

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The State has contracts with investment managers that limit the maximum amount for an issuer, excluding U.S. Treasury, U.S. Agency, mortgages, and non-U.S. sovereign issuers, to five percent of the total account.

At December 31, 2020, the State and County Defined Contribution and Cash Balance Benefit Plans had no debt security investments, from a single entity, that comprised more than five percent of total investments.

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The State does not have a formal policy to limit foreign currency risk. At December 31, 2020, the State and County Defined Contribution Plans did not have exposure to foreign currency risk. The State and County Cash Balance Benefit Plans’ exposure to foreign currency risk is presented on the following table.

(Continued on Next Page)

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

4. Investments (Continued)

Cash Balance Benefit Plans' Foreign Currency at December 31, 2020

	Corporate Bonds	International Bonds	Mortgages	Short Term Investments	Equity Securities
Argentine Peso	$ 25,894	$ 27,157	$ -	$ 1,025	$ -
Australian Dollar	-	1,486,886	-	300,630	1,731,201
Brazilian Real	-	-	-	48,756	2,874,734
Canadian Dollar	-	2,245,302	-	1,854,816	1,945,736
Colombian Peso	-	78,506	-	4,227	-
Czech Koruna	-	137,499	-	4,051	-
Danish Krone	-	145,041	-	10,384	994,239
Euro Currency	16,903,411	13,000,170	-	3,903,848	60,144,513
Hong Kong Dollar	-	-	-	-	1,626,483
Indonesian Rupiah	-	214,516	-	10,462	-
Japanese Yen	-	13,433,509	-	318,676	25,341,273
Malaysian Ringgit	-	387,713	-	12,301	139,903
Mexican Peso	-	1,157,844	-	22,297	835,743
New Israeli Sheqel	-	220,316	-	3,947	73,534
New Zealand Dollar	-	331,662	-	190,087	225,373
Norwegian Krone	-	230,050	-	100,362	18,292
Philippine Peso	-	-	-	627	167,294
Polish Zloty	-	103,911	-	2,038	503,479
Pound Sterling	826,313	4,119,639	4,148,651	4,259,648	18,105,103
Russian Ruble	-	162,020	-	-	-
Singapore Dollar	-	262,221	-	7,358	-
SOL	-	1,135,499	-	-	-
South African Rand	-	-	-	151	303,029
South Korean Won	-	1,204,901	-	24,271	1,964,098
Swedish Krona	-	264,253	-	6,500	5,041,618
Swiss Franc	-	502,644	-	23,946	14,344,469
Thailand Baht	-	194,921	-	2,559	520,809
Turkish Lira	-	-	-	310	2,695,210
Yuan Renminbi	-	4,971,570	-	140,545	1,670,272
Yuan Renminbi Offshore	-	-	-	(89,516)	-
Total	$ 17,755,618	$ 46,017,750	$ 4,148,651	$ 11,164,306	$ 141,266,405

4. Investments (Continued)

Securities Lending Transactions. The State participates in securities lending transactions, where securities are loaned to broker-dealers and banks with a simultaneous agreement to return the collateral for the same securities in the future. The State's primary custodial bank administers the securities lending program and receives collateral in the forms of cash, United States government or government agency obligations, sovereign debt rated A or better, or convertible bonds at least equal in value to the market value of the loaned securities. Securities on loan at year-end consisted of United States government obligations, equity securities, corporate bonds, and non-US fixed income. At year-end, the State had no credit risk exposure to borrowers because the amounts the State owes the borrowers exceed the amounts the borrowers owe the State. The collateral securities cannot be pledged or sold by the State unless the borrower defaults. There are no restrictions on the amount of securities that can be loaned, and there were no losses resulting from borrower default during the year.

Either the State or the borrowers can terminate all securities loans on demand. Cash collateral is invested in one of the lending agent's short-term investment pools that had average durations from 18 to 28 days as of June 30, 2020. Because loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. The custodian indemnifies the State against default by the borrower of securities, but it does not indemnify against the default by an issuer of a security held in the short-term investment funds where cash collateral is invested.

Derivative Financial Instruments. Derivative instruments are financial contracts whose underlying values depend on the values of one or more underlying assets, reference rates, or financial indices. These instruments are used primarily to enhance performance and reduce the volatility of the portfolio, in accordance with the Nebraska Investment Council-approved Derivatives Policy. The State invests in futures contracts, options, and swaps. Futures represent commitments to purchase or sell securities or money market instruments at a future date and at a specific price. Options represent the right, but not the obligation, to purchase or sell securities at a future date and at a specific price. The State invests in these contracts related to securities of the U.S. government or Government Agency obligations based on reference notes, which are traded on organized exchanges, thereby minimizing the State's credit risk. The net change in the contract value is settled daily in cash with the exchanges. Swaps represent an exchange of streams of payments over time according to specified terms. At December 31, 2020, the State and County Defined Contribution Plans did not invest in derivative financial instruments. All changes in fair value of derivatives are reflected in Investment Income and the fair value of derivatives at December 31, 2020, is reflected in Investments. The fair value balances and notional amounts of investment derivative instruments for the year then ended for the State and County Cash Balance Benefit Plans are as follows:

DERIVATIVE INVESTMENTS AT DECEMBER 31, 2020

Derivative	Change in Fair Value	Fair Value	Notional
Credit Default Swaps	$ (32,802)	$ 226,940	$ 4,458,107
Fixed Income Futures	1,000,761	-	8,753,068
Fixed Income Options	46,443	(3,028)	(2,018,231)
Foreign Currency Options	2,828	-	-
Futures Options	15,218	-	-
FX Forwards	(1,572,780)	(592,826)	63,886,683
Interest Rate Swaps	(567,162)	(328,693)	58,876,283
Rights	142	-	-
Warrants	11,031	11,322	42,664

4. Investments (Continued)

The change in fair value denotes the net realized and unrealized gains and losses recognized during the period. The fair value of the derivative instruments at December 31, 2020, denotes the market value, with the exception of FX Forwards, which denotes the net realized and unrealized gains and losses recognized during the period. Furthermore, the notional amount for Futures and Options was calculated as contract size times the number of contracts.

The State and County Cash Balance Benefit Plans are exposed to credit risk on derivative instruments that are in asset positions. To minimize its exposure to loss related to credit risk, it is the Nebraska Investment Council's policy to require counterparty collateral posting provisions in its non-exchange-traded derivative instruments. These terms require full collateralization of the fair value of derivative instruments in asset positions. Collateral posted is to be in the form of U.S. Treasury securities held by a third-party custodian. The Plans have never failed to access collateral when required.

The aggregate fair value of derivative instruments in asset positions at December 31, 2020, was $470,450. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. There is no collateral held or liabilities included in netting arrangements with those counterparties; therefore, the net exposure to credit risk is $470,450.

Although the State and County Cash Balance Benefit Plans execute derivative instruments with various counterparties, approximately 86 percent of the net exposure to credit risk is held with five counterparties. The counterparties are rated A+ or BBB+.

The State and County Cash Balance Benefit Plans are exposed to interest rate risk on their interest rate swaps. Interest rate swaps are agreements between two counterparties to exchange future cash flows. These are generally fixed versus variable flows and can be either received or paid. These swaps are used to adjust interest rate and yield curve exposure and substitute for physical securities. Long swap positions (receive fixed) increase exposure to long-term interest rates; short positions (pay fixed) decrease exposure. Counterparty risk is limited to monthly exchanged or netted cash flows. All of the State and County Cash Balance Plans' interest rate swaps were fixed with a LIBOR (London Interbank Offered Rate) or SIFMA (Securities Industry and Financial Markets Association) reference rate.

(Continued on Next Page)

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

4. Investments (Continued)

Foreign currency risk for derivative instruments at December 31, 2020, are as follows:

DERIVATIVES FOREIGN CURRENCY AT DECEMBER 31, 2020

Currency	Options	Swaps	Forward Contracts
Australian Dollar	$ -	$ -	$ 3,885
Brazilian Real	-	48,729	-
Canadian Dollar	-	-	(7,947)
Czach Koruna	-	-	(1,038)
Danish Krone	-	-	1,400
Euro Currency	-	212,103	(341,990)
Hungarian Forint	-	-	808
Indonesian Rupiah	-	-	519
Japanese Yen	-	(192,312)	(92,638)
Malaysian Ringgit	-	-	(1,853)
Mexican Peso	-	-	2,647
New Israeli Sheqel	-	-	(3,291)
New Zealand Dollar	-	-	(9,604)
Norwegian Krone	-	-	4,652
Polish Zloty	-	-	799
Pound Sterling	-	(113,621)	(139,679)
Romanian Leu	-	-	(52)
Russian Ruble	-	-	(1,299)
Singapore Dollar	-	-	(1,360)
SOL	-	-	2,697
South Korean Won	-	-	(3,856)
Swedish Krona	-	-	7,438
Swiss Franc	11,086	-	(26,921)
Thailand Baht	-	-	1,032
Yuan Renminbi	-	-	12,825
Total	$ 11,086	$ (45,101)	$ (592,826)

Other Receivables/Other Payables. Other receivables consisted of receivables for investments sold, receivables for foreign exchanges, tax reclaim receivables, unrealized appreciation/depreciation on income receivables, unrealized appreciation/depreciation on investment receivables, unrealized appreciation/depreciation on foreign exchange receivables, and other receivables as recorded by the custodial bank. Other payables consisted of payables for investments purchased, payables for foreign currency purchased, unrealized appreciation/depreciation on investments payable, unrealized appreciation/depreciation on foreign exchange payables, and other payables as recorded by the custodial bank.

Securities are recorded on a trade date basis. On the trade date, the Plans own the asset. However, if the security has not settled, payment has not been received or made. Receivables and payables for investments sold and purchased represent securities in which the asset had been recorded as of December 31, 2020, but the security had not settled.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

4. Investments (Concluded)

Money-Weighted Rate of Return. For the year ended December 31, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 12.49% for the State and 12.70% for the County Cash Balance Plans. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

5. Employer Contributions

Historically, employer contributions have been reported net of forfeitures. Forfeitures result when a member terminates prior to vesting in the employer contribution portion of his or her account. In accordance with Neb. Rev. Stat. § 23-2319.01(1) (Cum. Supp. 2020) and Neb. Rev. Stat. § 84-1321.01(1) (Cum. Supp. 2020) forfeitures are first used to pay administrative expenses of the Board. The balance of the Defined Contribution forfeiture accounts at December 31, 2020, was $0 for the State Plan and $0 for the County Plan. The balance of the Cash Balance Benefit forfeiture accounts was $2,069,983 for the State Plan and $596,290 for the County Plan.

6. Compensated Absences

The liability for the vested portion of compensated absences for each plan at December 31, 2020, was as follows:

	State Cash Balance Benefit Employees	State Defined Contribution Employees	County Cash Balance Benefit Employees	County Defined Contribution Employees
Beginning Balance	$ 57,216	$ 15,249	$ 35,753	$ 9,690
Increases	3,002	3,112	-	217
Decreases	5,722	1,525	4,074	969
Ending Balance	$ 54,496	$ 16,836	$ 31,679	$ 8,938
Amounts Due within One Year	$ 5,995	$ 1,852	$ 3,485	$ 983

7. Contingencies and Commitments

Risk Management. NPERS is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors or omissions, injuries to employees, and natural disasters. NPERS, as part of the primary government for the State, participates in the State's risk management program. The Nebraska Department of Administrative Services is responsible for maintaining the insurance and self-insurance programs for the State. The State generally self-insures for general liability, employee health care, employee indemnification, and worker's compensation. The State has chosen to purchase insurance for the following:

A. Motor vehicle liability includes $4,700,000 with a self-insured retention of $300,000 (coverage includes hot pursuit). There is an additional one-time corridor retention of $300,000. Insurance is also purchased, with various limits and deductibles, for physical damage and uninsured and underinsured motorists. State agencies have the option to purchase coverage for physical damage to vehicles. There is a $1,000 deductible for this coverage.

B. Life insurance for eligible employees.

C. Crime coverage, with a limit of $10,975,000 for each loss and a $25,000 self-insured retention per incident subject to specific conditions, limits, and exclusions.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

7. Contingencies and Commitments (Concluded)

D. Real and personal property on a blanket basis for losses up to $200,700,000, with a self-insured retention of $300,000 per loss occurrence. Newly acquired properties are covered up to $5 million for 30 days and $1 million for 90 days, if the property has not been reported. If not reported after 90 days, the property is not covered. The perils of flood, earthquake, and acts of terrorism have various coverage, sub-limits, and self-insurance. State agencies have the option to purchase building contents and inland marine coverage.

Details of the various insurance coverages are available from DAS – Risk Management Division.

No settlements exceeded commercial insurance coverage in any of the past three fiscal years. Workers' compensation is funded in the Workers' Compensation Internal Service Fund through assessments on each agency based on total agency payroll and past experience. Tort claims, theft of, damage to, or destruction of assets, errors or omissions, and natural disasters would be funded through the State General Fund or by individual agency assessments, as directed by the Legislature, unless covered by purchased insurance. No amounts for estimated claims have been reported in the Board's financial statements. Health care insurance is funded in the Insurance Trust Funds through a combination of employee and State contributions.

Litigation. The potential amount of liability involved in litigation pending against the Board, if any, could not be determined at this time. However, it is NPERS' opinion that final settlement of those matters should not have an adverse effect on NPERS' ability to administer current programs. Any judgment against NPERS would have to be processed through the State Claims Board and be approved by the Legislature.

8. Capital Assets

Capital asset activity for the year ended December 31, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
State Defined Contribution				
Equipment	$ 527,744	$ -	$ -	$ 527,744
Less: Accumulated Depreciation	527,407	42	-	527,449
Capital Assets, Net	$ 337	$ (42)	$ -	$ 295
State Cash Balance Benefit				
Equipment	$ 463,030	$ -	$ -	$ 463,030
Less: Accumulated Depreciation	461,707	162	-	461,869
Capital Assets, Net	$ 1,323	$ (162)	$ -	$ 1,161
County Defined Contribution				
Equipment	$ 263,902	$ -	$ -	$ 263,902
Less: Accumulated Depreciation	263,709	24	-	263,733
Capital Assets, Net	$ 193	$ (24)	$ -	$ 169
County Cash Balance Benefit				
Equipment	$ 264,743	$ -	$ -	$ 264,743
Less: Accumulated Depreciation	263,866	108	-	263,974
Capital Assets, Net	$ 877	$ (108)	$ -	$ 769

NOTES TO THE FINANCIAL STATEMENTS
(Concluded)

9. Transfers

Transfer activity for the year ended December 31, 2020, was as follows:

	State Cash Balance Benefit	State Defined Contribution
Annuity Balances from Defined Contribution to Cash Balance Benefit	$ 9,174,831	$ (9,174,831)
Miscellaneous Transfers	142,971	(142,971)
Total Transfers	$ 9,317,802	$ (9,317,802)

	County Cash Balance Benefit	County Defined Contribution
Annuity Balances from Defined Contribution to Cash Balance Benefit	$ 3,267,405	$ (3,267,405)
Miscellaneous Transfers	186,525	(186,525)
Total Transfers	$ 3,453,930	$ (3,453,930)

The annuity balances represent the transfer of balances of members who elected an annuity in the defined contribution option. Since NPERS pays the annuities, the balances are transferred to the cash balance benefit in order for the annuity to be processed. Miscellaneous transfers consist of members who had previous balances in the defined contribution option but were rehired after January 1, 2003. They are required to be in the cash balance benefit; therefore, their defined contribution balance was transferred to the cash balance benefit.

10. Equal Retirement Benefit Fund

On January 1, 1984, the Equal Retirement Benefit Fund (ERBF) was created for the State and County Retirement Plans. Each State agency and county participating in the retirement system makes contributions to the fund at least annually, in addition to regular retirement contributions.

Upon retirement, members with an accumulated account balance based on contributions made prior to January 1, 1984, have the option to convert to an annuity, at which time they are eligible to receive a benefit from the fund. The ERBF benefit is included in the member's regular retirement annuity and is included in the benefit payments reported in the financial statements. The balances of the funds are not included in the financial statements. As of December 31, 2020, there was $438,272 in the State ERBF and a balance of $455,604 in the County ERBF.

11. Subsequent Events

The Board granted a 5.25% dividend for the State Cash Balance Plan and a 2.5% dividend for the County Cash Balance Plan for calendar year 2020 on June 21, 2021. All eligible State or County Cash Balance members will receive the dividend by July 30, 2021, or as soon as administratively possible. The dividend for the State Cash Balance Plan totaled $71,805,051 plus interest up to the date it was paid. The dividend for the County Cash Balance Plan totaled $13,142,232 plus interest up to the date it was paid.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS

STATE AND COUNTY EMPLOYEES RETIREMENT PLANS

SCHEDULE OF CHANGES IN THE STATE EMPLOYER NET PENSION LIABILITY

STATE EMPLOYEES CASH BALANCE RETIREMENT PLAN

AS OF DECEMBER 31, 2020

(Unaudited)

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service Cost	$ 66,765,739	$ 61,853,977	$ 61,061,110	$ 64,050,683	$ 61,768,235	$ 57,304,924	$ 54,920,902
Interest	121,384,492	116,719,477	108,435,469	102,758,618	98,053,908	89,967,248	85,695,932
Benefit term changes	33,745,768	-	56,311,516	31,484,516	-	35,892,320	-
Difference between expected and actual experience	(14,022,451)	(10,589,929)	(3,987,151)	(18,938,806)	(14,007,040)	720,728	(11,217,240)
Assumption changes	21,516,477	-	-	42,820,238	-	-	-
Transfers	9,317,802	5,371,677	7,735,118	3,591,366	5,115,400	5,849,328	4,195,885
Benefit payments, including member refunds	(112,330,647)	(113,827,088)	(121,911,299)	(94,358,979)	(84,773,402)	(85,278,057)	(73,527,209)
Net change in Total Pension Liability	126,377,180	59,528,114	107,644,763	131,407,636	66,157,101	104,456,491	60,068,270
Total Pension Liability - beginning	1,669,035,171	1,609,507,057	1,501,862,294	1,370,454,658	1,304,297,557	1,199,841,066	1,139,772,796
Total Pension Liability - ending (a)	$ 1,795,412,351	$ 1,669,035,171	$ 1,609,507,057	$ 1,501,862,294	$ 1,370,454,658	$ 1,304,297,557	$ 1,199,841,066
Plan Fiduciary Net Position							
Employer contributions	$ 51,505,962	$ 48,889,798	$ 46,580,471	$ 45,437,713	$ 44,894,300	$ 43,339,706	$ 41,455,919
Employee contributions	33,007,021	31,334,445	29,854,372	29,127,571	28,775,358	27,798,721	26,603,709
Net investment income	221,996,967	286,205,172	(63,590,687)	237,283,016	112,758,193	14,784,129	83,523,713
Benefit payments, including member refunds	(112,330,647)	(113,827,088)	(121,911,299)	(94,358,979)	(84,773,402)	(85,278,057)	(73,527,209)
Administrative expenses	(1,519,944)	(1,373,893)	(1,398,690)	(1,293,454)	(1,134,239)	(1,079,197)	(910,460)
Transfers	9,317,802	5,371,677	7,735,118	3,591,366	5,115,400	5,849,328	4,195,885
Net change in Plan Fiduciary Net Position	201,977,161	256,600,111	(102,730,715)	219,787,233	105,635,610	5,414,630	81,341,557
Plan Fiduciary Net Position - beginning	1,789,743,277	1,533,143,166	1,635,873,881	1,416,086,648	1,310,451,038	1,305,036,408	1,223,694,851
Plan Fiduciary Net Position - ending (b)	$ 1,991,720,438	$ 1,789,743,277	$ 1,533,143,166	$ 1,635,873,881	$ 1,416,086,648	$ 1,310,451,038	$ 1,305,036,408
Net Pension Liability/(Asset) - ending (a) - (b)	$ (196,308,087)	$ (120,708,106)	$ 76,363,891	$ (134,011,587)	$ (45,631,990)	$ (6,153,481)	$ (105,195,342)
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	110.93%	107.23%	95.26%	108.92%	103.33%	100.47%	108.77%
Covered payroll	687,846,715	652,908,627	622,068,256	606,807,065	$ 599,549,947	$ 578,788,809	$ 553,631,397
Employers' Net Pension Liability/(Asset) as a percentage of covered payroll	-28.54%	-18.49%	12.28%	-22.08%	-7.61%	-1.06%	-19.00%

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
STATE AND COUNTY EMPLOYEES RETIREMENT PLANS
SCHEDULE OF CHANGES IN THE COUNTY EMPLOYERS' NET PENSION LIABILITY
COUNTY EMPLOYEES CASH BALANCE RETIREMENT PLAN
AS OF DECEMBER 31, 2020
(Unaudited)

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service Cost	$ 27,295,084	$ 26,124,594	$ 25,625,451	$ 25,927,269	$ 24,325,759	$ 21,667,314	$ 20,333,501
Interest	39,247,354	37,261,345	33,168,144	31,644,765	29,509,568	26,074,912	24,388,848
Benefit term changes	14,555,363	-	32,324,341	1,838,521	-	17,061,497	-
Difference between expected and actual experience	(4,950,342)	(4,751,826)	(2,191,990)	(7,230,377)	(5,428,286)	865,544	(3,432,132)
Assumption changes	13,301,086	-	-	7,781,664	-	-	-
Transfers	3,453,930	1,618,132	1,885,618	619,284	1,678,510	826,843	835,282
Benefit payments, including member refunds	(29,649,425)	(39,518,999)	(32,810,743)	(21,934,437)	(22,092,412)	(23,080,849)	(17,750,010)
Net change in Total Pension Liability	63,253,050	20,733,246	58,000,821	38,646,689	27,993,139	43,415,261	24,375,489
Total Pension Liability - beginning	536,159,018	515,425,772	457,424,951	418,778,262	390,785,123	347,369,862	322,994,373
Total Pension Liability - ending (a)	$ 599,412,068	$ 536,159,018	$ 515,425,772	$ 457,424,951	$ 418,778,262	$ 390,785,123	$ 347,369,862
Plan Fiduciary Net Position							
Employer contributions	20,161,779	19,124,880	18,289,442	17,752,388	16,935,811	16,068,670	15,268,274
Employee contributions	13,625,158	12,923,475	12,368,734	12,000,061	11,352,667	10,966,403	10,327,540
Net investment income	73,218,241	91,644,439	(20,161,536)	72,075,672	33,115,136	4,846,001	23,627,946
Benefit payments, including member refunds	(29,649,425)	(39,518,999)	(32,810,743)	(21,934,437)	(22,092,412)	(23,080,849)	(17,750,010)
Administrative expenses	(811,821)	(755,388)	(728,112)	(750,056)	(649,709)	(545,137)	(527,732)
Transfers	3,453,930	1,618,132	1,885,618	619,284	1,678,510	826,843	835,282
Net change in Plan Fiduciary Net Position	79,997,862	85,036,539	(21,156,597)	79,762,912	40,340,003	9,081,931	31,781,300
Plan Fiduciary Net Position - beginning	575,410,866	490,374,327	511,530,924	431,768,012	391,428,009	382,346,078	350,564,778
Plan Fiduciary Net Position - ending (b)	$ 655,408,728	$ 575,410,866	$ 490,374,327	$ 511,530,924	$ 431,768,012	$ 391,428,009	$ 382,346,078
Net Pension Liability/(Asset) - ending (a) - (b)	$ (55,996,660)	$ (39,251,848)	$ 25,051,445	$ (54,105,973)	$ (12,989,750)	$ (642,886)	$ (34,976,216)
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	109.34%	107.32%	95.14%	111.83%	103.10%	100.16%	110.07%
Covered payroll	290,515,548	275,574,640	263,536,628	255,798,098	$ 244,031,859	$ 231,537,032	$ 220,003,948
Employers' Net Pension Liability/(Asset) as a percentage of covered payroll	-19.27%	-14.24%	9.51%	-21.15%	-5.32%	-0.28%	-15.90%

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
STATE AND COUNTY EMPLOYEES RETIREMENT PLANS
SCHEDULE OF STATE EMPLOYER CONTRIBUTIONS
STATE EMPLOYEES CASH BALANCE RETIREMENT PLAN
AS OF DECEMBER 31, 2020
(Unaudited)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined employer contribution	$ 34,942,613	$ 36,171,138	$ 29,859,276	$ 29,915,588	$ 32,975,247	$ 28,476,409	$ 31,280,174	$ 34,086,379	$ 29,575,730	$ 26,903,495
Actual employer contributions	51,505,962	48,889,798	46,580,471	45,437,713	44,894,300	43,339,706	41,455,919	39,147,056	32,096,097	31,088,483
Annual contribution deficiency (excess)	$ (16,563,349)	$ (12,718,660)	$ (16,721,195)	$ (15,522,125)	$ (11,919,053)	$ (14,863,297)	$ (10,175,745)	$ (5,060,677)	$ (2,520,367)	$ (4,184,988)
Covered payroll	$ 687,846,715	$ 652,908,627	$ 622,068,256	$ 606,807,065	$ 599,549,947	$ 578,788,809	$ 553,631,397	$ 522,797,222	$ 428,633,774	$ 415,177,390
Actual contributions as a percentage of covered payroll	7.49%	7.49%	7.49%	7.49%	7.49%	7.49%	7.49%	7.49%	7.49%	7.49%

Note: Actuarially determined employer contributions prior to 2013 were provided in GASB exhibits prepared by the prior actuary.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
STATE AND COUNTY EMPLOYEES RETIREMENT PLANS

SCHEDULE OF COUNTY EMPLOYER CONTRIBUTIONS

COUNTY EMPLOYEES CASH BALANCE RETIREMENT PLAN
AS OF DECEMBER 31, 2020
(Unaudited)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined employer contribution	$ 14,060,953	$ 14,384,996	$ 11,279,368	$ 12,303,889	$ 12,836,076	$ 10,419,166	$ 10,934,196	$ 11,626,005	$ 10,937,538	$ 9,980,984
Actual employer contributions	20,161,779	19,124,880	18,289,442	17,752,388	16,935,811	16,068,670	15,268,274	14,230,066	12,696,338	11,908,346
Annual contribution deficiency (excess)	$ (6,100,826)	$ (4,739,884)	$ (7,010,074)	$ (5,448,499)	$ (4,099,735)	$ (5,649,504)	$ (4,334,078)	$ (2,604,061)	$ (1,758,800)	$ (1,927,362)
Covered payroll	$ 290,515,548	$ 275,574,640	$ 263,536,628	$ 255,798,098	$ 244,031,859	$ 231,537,032	$ 220,003,948	$ 205,044,179	$ 183,208,341	$ 172,085,925
Actual contributions as a percentage of covered payroll	6.94%	6.94%	6.94%	6.94%	6.94%	6.94%	6.94%	6.94%	6.93%	6.92%

Note: Actuarially determined employer contributions prior to 2013 were provided in GASB exhibits prepared by the prior actuary.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
STATE AND COUNTY EMPLOYEES RETIREMENT PLANS
SCHEDULE OF INVESTMENT RETURNS
AS OF DECEMBER 31, 2020

	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense:							
State Employee Retirement Plan	12.49%	18.87%	-3.93%	16.85%	8.61%	1.14%	6.83%
County Employee Retirement Plan	12.70%	18.89%	-3.96%	16.60%	8.40%	1.27%	6.68%

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

For the Last 10 Years

State Employees Cash Balance Retirement Plan

The following changes were made by the Nebraska Legislature and reflected in the valuation performed as of January 1:

2021: The Board granted a dividend of 3.00% in 2020, which was first reflected in the January 1, 2021, valuation.

2019: The Board granted a dividend of 5.46% in 2018, which was first reflected in the January 1, 2019, valuation.

2018: The Board granted a dividend of 3.07% in 2017, which was first reflected in the January 1, 2018, valuation.

2016: The Board granted a dividend of 4.53% in 2015, which was first reflected in the January 1, 2016, valuation.

2013: The 2012 Nebraska Legislature passed Legislative Bill (LB) 916, as amended by AM 1739, which created an election period of September 1, 2012, and ending October 31, 2012, during which members in the State Defined Contribution Plan could elect to transfer their account balances to the State Employees’ Retirement System Cash Balance Benefit Fund.

The following changes were made in the actuarial assumptions:

January 1, 2021, valuation:

- Price inflation assumption was lowered from 2.75% to 2.65%.
- Investment return assumption was lowered from 7.50% to 7.30%.
- Interest crediting rate on Cash Balance accounts decreased from 6.25% to 6.15%.
- General wage inflation was lowered from 3.50% to 3.15%.
- Salary merit increases were adjusted to better reflect observed experience.
- An explicit assumption for administrative expenses was adopted as a component of the actuarial contribution rate and was set to 0.21% of pay.
- Retirement and termination rates were adjusted to better reflect observed experience.
- Mortality assumptions were changed for active members to the Pub-2010 General Members (Above Median) Mortality Table (100% of male, 95% of female rates), set back one year, projected generationally using MP-2019 modified to 75% of the ultimate rates.

State Employees Cash Balance Retirement Plan (Continued)

- Mortality assumptions were changed for beneficiaries to the Pub-2010 General Members (Above Median) Contingent Survivor Mortality Table (100% of male rates, 95% of female rates), both male and female rates set back one year, projected generationally using MP-2019 modified to 75% of the ultimate rates.

- Mortality assumptions were changed for retired members to the Pub-2010 General Members (Above Median) Retiree Mortality Table (100% of male rates, 95% of female rates), both male and female rates set back one year, projected generationally using MP-2019 modified to 75% of the ultimate rates.

January 1, 2018, valuation:

- Investment return assumption was lowered from 7.75% to 7.50%.

- Price inflation assumption was lowered from 3.25% to 2.75%.

- General wage growth was lowered from 4.00% to 3.50%.

- Covered payroll growth assumption decreased from 4.00% to 3.50%.

- Individual salary increase assumption was lowered by 0.50% in order to remain consistent with the general wage growth assumption.

- Assumed cash balance interest crediting rate was lowered from 6.75% to 6.25%.

- Mortality assumption was changed to the RP-2014 White Collar Mortality Table, with adjustments made to better reflect observed experience. Generational mortality improvements are modeled using a System-specific projection scale.

- Retirement rates were adjusted to better reflect observed experience.

- Termination rates were changed to a service-based assumption.

January 1, 2013, valuation:

- The interest crediting rate on cash balance accounts was lowered from 7.00% to 6.75% per year.

- Salary increases were changed to rates grading down from 5.43% for less than one year of service to 4.00% at 20 years of service. Prior rates graded from 5.9% for less than one year of service to 4.5% at 20 years of service.

- Retirement rates increased at age 65 to 69, and 100% probability of retirement was extended to age 80 from age 70.

- Pre- and post-retirement healthy mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table projected to 2010 (pre-retirement male rates were 65% of rates, and female rates were 50% of rates) to the 1994 GAM table, with one-year setback, projected to 2015 (pre-retirement rates are adjusted by 55% for males and 40% for females).

State Employees Cash Balance Retirement Plan (Concluded)

- The select and ultimate termination rates were increased.
- Disability rates were removed.
- Price inflation was lowered from 3.50% to 3.25% per year.
- Economic productivity was lowered from 1.00% to 0.75% per year.
- The assumption for the form of payment elected by retiring active members was changed from 100% elect an annuity to 50% elect a lump sum and 50% elect an annuity.

County Employees Cash Balance Retirement Plan

The following changes were made by the Nebraska Legislature and reflected in the valuation performed as of January 1:

2021: The Board granted a dividend of 3.00% in 2020, which was first reflected in the January 1, 2021, valuation.

2019: The Board granted a dividend of 8.42% in 2018, which was first reflected in the January 1, 2019, valuation.

2018: The Board granted a dividend of 0.51% in 2017, which was first reflected in the January 1, 2018, valuation.

2016: The Board granted a dividend of 5.81% in 2015, which was first reflected in the January 1, 2016, valuation.

2015: The Board granted a dividend of 0.29% in 2014, which was first reflected in the January 1, 2015, valuation.

2013: The 2012 Nebraska Legislature passed LB 916, as amended by AM 1739, which created an election period of September 1, 2012, and ending October 31, 2012, during which members in the County Defined Contribution Plan could elect to transfer their account balances to the County Employees' Retirement System Cash Balance Benefit Fund.

The following changes were made in the actuarial assumptions:

January 1, 2021, valuation:

- Price inflation assumption was lowered from 2.75% to 2.65%.
- Investment return assumption was lowered from 7.50% to 7.30%.
- Interest crediting rate on Cash Balance accounts decreased from 6.25% to 6.15%.
- General wage in nation was lowered from 3.50% to 3.15%.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
(Continued)

County Employees Cash Balance Retirement Plan (Continued)

- Salary merit increases were adjusted to better reflect observed experience.
- An explicit assumption for administrative expenses was adopted as a component of the actuarial contribution rate and was set to 0.27% of pay.
- Retirement and termination rates were adjusted to better reflect observed experience.
- The lump sum election rate for retirees was decreased from 60% to 50%.
- Mortality assumptions were changed for active members to the Pub-2010 General Members (Above Median) Mortality Tables (100% of male rates, 95% of female rates), set back one year, projected generationally using MP-2019 modified to 75% of the ultimate rates.
- Mortality assumptions were changed for beneficiaries to the Pub-2010 General Members (Above Median) Contingent Survivor Mortality Table (100% of male rates, 95% of female rates), both male and female rates set back one year, projected generationally using MP-2019 modified to 75% of the ultimate rates.
- Mortality assumptions were changed for retired members to the Pub-2010 General Members (Above Median) Retiree Mortality Table (100% of male rates, 95% of female rates), both male and female rates set back one year, projected generationally using MP-2019 modified to 75% of the ultimate rates.

January 1, 2018, valuation:

- Investment return assumption was lowered from 7.75% to 7.50%.
- Price inflation assumption was lowered from 3.25% to 2.75%.
- General wage growth was lowered from 4.00% to 3.50%.
- Covered payroll growth assumption decreased from 4.00% to 3.50%.
- Individual salary increase assumption was lowered by 0.50% in order to remain consistent with the general wage growth assumption.
- Assumed cash balance interest crediting rate was lowered from 6.75% to 6.25%.
- Mortality assumption was changed to the RP-2014 White Collar Mortality Table, with adjustments made to better reflect observed experience. Generational mortality improvements are modeled using a System-specific projection scale.
- Termination rates were changed to a service-based assumption.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
(Concluded)

County Employees Cash Balance Retirement Plan (Concluded)

January 1, 2013, valuation:

- The interest crediting rate on cash balance accounts was lowered from 7.00% to 6.75% per year.
- Salary increases were changed to rates grading down from 8.5% for less than one year of service to 4.3% at 10 years of service. Prior rates graded from 15.0% for less than one year of service to 5.5% at 7 years of service.
- Retirement rates increased at age 55 to 60, 62 and 66 to 68, rates decreased at age 64, and 100% probability of retirement was extended to age 80 from age 70.
- Pre- and post-retirement healthy mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table projected to 2010 (pre-retirement male rates were 65% of rates, and female rates were 50% of rates) to the 1994 GAM table, with one-year setback, projected to 2015 (pre-retirement rates are adjusted by 55% for males and 40% for females).
- The select and ultimate termination rates were increased.
- Disability rates were removed.
- Price inflation was lowered from 3.50% to 3.25% per year.
- Economic productivity was lowered from 1.00% to 0.75% per year.
- The assumption for the form of payment elected by retiring active members was changed from 100% elect an annuity to 60% elect a lump sum and 40% elect an annuity.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
STATE AND COUNTY EMPLOYEES RETIREMENT PLANS
SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	STATE CASH BALANCE BENEFIT	STATE DEFINED CONTRIBUTION	COUNTY CASH BALANCE BENEFIT	COUNTY DEFINED CONTRIBUTION	TOTAL
Personnel					
Personal Services	$ 407,375	$ 125,137	$ 236,254	$ 65,802	$ 834,568
Travel	490	135	322	88	1,035
Professional and Technical Services					
Professional	8,584	2,175	4,923	1,178	16,860
Actuary	51,180	-	49,500	-	100,680
Computer Support Services	112,975	30,662	79,459	17,591	240,687
Accounting and Auditing	104,391	23,311	67,300	13,410	208,412
Communications					
Printing	3,774	1,593	2,449	849	8,665
Other Expenses					
Postage	5,170	1,283	3,000	648	10,101
Supplies	2,613	806	1,819	431	5,669
Hardware and Software	2,306	1,176	1,662	411	5,555
Repairs	42	11	17	3	73
Rent	16,792	5,123	11,625	2,584	36,124
Record Keeping Fees	564,240	87,975	259,218	37,425	948,858
Check Charge and Distribution Fees	174,908	20,339	66,389	8,039	269,675
Statement Fees	41,517	5,343	19,705	2,438	69,003
Miscellaneous	23,587	7,804	8,179	2,280	41,850
Total Administrative Expenses	$ 1,519,944	$ 312,873	$ 811,821	$ 153,177	$ 2,797,815

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
STATE AND COUNTY EMPLOYEES RETIREMENT PLANS
SCHEDULE OF INVESTMENT-RELATED EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	STATE CASH BALANCE BENEFIT	STATE DEFINED CONTRIBUTION	COUNTY CASH BALANCE BENEFIT	COUNTY DEFINED CONTRIBUTION	TOTAL
BlackRock Financial Management, Inc.	$ 61,373	$ 33,498	$ 19,925	$ 9,728	$ 124,524
Dimensional Fund Advisors, Inc.	136,292	92,670	44,248	26,352	299,562
Total Domestic Equity	**197,665**	**126,168**	**64,173**	**36,080**	**424,086**
BlackRock Financial Management, Inc.	133,791	5,768	43,431	1,220	184,210
Franklin Templeton Investments	179,689	-	58,290	-	237,979
Loomis Sayles & Company, L.P.	276,641	-	89,711	-	366,352
Oaktree Capital Management, L.P.	18,849	-	6,110	-	24,959
Neuberger Berman Investment Management	84,449	-	27,395	-	111,844
Pacific Investment Management Company, LLC	402,222	6,735	130,539	1,383	540,879
T. Rowe Price Associates, Inc	-	148,297	-	41,452	189,749
Wellington Management Company, LLP	170,240	-	55,228	-	225,468
Total Fixed Income	**1,265,881**	**160,800**	**410,704**	**44,055**	**1,881,440**
Arrowstreet Capital	460,308	-	149,323	-	609,631
Dodge & Cox	429,606	-	139,324	-	568,930
MFS Investment Management	418,255	15,116	135,699	3,104	572,174
Wellington Management Company, LLP	257,881	-	83,664	-	341,545
Total Global Equity	**1,566,050**	**15,116**	**508,010**	**3,104**	**2,092,280**
BlackRock Financial Management, Inc.	114,541	17,881	37,184	4,235	173,841
Total International Equity	**114,541**	**17,881**	**37,184**	**4,235**	**173,841**
Almanac Realty Investors, LLC	85,590	-	27,751	-	113,341
Angelo, Gordon & Company, L.P.	9,146	-	2,965	-	12,111
Barings Asset Management	4,199	-	1,353	-	5,552
Clarion Partners	187,778	-	60,884	-	248,662
Goldman Sachs Asset Management	-	5,927	-	1,217	7,144
Landmark Partners	89,198	-	28,908	-	118,106
PGIM Real Estate	294,400	-	95,439	-	389,839
Rockpoint Group, LLC	4,317	-	1,399	-	5,716
Rockwood Capital, LLC	124,402	-	40,326	-	164,728
Torchlight Investors	152,708	-	49,517	-	202,225
UBS Realty Investors, LLC	239,940	-	77,785	-	317,725
Total Real Estate	**1,191,678**	**5,927**	**386,327**	**1,217**	**1,585,149**
Abbott Capital Management, LLC	10,774	-	3,484	-	14,258
Accel-KKR Management Co, LLC	15,090	-	4,890	-	19,980
Ares Management, LLC	141,208	-	45,782	-	186,990
Beecken Petty O'Keefe & Company	25,033	-	8,098	-	33,131
Bridgepoint Capital	136,685	-	44,301	-	180,986
CVC Capital Partners	16,549	-	5,367	-	21,916
(The) Energy & Minerals Group	31,985	-	10,362	-	42,347
Francisco Partners Management L.P.	145,734	-	47,239	-	192,973
Genstar Capital	122,227	-	39,621	-	161,848
Leonard Green & Partners, L.P.	33,952	-	10,995	-	44,947
HarbourVest Partners, LLC	169,371	-	54,891	-	224,262
Lightyear Capital, LLC	5,380	-	1,747	-	7,127
Lincolnshire Management, Inc.	12,190	-	3,954	-	16,144
McCarthy Capital Corporation	158,656	-	51,450	-	210,106
Merit Capital Partners	10,540	-	3,417	-	13,957
New Enterprise Associates Inc.	98,733	-	32,009	-	130,742
New Mountain Capital, LLC	144,466	-	46,831	-	191,297
Pathway Capital Management, LLC	41,628	-	13,492	-	55,120
Pine Brook Capital Partners II, L.P.	40,357	-	13,077	-	53,434
Presidio Partners (formally CMEA Capital)	12,066	-	3,911	-	15,977
Quantum Energy Partners	140,039	-	45,398	-	185,437
Sun Capital Partners, Inc.	3,525	-	1,145	-	4,670
(The) Jordan Company	56,871	-	18,396	-	75,267
The Rohatyn Group Management, L.P.	11,275	-	3,659	-	14,934
Wayzata Investment Partners, LLC	9,443	-	3,061	-	12,504
Wynnchurch Capital Partners	92,402	-	29,956	-	122,358
Total Private Equity	**1,686,179**	**-**	**546,533**	**-**	**2,232,712**

(Continued)

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
STATE AND COUNTY EMPLOYEES RETIREMENT PLANS
SCHEDULE OF INVESTMENT-RELATED EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	STATE CASH BALANCE BENEFIT	STATE DEFINED CONTRIBUTION	COUNTY CASH BALANCE BENEFIT	COUNTY DEFINED CONTRIBUTION	TOTAL
BlackRock Financial Management, Inc.	-	96,150	-	34,616	130,766
Dimensional Fund Advisors, Inc.	-	114,960	-	41,373	156,333
Total Premixed Portfolio Funds	**-**	**211,110**	**-**	**75,989**	**287,099**
Nebraska Investment Council Fees	121,150	50,792	39,210	16,416	227,568
Custody Expenses	61,953	48,447	20,127	15,641	146,168
Miscellaneous Expenses	127,842	-	41,375	-	169,217
Total Other Expenses	**310,945**	**99,239**	**100,712**	**32,057**	**542,953**
Total Investment-Related Expenses	**$ 6,332,939**	**$ 636,241**	**$ 2,053,643**	**$ 196,737**	**$ 9,219,560**

(Concluded)

NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
STATE AND COUNTY EMPLOYEES RETIREMENT PLANS

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*

Nebraska Public Employees Retirement Board
Lincoln, Nebraska

We have audited, 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, the financial statements of the Nebraska Public Employees Retirement Systems (NPERS) – State and County Employees Retirement Plans, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the NPERS – State and County Employees Retirement Plans' basic financial statements, and have issued our report thereon dated August 24, 2021. The report was modified to emphasize that the financial statements present only the funds of the NPERS – State and County Employees Retirement Plans.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the NPERS – State and County Employees Retirement Plans' internal control over financial reporting (internal control) to determine the 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 NPERS – State and County Employees Retirement Plans' internal control. Accordingly, we do not express an opinion on the effectiveness of the NPERS – State and County Employees Retirement Plans' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

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 NPERS – State and County Employees Retirement Plans' financial statements will not be prevented, or detected and corrected, on a timely basis.

A *significant deficiency* is a deficiency, or 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. We consider the following deficiency in the NPERS – State and County Employees Retirement Plans' internal control described in the Comments Section of the report to be a significant deficiency: Comment Number 1 (Inaccurate Accrual Entries).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the NPERS – State and County Employees Retirement Plans' 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 determination of financial statement amounts. 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*.

Additional Items

We noted a certain additional item that we reported to management of the NPERS – State and County Employees Retirement Plans in the Comments Section of this report as Comment Number 2 (Distribution Errors).

NPERS's Response to Findings

NPERS's response to the findings identified in our audit are described in the Comments Section of the report. NPERS's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 result of that testing, not to provide an opinion on the effectiveness of the NPERS – State and County Employees Retirement Plans' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the NPERS – State and County Employees Retirement Plans' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

August 24, 2021

Kris Kucera, CPA, CFE
Audit Manager
Lincoln, NE