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, 2021, THROUGH DECEMBER 31, 2021

Issued on September 29, 2022

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.

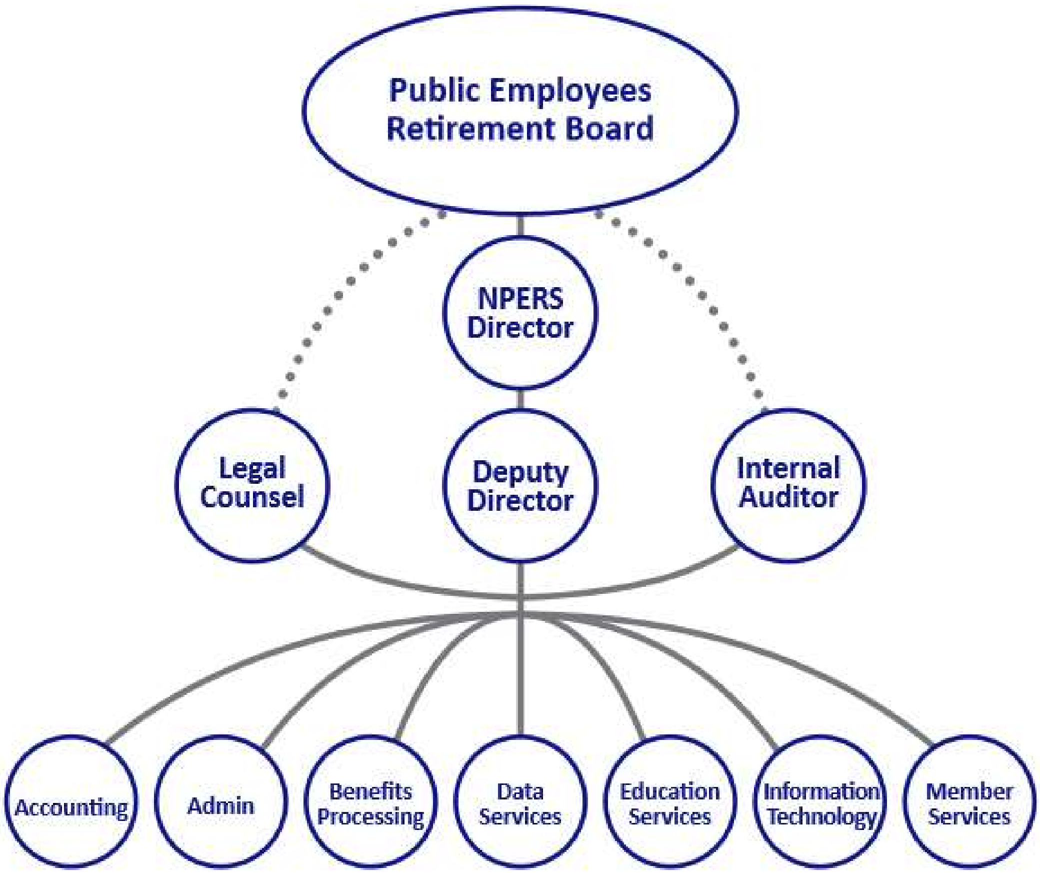
Furthermore, the State Investment Officer serves as a nonvoting, ex-officio Board member.

All appointed Board members must be Nebraska citizens. Members of the Board are paid a $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



KEY OFFICIALS AND AGENCY CONTACT INFORMATION

Public Employees Retirement Board Members
As of December 31, 2021

Janis Elliott
Chairperson – School Member
Term Ending January 1, 2024

Kelli Ackerman
Vice-Chair – School Member
Term Ending January 1, 2025

Jim Schulz
Public Member
Term Ending January 1, 2027

Thomas Zimmerman
Judge Member
(Joined April 8, 2021)
Term Ending January 1, 2026

Mike Jahnke
State Patrol Member
Term Ending January 1, 2023

Allen Simpson
State Member
Term Ending January 1, 2025

Pamela Lancaster
County Member
Term Ending January 1, 2026

Gerald Clausen
Public Member
(Joined September 21, 2021)
Term Ending January 1, 2023

Michael W. Walden-Newman
Ex-Officio
(State Investment Officer)

Nebraska Public Employees Retirement Systems Executive Management

Randy Gerke
Director

Orron Hill
Legal Counsel and
Deputy Director

Teresa Zulauf
Controller

Nebraska Public Employees Retirement Systems
1526 K Street, Suite 400
P.O. Box 94816
Lincoln, NE 68509
npers.ne.gov

COMMENT AND RECOMMENDATION

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

<u>EnterpriseOne and State Street Bank Reconciliation</u>

We noted that the fund balances in the State accounting system, EnterpriseOne (E1), for the State and County Defined Contribution Plans, State and County Equal Retirement Benefit Plans, and the Deferred Compensation Plan did not agree to the State's custodial bank, State Street Bank (SSB), balances as of December 31, 2021. A variance of $48,686,142 was noted, as shown the table below:

Plan	E1 Balance at 12/31/2021	Adjustments Recorded in Calendar Year 2022 for Calendar Year 2021 Activity	Adjusted E1 Balance
State Defined Contribution	$ 837,543,437	$ 59,184,072	$ 896,727,509
County Defined Contribution	$ 261,641,628	$ 3,637,539	$ 265,279,167
State Equal Retirement Benefit	$ 480,596	$ 11,284	$ 491,880
County Equal Retirement Benefit	$ 497,154	$ 10,375	$ 507,529
Deferred Compensation	$ 253,959,002	$ 4,508,425	$ 258,467,427
Adjusted E1 Balance at 12/31/2021			**$ 1,421,473,512**
SSB Balance at 12/31/2021			$ 1,372,647,857
Daily Trade Activity for 12/31/2021			$ 135,388
Variance between Ameritas and SSB at 12/31/2021			$ 4,125
Adjusted SSB Balance at 12/31/2021			**$ 1,372,787,370**
Variance			**$ 48,686,142**

To ensure the fund balances in E1 agreed to those at the SSB, NPERS entered journal entries in E1 each month to record contributions, benefit payments, interest and dividends, investment gains and losses, and expenditure activity. However, the journal entries for the months of July 2021 through December 2021 appear to be incorrect. Despite being aware of the journal entry errors, NPERS had yet to correct them by the time this audit was completed.

Good internal controls require procedures to ensure that E1 records are properly reconciled to the SSB records, and any variances are identified and resolved in a timely manner.

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

> We recommend NPERS strengthen procedures to ensure the E1 records are properly reconciled to the SSB records, and any variances are identified and resolved in a timely manner.

Management Response: NPERS was in transition going from a 30 plus year employee to a new hire. NPERS has recently hired a different individual to perform the reconciliations and other duties.

This individual has been working diligently on reconciling the accounts noted in the report. NPERS will continue to work on strengthening reconciling procedures.

It should be noted this report is critical in nature and contains only our comment and recommendation on the area 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 comment and recommendation contained herein. Any formal response received has been incorporated into this report. A response that indicates corrective action has been taken was not verified at this time, but it will be verified in the next audit.

NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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State Auditor

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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 Audit of the Financial Statements

Opinion
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, 2021, 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the NPERS – State and County Employees Retirement Plans, as of December 31, 2021, 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.

Basis for Opinion
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the NPERS – State and County Employees Retirement Plans and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2021, 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.

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the NPERS – State and County Employees Retirement Plans' ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the NPERS – State and County Employees Retirement Plans' internal control. Accordingly, no such opinion is expressed.

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the NPERS – State and County Employees Retirement Plans' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the 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 34-44, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an

essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 opinion, 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 September 20, 2022, 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.

Zachary Wells

September 20, 2022

Zachary Wells, CPA, CISA
Assistant Deputy Auditor
Lincoln, Nebraska

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
STATE EMPLOYEES RETIREMENT PLAN
STATEMENT OF FIDUCIARY NET POSITION
AS OF DECEMBER 31, 2021

	STATE CASH BALANCE BENEFIT	STATE DEFINED CONTRIBUTION
ASSETS		
Cash in State Treasury	$ 156,679	$ 139,792
Receivables:		
Contributions	2,893,018	447,063
Interest and Dividends	2,565,509	146,363
Other Investment Receivables (Note 4)	54,592,714	17,114
Total Receivables	60,051,241	610,540
Pooled Investments, at Fair Market Value (Note 4):		
U.S. Treasury Bills	13,154,424	-
U.S. Treasury Notes and Bonds	49,770,337	-
Government Agency Securities	1,564,861	-
Corporate Bonds	149,092,322	-
International Bonds	53,714,375	-
Asset Backed Securities	23,856,753	-
Bank Loans	44,211,162	-
Short Term Investments	38,138,773	1,308,544
Commingled Funds	1,133,058,014	846,587,049
Mortgages	89,715,894	-
Opportunistic Credit	2,824,643	-
Municipal Bonds	644,279	-
Private Equity Funds	141,667,677	-
Equity Securities	451,958,404	-
Options	(36,147)	-
Private Real Estate Funds	126,335,745	-
Total Investments	2,319,671,516	847,895,593
Invested Securities Lending Collateral (Note 4)	44,289,738	-
Capital Assets (Note 8):		
Equipment	463,030	527,744
Less: Accumulated Depreciation	(462,031)	(527,491)
Total Capital Assets, Net	999	253
Total Assets	2,424,170,173	848,646,178
LIABILITIES		
Compensated Absences (Notes 6)	53,277	10,089
Other Investment Payables (Note 4)	93,998,898	32,606
Benefits Payable	6,993,597	-
Obligations Under Securities Lending (Note 4)	44,289,738	-
Total Liabilities	145,335,510	42,695
Net Position - Restricted for Pensions	$ 2,278,834,663	$ 848,603,483

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, 2021

	COUNTY CASH BALANCE BENEFIT	COUNTY DEFINED CONTRIBUTION
ASSETS		
Cash in State Treasury	$ 105,138	$ 79,388
Receivables:		
Contributions	1,383,630	175,433
Interest and Dividends	852,226	40,593
Other Investment Receivables (Note 4)	18,135,114	4,843
Total Receivables	20,370,970	220,869
Pooled Investments, at Fair Market Value (Note 4):		
U.S. Treasury Bills	4,369,758	
U.S. Treasury Notes and Bonds	16,533,172	-
Government Agency Securities	519,830	-
Corporate Bonds	49,526,870	-
International Bonds	17,843,339	-
Asset Backed Securities	7,924,957	-
Bank Loans	14,686,474	-
Short Term Investments	18,591,823	377,361
Commingled Funds	376,389,714	264,856,501
Mortgages	29,802,658	-
Opportunistic Credit	938,316	-
Municipal Bonds	214,023	-
Private Equity Funds	47,060,482	-
Equity Securities	150,135,732	-
Options	(12,008)	-
Private Real Estate Funds	41,967,379	-
Total Investments	776,492,519	265,233,862
Invested Securities Lending Collateral (Note 4)	14,712,576	-
Capital Assets (Note 8):		
Equipment	264,743	263,902
Less: Accumulated Depreciation	(264,082)	(263,757)
Total Capital Assets, Net	661	145
Total Assets	811,681,864	265,534,264
LIABILITIES		
Compensated Absences (Notes 6)	38,062	7,815
Other Investment Payables (Note 4)	31,218,342	11,491
Benefits Payable	3,235,701	-
Obligations Under Securities Lending (Note 4)	14,712,576	-
Total Liabilities	49,204,681	19,306
Net Position - Restricted for Pensions	$ 762,477,183	$ 265,514,958

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, 2021

	STATE CASH BALANCE BENEFIT	STATE DEFINED CONTRIBUTION
ADDITIONS		
Contributions:		
Member	$ 33,833,051	$ 5,416,969
Employer (Note 5)	52,713,963	8,453,488
Total Contributions	86,547,014	13,870,457
Investment Income:		
Net Appreciation in Fair Value of Investments	313,317,278	100,171,434
Interest and Dividends Income	22,396,321	2,893,689
Securities Lending Income	267,155	-
Total Investment Income	335,980,754	103,065,123
Investment Expenses:		
Investment Expense	7,545,711	443,583
Securities Lending Expense	49,211	-
Total Investment Expenses	7,594,922	443,583
Net Investment Income	328,385,832	102,621,540
Other Additions	4,475	1,150
Transfers In (Note 9)	6,512,820	-
Total Additions	421,450,141	116,493,147
DEDUCTIONS		
Benefits and Refunds	132,839,323	59,751,558
Administrative Expenses	1,496,593	231,584
Transfers out (Note 9)	-	6,512,820
Total Deductions	134,335,916	66,495,962
Net Increase in Net Position	287,114,225	49,997,185
Net Position - Restricted for Pensions		
Beginning of Year	1,991,720,438	798,606,298
End of Year	$ 2,278,834,663	$ 848,603,483

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, 2021

	COUNTY CASH BALANCE BENEFIT	COUNTY DEFINED CONTRIBUTION
ADDITIONS		
Contributions:		
Member	$ 14,234,691	$ 1,981,104
Employer (Note 5)	21,051,278	2,920,236
Total Contributions	35,285,969	4,901,340
Investment Income:		
Net Appreciation in Fair Value of Investments	102,493,683	31,203,324
Interest and Dividends Income	7,372,230	654,642
Securities Lending Income	88,746	-
Total Investment Income	109,954,659	31,857,966
Investment Expenses:		
Investment Expenses	2,487,759	125,085
Securities Lending Expense	16,347	-
Total Investment Expense	2,504,106	125,085
Net Investment Income	107,450,553	31,732,881
Other Additions	2,975	550
Transfers In (Note 9)	4,302,374	-
Total Additions	147,041,871	36,634,771
DEDUCTIONS		
Benefits and Refunds	39,083,554	16,968,248
Administrative Expenses	889,862	140,615
Transfers out (Note 9)	-	4,302,374
Total Deductions	39,973,416	21,411,237
Net Increase in Net Position	107,068,455	15,223,534
Net Position - Restricted for Pensions		
Beginning of Year	655,408,728	250,291,424
End of Year	762,477,183	265,514,958

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

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

The Legislature created the Public Employees Retirement Board (Board) in 1971 to administer the existing Nebraska retirement systems. Currently, the Board 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 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, 2021, 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. Summary of Significant Accounting Policies (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

As reported in the basic financial statements, investments 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 vacation leave at a variable rate based on years of service. Generally, accrued vacation 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 of 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, 2021:

	Defined Contribution	Cash Balance
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	-	2,491
Inactive Plan Members Entitled to but not yet Receiving Benefits	1,321	10,741
Active Plan Members	1,678	14,134
Total	2,999	27,366

The 2,491 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
2021	$ 109,787	$ 171,267
2020	$ 109,662	$ 171,073
2019	$ 110,221	$ 171,945

2. Plan Descriptions and Contribution Information (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, 2021, 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.

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, 2021:

	Defined Contribution	Cash Balance
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	-	880
Inactive Plan Members Entitled to but not yet Receiving Benefits	559	4,443
Active Plan Members	710	7,087
Total	1,269	12,410

The 880 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, 2022, 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	$ 1,938,226,070	$ 2,278,834,663	$ (340,608,593)	117.57%
County	$ 648,930,846	$ 762,477,183	$ (113,546,337)	117.50%

The Total Pension Liability as of December 31, 2021, was determined based on an actuarial valuation prepared as of January 1, 2022. The key actuarial assumptions, as of the latest actuarial valuation date, are as follows:

3. Funded Status and Funding Progress (Continued)

	State Employees	County Employees
Valuation date	January 1, 2022	January 1, 2022
Actuarial cost method	Entry Age Normal	Entry Age Normal
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	2.55%	2.55%
Investment rate of return, net of investment expense and including inflation	7.20%	7.20%
Municipal bond index rate	2.05%	2.05%
Projected salary increases, including inflation	3.05% - 9.40%	3.05% - 9.55%
Interest credit rating	6.10%	6.10%
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. <u>Funded Status and Funding Progress</u> (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%	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, 2021, was 7.20 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 2121.

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 7.20%, 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 (6.20%) or one percentage point higher (8.20%) than the current rate.

3. Funded Status and Funding Progress (Concluded)

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Net Pension Liability/(Asset):			
State	$ (162,610,782)	$ (340,608,593)	$ (489,054,582)
County	$ (50,500,284)	$ (113,546,337)	$ (166,192,966)

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 regarding 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, 2021, at Fair Value Measurement Using:

	Fair Value	Level 1	Level 2	Level 3
Debt Securities				
Bank Loans	$ 58,897,636	$ -	$ 58,897,636	$ -
U.S. Treasury Notes and Bonds	66,303,509	-	66,303,509	-
U.S. Treasury Bills	17,524,182	-	17,524,182	-
Government Agency Securities	2,084,691	-	2,084,691	-
Corporate Bonds	198,619,192	-	198,619,192	-
International Bonds	71,557,714	-	71,557,714	-
Asset Backed Securities	31,781,710	-	31,781,710	-
Short Term Investments	58,012,825	(2,954,776)	60,967,601	-
Commingled Debt	348,954,122	273,588,606	75,365,516	-
Mortgages	119,518,552	-	119,518,552	-
Municipal Bonds	858,302	-	858,302	-
	974,112,435	270,633,830	703,478,605	-
Other Investments				
Commingled Funds	$ 2,271,937,156	$ 1,427,307,439	$ 844,629,717	$ -
Private Equity Securities	53,126	53,126	-	-
Equity Securities	602,094,136	601,929,383	164,753	-
Options	(48,155)	-	(48,155)	-
Total Investments by Fair Value Level	$ 3,848,148,698	$ 2,299,923,778	$ 1,548,224,920	$ -
Investments Measured at the Net Asset Value (NAV):		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private Real Estate Funds:				
Core	123,293,629	-	Quarterly	90 days
Non-Core	45,009,495	35,956,327		
Opportunistic Credit	3,762,959	8,268,559		
Private Equity Funds	188,675,033	71,149,174		
Short Term Investment Funds	403,676	-		
Total Investments Measured at Net Asset Value	$ 361,144,792	115,374,060		
Total	$ 4,209,293,490			
Securities Lending Collateral	59,002,314			
Total Investments at Fair Value	$ 4,268,295,804			

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 $59,002,314 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, 2021

	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	$ 66,303,509	10.91	$ -	
U.S. Treasury Bills	17,524,182	0.20	-	
Government Agency Securities	2,084,691	6.51	-	
Corporate Bonds	198,619,192	6.27	-	
International Bonds	71,557,714	7.60	-	
Asset Backed Securities	31,781,710	1.46	-	
Bank Loans	58,897,636	0.07	-	
Short Term Investments	56,730,596	0.07	1,685,905	0.00
Commingled Debt	214,274,222	4.21	134,679,900	3.65
Mortgages	119,518,552	3.86	-	
Municipal Bonds	858,302	16.14	-	
	838,150,306		136,365,805	
Other Investments				
Opportunistic Credit	3,762,959		-	
Private Equity Funds	188,728,159		-	
Equity Securities	602,094,136		-	
Commingled Funds	1,295,173,506		976,763,650	
Options	(48,155)		-	
Private Real Estate Funds	168,303,124		-	
Total Investments	3,096,164,035		1,113,129,455	
Invested Securities Lending Collateral	59,002,314		-	
Total	$ 3,155,166,349		$ 1,113,129,455	
As reported on financial statements:				
Investments				
State	$ 2,319,671,516		$ 847,895,593	
County	776,493,519		265,233,862	
Total Investments	3,096,164,035		1,113,129,455	
Securities Lending Collateral				
State	44,289,738		-	
County	14,712,576		-	
Total Securities Lending Collateral	59,002,314		-	
Total reported on financial statements	$ 3,155,166,349		$ 1,113,129,455	

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, 2021, 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, 2021

Quality Ratings

	Cash Balance Benefit												Defined Contribution	
	Fair Value	AAA	AA	A	BBB	BB	B	CCC	CC	C	D	Unrated	Fair Value	Unrated
Asset Backed Securities	$ 31,781,710	$ 20,044,548	$1,494,579	$ 2,630,513	$1,471,105	$ 355,542	$ 151,325	$ 660,500	$ 1,083,746	$ 851	$ 1,026,143	$ 2,862,858	$ -	$ -
Bank Loans	58,897,636	-	-	-	-	-	-	-	-	-	-	58,897,636	-	-
Mortgages	119,518,552	18,157,748	3,062,359	1,560,796	889,404	173,774	204,124	157,664	130,526	78,226	36,698	95,067,233	-	-
International Bonds	71,557,714	5,364,149	13,545,892	13,742,875	8,689,073	3,213,187	1,428,831	289,796	386,884	9,927	6,828	24,880,272	-	-
Corporate Bonds	198,619,192	3,364,047	2,744,909	39,882,711	112,916,656	24,541,568	9,061,370	2,214,859	27,339	102,554	-	3,763,179	-	-
Government Agency Securities	2,084,691	-	1,111,959	740,838	108,132	-	-	-	-	-	-	123,762	-	-
Municipal Bonds	858,302	-	664,076	104,180	90,046	-	-	-	-	-	-	-	-	-
Short Term Investments	56,730,596	-	-	-	-	-	-	-	-	-	-	56,730,596	1,685,905	1,685,905
Commingled Debt	214,274,222	-	-	-	-	-	-	-	-	-	-	214,274,222	134,679,900	134,679,900

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, 2021, 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, 2021, 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.

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NOTES TO THE FINANCIAL STATEMENTS
(Continued)

4. Investments (Continued)

Cash Balance Benefit Plans' Foreign Currency at December 31, 2021

	Asset Backed Securities	Corporate Bonds	International Bonds	Mortgages	Short Term Investments	Equity Securities
Argentine Peso	$ -	$ 23,646	$ 28,126	$ -	$ 11,629	$ -
Australian Dollar	-	141,652	1,431,768	-	60,172	312,304
Brazilian Real	-	-	246,209	-	(70,389)	4,929,470
Canadian Dollar	-	-	2,510,280	-	1,834,760	3,225,594
Colombian Peso	-	-	56,822	-	7,018	-
Czech Koruna	-	-	84,854	-	7,409	-
Danish Krone	-	369,534	102,934	-	9,923	3,745,358
Euro Currency	2,508,961	12,490,422	16,167,742	-	1,849,666	92,330,737
Hong Kong Dollar	-	-	-	-	-	3,787,050
Hungarian Forint	-	-	-	-	-	390,412
Indian Rupee	-	54,543	351,112	-	-	-
Indonesian Rupiah	-	-	374,059	-	29,875	200,049
Japanese Yen	-	-	15,814,311	-	252,164	38,481,318
Malaysian Ringgit	-	-	439,960	-	7,955	40,418
Mexican Peso	-	-	647,984	-	16,664	890,007
New Israeli Sheqel	-	-	128,396	-	8,112	749,466
New Zealand Dollar	-	-	115,497	-	9,487	-
Norwegian Krone	-	-	37,518	-	28,940	1,325,925
Philippine Peso	-	-	-	-	693	371,772
Polish Zloty	-	-	80,656	-	4,093	90,548
Pound Sterling	-	1,511,032	4,360,900	3,598,813	262,682	35,918,849
Peruvian Sol	-	-	880,639	-	1,792	-
Russian Ruble	-	-	141,074	-	5,761	601,686
Singapore Dollar	-	-	247,148	-	14,267	-
South African Rand	-	-	-	-	141	589,060
South Korean Won	-	-	2,512,179	-	18,051	3,274,168
Swedish Krona	-	-	294,035	-	21,071	5,927,193
Swiss Franc	-	-	464,013	-	12,213	31,407,030
Thailand Baht	-	-	158,421	-	5,878	539,343
Turkish Lira	-	-	-	-	15,877	2,963,337
Yuan Renminbi	-	-	6,479,430	-	5,329	2,503,320
Total	$ 2,508,961	$ 14,590,829	$ 54,156,067	$ 3,598,813	$ 4,431,233	$ 234,594,414

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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 20 to 23 days as of June 30, 2021. 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, 2021, 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, 2021, 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, 2021

Derivative	Change in Fair Value	Fair Value	Notional
Credit Default Swaps	$ (22,359)	$ 701,617	$ 9,469,174
Fixed Income Futures	(8,022)	-	1,141,826,303
Fixed Income Options	50,173	(48,154)	(26,608,250)
Futures Options	23,940	-	-
FX Forwards	1,657,572	(187,020)	50,196,811
Interest Rate Swaps	268,468	(95,162)	91,796,945
Warrants	427,936	561,552	16,910

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, 2021, 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, 2021, was $999,336. 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 $999,336.

Although the State and County Cash Balance Benefit Plans execute derivative instruments with various counterparties, approximately 90 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, 2021, are as follows:

DERIVATIVES INSTRUMENTS FOREIGN CURRENCY AT DECEMBER 31, 2021

Currency	Swaps	Forward Contracts
Australian Dollar	$ -	$ (57,687)
Brazilian Real	(85,157)	(2,407)
Canadian Dollar	-	(28,897)
Chilean Peso	-	(45,954)
Czach Koruna	-	296
Danish Krone	-	6,478
Euro Currency	673,692	34,158
Hungarian Forint	-	332
Indonesian Rupiah	-	(191)
Japanese Yen	(73,342)	10,430
Malaysian Ringgit	-	(2,115)
Mexican Peso	-	5,299
New Israeli Sheqel	-	99
New Zealand Dollar	-	504
Norwegian Krone	-	3,407
Peruvian Sol	-	5,522
Polish Zloty	-	1,655
Pound Sterling	63,337	(117,516)
Romanian Leu	-	680
Russian Ruble	-	1,453
Singapore Dollar	-	(1,257)
South African Rand	-	2,528
South Korean Won	-	(2,739)
Swedish Krona	-	503
Swiss Franc	-	(2,559)
Thailand Baht	-	1,089
Yuan Renminbi	-	(131)
Total	$ 578,530	$ (187,020)

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, 2021, 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, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 16.61% for the State and 16.40% 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, 2021, was $0 for the State Plan and $0 for the County Plan. The balance of the Cash Balance Benefit forfeiture accounts was $2,076,661 for the State Plan and $436,161 for the County Plan.

6. Compensated Absences

The liability for the vested portion of compensated absences for each plan at December 31, 2021, was as follows:

	State Cash Balance Benefit Employees	State Defined Contribution Employees	County Cash Balance Benefit Employees	County Defined Contribution Employees
Beginning Balance	$ 54,496	$ 16,836	$ 31,679	$ 8,938
Increases	4,776	-	6,383	-
Decreases	5,995	6,747	-	1,123
Ending Balance	$ 53,277	$ 10,089	$ 38,062	$ 7,815
Amounts Due within One Year	$ 6,393	$ 1,211	$ 4,567	$ 938

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, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
State Defined Contribution				
Equipment	$ 527,744	$ -	$ -	$ 527,744
Less: Accumulated Depreciation	527,449	42	-	527,491
Capital Assets, Net	$ 295	$ (42)	$ -	$ 253
State Cash Balance Benefit				
Equipment	$ 463,030	$ -	$ -	$ 463,030
Less: Accumulated Depreciation	461,869	162	-	462,031
Capital Assets, Net	$ 1,161	$ (162)	$ -	$ 999
County Defined Contribution				
Equipment	$ 263,902	$ -	$ -	$ 263,902
Less: Accumulated Depreciation	263,733	24	-	263,757
Capital Assets, Net	$ 169	$ (24)	$ -	$ 145
County Cash Balance Benefit				
Equipment	$ 264,743	$ -	$ -	$ 264,743
Less: Accumulated Depreciation	263,974	108	-	264,082
Capital Assets, Net	$ 769	$ (108)	$ -	$ 661

NOTES TO THE FINANCIAL STATEMENTS
(Concluded)

9. Transfers

Transfer activity for the year ended December 31, 2021, was as follows:

	State Cash Balance Benefit	State Defined Contribution
Annuity Balances from Defined Contribution to Cash Balance Benefit	$ 6,592,000	$ (6,592,000)
Miscellaneous Transfers	(79,180)	79,180
Total Transfers	$ 6,512,820	$ (6,512,820)

	County Cash Balance Benefit	County Defined Contribution
Annuity Balances from Defined Contribution to Cash Balance Benefit	$ 4,329,599	$ (4,329,599)
Miscellaneous Transfers	(27,225)	27,225
Total Transfers	$ 4,302,374	$ (4,302,374)

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, 2021, there was $479,235 in the State ERBF and a balance of $494,453 in the County ERBF.

11. Subsequent Events

The Board granted a 7.5% dividend for the State Cash Balance Plan and a 6.5% dividend for the County Cash Balance Plan for calendar year 2021 on May 16, 2022. All eligible State or County Cash Balance members will receive the dividend by August 31, 2022, or as soon as administratively possible. The dividend for the State Cash Balance Plan totaled $110,739,464 plus interest up to the date it was paid. The dividend for the County Cash Balance Plan totaled $36,169,907 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, 2021
(Unaudited)

	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service Cost	$ 77,800,741	$ 66,765,739	$ 61,853,977	$ 61,061,110	$ 64,050,683	$ 61,768,235	$ 57,304,924	$ 54,920,902
Interest	126,535,395	121,384,492	116,719,477	108,435,469	102,758,618	98,053,908	89,967,248	85,695,932
Benefit term changes	68,135,274	33,745,768	-	56,311,516	31,484,516	-	35,892,320	-
Difference between expected and actual experience	(15,112,129)	(14,022,451)	(10,589,929)	(3,987,151)	(18,938,806)	(14,007,040)	720,728	(11,217,240)
Assumption changes	11,780,941	21,516,477	-	-	42,820,238	-	-	-
Transfers	6,512,820	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	(132,839,323)	(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	142,813,719	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	1,795,412,351	1,669,035,171	1,609,507,057	1,501,862,294	1,370,454,658	1,304,297,557	1,199,841,066	1,139,772,796
Total Pension Liability - ending (a)	$ 1,938,226,070	$ 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	$ 52,713,963	$ 51,505,962	$ 48,889,798	$ 46,580,471	$ 45,437,713	$ 44,894,300	$ 43,339,706	$ 41,455,919
Employee contributions	33,833,051	33,007,021	31,334,445	29,854,372	29,127,571	28,775,358	27,798,721	26,603,709
Net investment income	328,390,307	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	(132,839,323)	(112,330,647)	(113,827,088)	(121,911,299)	(94,358,979)	(84,773,402)	(85,278,057)	(73,527,209)
Administrative expenses	(1,496,593)	(1,519,944)	(1,373,893)	(1,398,690)	(1,293,454)	(1,134,239)	(1,079,197)	(910,460)
Transfers	6,512,820	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	287,114,225	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	1,991,720,438	1,789,743,277	1,533,143,166	1,635,873,881	1,416,086,648	1,310,451,038	1,305,036,408	1,223,694,851
Plan Fiduciary Net Position - ending (b)	$ 2,278,834,663	$ 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)	$ (340,608,593)	$ (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	117.57%	110.93%	107.23%	95.26%	108.92%	103.33%	100.47%	108.77%
Covered payroll	703,979,207	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	-48.38%	-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, 2021
(Unaudited)

	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service Cost	$ 33,851,595	$ 27,295,084	$ 26,124,594	$ 25,625,451	$ 25,927,269	$ 24,325,759	$ 21,667,314	$ 20,333,501
Interest	42,509,928	39,247,354	37,261,345	33,168,144	31,644,765	29,509,568	26,074,912	24,388,848
Benefit term changes	13,076,477	14,555,363	-	32,324,341	1,838,521	-	17,061,497	-
Difference between expected and actual experience	(9,140,951)	(4,950,342)	(4,751,826)	(2,191,990)	(7,230,377)	(5,428,286)	865,544	(3,432,132)
Assumption changes	4,002,909	13,301,086	-	-	7,781,664	-	-	-
Transfers	4,302,374	3,453,930	1,618,132	1,885,618	619,284	1,678,510	826,843	835,282
Benefit payments, including member refunds	(39,083,554)	(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	49,518,778	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	599,412,068	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)	$ 648,930,846	$ 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	21,051,278	20,161,779	19,124,880	18,289,442	17,752,388	16,935,811	16,068,670	15,268,274
Employee contributions	14,234,691	13,625,158	12,923,475	12,368,734	12,000,061	11,352,667	10,966,403	10,327,540
Net investment income	107,453,528	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	(39,083,554)	(29,649,425)	(39,518,999)	(32,810,743)	(21,934,437)	(22,092,412)	(23,080,849)	(17,750,010)
Administrative expenses	(889,862)	(811,821)	(755,388)	(728,112)	(750,056)	(649,709)	(545,137)	(527,732)
Transfers	4,302,374	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	107,068,455	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	655,408,728	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)	$ 762,477,183	$ 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)	$ (113,546,337)	$ (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	117.50%	109.34%	107.32%	95.14%	111.83%	103.10%	100.16%	110.07%
Covered payroll	303,332,536	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	-37.43%	-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, 2021
(Unaudited)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined employer contribution	$ 36,466,123	$ 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
Actual employer contributions	52,713,963	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
Annual contribution deficiency (excess)	$ (16,247,840)	$ (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)
Covered payroll	$ 703,979,207	$ 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
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, 2021
(Unaudited)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined employer contribution	$ 16,258,624	$ 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
Actual employer contributions	21,051,278	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
Annual contribution deficiency (excess)	$ (4,792,654)	$ (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)
Covered payroll	$ 303,332,536	$ 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
Actual contributions as a percentage of covered payroll	6.94%	6.94%	6.94%	6.94%	6.94%	6.94%	6.94%	6.94%	6.94%	6.93%

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, 2021

	2021	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense:								
State Employee Retirement Plan	16.61%	12.49%	18.87%	-3.93%	16.85%	8.61%	1.14%	6.83%
County Employee Retirement Plan	16.40%	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:

2022: The Board granted a dividend of 5.25% in 2021, which was first reflected in the January 1, 2022, valuation.

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, 2022, valuation:

- Price inflation assumption was lowered from 2.65% to 2.55%.
- Investment return assumption was lowered from 7.30% to 7.20%.
- Interest crediting rate on Cash Balance accounts decreased from 6.15% to 6.10%.
- General wage inflation was lowered from 3.15% to 3.05%.

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%.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
(Continued)

State 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 0.21% 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.
- 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.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
(Continued)

State 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 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).
- 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:

2022: The Board granted a dividend of 2.50% in 2021, which was first reflected in the January 1, 2022, valuation.

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.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
(Continued)

County Employees Cash Balance Retirement Plan (Continued)

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, 2022, valuation:

- Price inflation assumption was lowered from 2.65% to 2.55%.
- Investment return assumption was lowered from 7.30% to 7.20%.
- Interest crediting rate on Cash Balance accounts decreased from 6.15% to 6.10%.
- General wage inflation was lowered from 3.15% to 3.05%.

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 0.27% 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.

County 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.

- 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 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).

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
(Concluded)

County 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 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, 2021

	STATE CASH BALANCE BENEFIT	STATE DEFINED CONTRIBUTION	COUNTY CASH BALANCE BENEFIT	COUNTY DEFINED CONTRIBUTION	TOTAL
Personnel					
Personal Services	$ 435,390	$ 81,926	$ 314,761	$ 64,634	$ 896,711
Travel	1,622	234	930	125	2,911
Professional and Technical Services					
Professional	8,608	1,389	4,490	839	15,326
Actuary	42,000	-	42,005	-	84,005
Computer Support Services	124,445	24,372	94,238	15,931	258,986
Accounting and Auditing	40,646	6,408	29,032	4,822	80,908
Communications					
Printing	11,981	1,989	6,872	899	21,741
Other Expenses					
Postage	18,510	3,153	11,393	1,598	34,654
Supplies	2,836	550	2,158	359	5,903
Hardware and Software	3,367	764	1,896	499	6,526
Repairs	61	13	39	4	117
Rent	23,499	5,596	18,248	3,410	50,753
Record Keeping Fees	590,257	83,848	273,600	35,842	983,547
Check Charge and Distribution Fees	134,320	20,245	53,276	8,863	216,704
Statement Fees	43,096	4,982	20,533	2,301	70,912
Miscellaneous	15,955	(3,885)	16,391	489	28,950
Total Administrative Expenses	$ 1,496,593	$ 231,584	$ 889,862	$ 140,615	$ 2,758,654

SCHEDULE OF INVESTMENT-RELATED EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2021

	STATE CASH BALANCE BENEFIT	STATE DEFINED CONTRIBUTION	COUNTY CASH BALANCE BENEFIT	COUNTY DEFINED CONTRIBUTION	TOTAL
BlackRock Financial Management, Inc.	79,214	35,471	26,113	10,364	151,162
Dimensional Fund Advisors, Inc.	197,644	1,494	65,123	270	264,531
Total Domestic Equity	**276,858**	**36,965**	**91,236**	**10,634**	**415,693**
BlackRock Financial Management, Inc.	140,822	7,587	47,911	1,336	197,656
Franklin Templeton Investments	193,427	-	63,741	-	257,168
Loomis Sayles & Company, L.P.	307,045	-	101,199	-	408,244
Oaktree Capital Management, L.P.	8,860	-	2,910	-	11,770
Neuberger Berman Investment Management	86,339	-	28,453	-	114,792
Pacific Investment Management Company, LLC	369,576	7,373	121,735	1,330	500,014
T. Rowe Price Associates, Inc.	-	174,564	-	49,560	224,124
Wellington Management Company, LLP	179,701	-	59,221	-	238,922
Total Fixed Income	**1,285,770**	**189,524**	**425,170**	**52,226**	**1,952,690**
Arrowstreet Capital	601,268	-	198,178	-	799,446
Dodge & Cox	584,957	-	192,730	-	777,687
MFS Investment Management	539,649	21,653	177,888	3,906	743,096
Wellington Management Company, LLP	365,933	-	120,615	-	486,548
Total Global Equity	**2,091,807**	**21,653**	**689,411**	**3,906**	**2,806,777**
BlackRock Financial Management, Inc.	147,107	13,895	48,481	2,936	212,419
Total International Equity	**147,107**	**13,895**	**48,481**	**2,936**	**212,419**
Almanac Realty Investors, LLC	80,693	-	26,566	-	107,259
Angelo, Gordon & Company, L.P.	(2,764)	-	(918)	-	(3,682)
Clarion Partners	222,058	-	73,192	-	295,250
Goldman Sachs Asset Management	-	9,754	-	1,759	11,513
Kanye Anderson	49,463	-	16,408	-	65,871
Landmark Partners	94,349	-	31,104	-	125,453
Morgan Stanley Prime Property	1,469	-	487	-	1,956
Oaktree Real Estate Opportunities	125,072	-	41,244	-	166,316
PGIM Real Estate	309,248	-	101,918	-	411,166
Rockpoint Group, LLC	3,000	-	985	-	3,985
Rockwood Capital, LLC	127,098	-	41,889	-	168,987
Torchlight Investors	174,620	-	57,527	-	232,147
UBS Realty Investors, LLC	239,395	-	78,888	-	318,283
Total Real Estate	**1,423,701**	**9,754**	**469,290**	**1,759**	**1,904,504**
Abbott Capital Management, LLC	316	-	104	-	420
Accel-KKR Management Co, LLC	13,089	-	4,314	-	17,403
Ares Management, LLC	73,225	-	24,104	-	97,329
Beecken Petty O'Keefe & Company	16,918	-	5,548	-	22,466
Bridgepoint Capital	127,777	-	42,143	-	169,920
CVC Capital Partners	17,286	-	5,696	-	22,982
(The) Energy & Minerals Group	29,412	-	9,691	-	39,103
Francisco Partners Management L.P.	166,341	-	54,663	-	221,004
Genstar Capital	181,337	-	59,850	-	241,187
Leonard Green & Partners, L.P.	56,950	-	18,784	-	75,734
HarbourVest Partners, LLC	208,241	-	68,631	-	276,872
Lightyear Capital, LLC	4,819	-	1,587	-	6,406
Lincolnshire Management, Inc.	11,013	-	3,631	-	14,644
McCarthy Capital Corporation	222,961	-	73,468	-	296,429
Merit Capital Partners	10,536	-	3,472	-	14,008
New Enterprise Associates Inc.	93,064	-	30,647	-	123,711
New Mountain Capital, LLC	160,870	-	52,979	-	213,849
Pathway Capital Management, LLC	31,791	-	10,468	-	42,259
Pine Brook Capital Partners II, L.P.	39,254	-	12,934	-	52,188
Presidio Partners (formally CMEA Capital)	9,380	-	3,091	-	12,471
Quantum Energy Partners	150,806	-	49,741	-	200,547
Sun Capital Partners, Inc.	396	-	130	-	526
(The) Jordan Company	134,112	-	44,172	-	178,284
The Rohatyn Group Management, L.P.	17,332	-	5,743	-	23,075
Wayzata Investment Partners, LLC	5,348	-	1,752	-	7,100
Wynnchurch Capital Partners	126,536	-	41,514	-	168,050
Total Private Equity	**1,909,110**	**-**	**628,857**	**-**	**2,537,967**

(Continued)

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
STATE AND COUNTY EMPLOYEES RETIREMENT PLANS
SCHEDULE OF INVESTMENT-RELATED EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	STATE CASH BALANCE BENEFIT	STATE DEFINED CONTRIBUTION	COUNTY CASH BALANCE BENEFIT	COUNTY DEFINED CONTRIBUTION	TOTAL
BlackRock Financial Management, Inc.	-	-	-	-	-
Dimensional Fund Advisors, Inc.	-	-	-	-	-
Total Premixed Portfolio Funds	**-**	**-**	**-**	**-**	**-**
Nebraska Investment Council Fees	170,553	65,731	56,111	20,665	313,060
Custody Expenses	69,461	106,061	22,985	32,959	231,466
Miscellaneous Expenses	171,344	-	56,218	-	227,562
Total Other Expenses	**411,358**	**171,792**	**135,314**	**53,624**	**772,088**
Total Investment-Related Expenses	**7,545,711**	**443,583**	**2,487,759**	**125,085**	**10,602,138**

(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, 2021, 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 September 20, 2022. The report was modified to emphasize that the financial statements present only the funds of the NPERS – State and County Employees Retirement Plans.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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.

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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters
As part of obtaining reasonable assurance about whether the 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 Item
We noted a certain additional item that we reported to management of the NPERS – State and County Employees Retirement Plans in the Comment Section of this report.

NPERS's Response to Finding
NPERS's response to the finding identified in our audit is described in the Comment 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.

Zachary Wells

September 20, 2022

Zachary Wells, CPA, CISA
Assistant Deputy Auditor
Lincoln, Nebraska