AUDIT REPORT
OF THE
NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS – SCHOOL EMPLOYEES, JUDGES, AND STATE PATROL RETIREMENT PLANS

PENSION TRUST FUNDS OF THE STATE OF NEBRASKA

FOR THE FISCAL YEAR ENDED JUNE 30, 2024

Issued on February 21, 2025

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL EMPLOYEES, JUDGES, AND STATE PATROL RETIREMENT PLANS

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NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL EMPLOYEES, JUDGES, AND STATE PATROL 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 nine members appointed by the Governor, with legislative approval, to five-year terms. Seven of the appointed members must be active or retired participants in the retirement system. Those seven 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;
- One participant in the State Employees Retirement System; and
- One participant in the Omaha School Employees' Retirement System effective September 1, 2024.

Two appointed 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, and the Omaha School Employees' Retirement System participant served as a nonvoting, ex-officio Board member from March 19, 2024, through August 31, 2024.

All appointed Board members must be Nebraska citizens. Members of the Board are paid $75 per diem and are reimbursed for actual and necessary expenses. The Board hires a director to manage the day-to-day operations. Expenses are to be 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.

Source: Nebraska Blue Book, 2022-2023 and Neb. Rev. Stat. § 84-1501 (Reissue 2024)

The following Mission Statement, Vision, and Organizational Chart were taken from the Nebraska Public Employees' Retirement Systems 2024 Annual Report to the Legislative Retirement Committee, available on the Nebraska Public Employees Retirement Systems webpage, npers.ne.gov, under the "Member Info" and "Publications" sections.

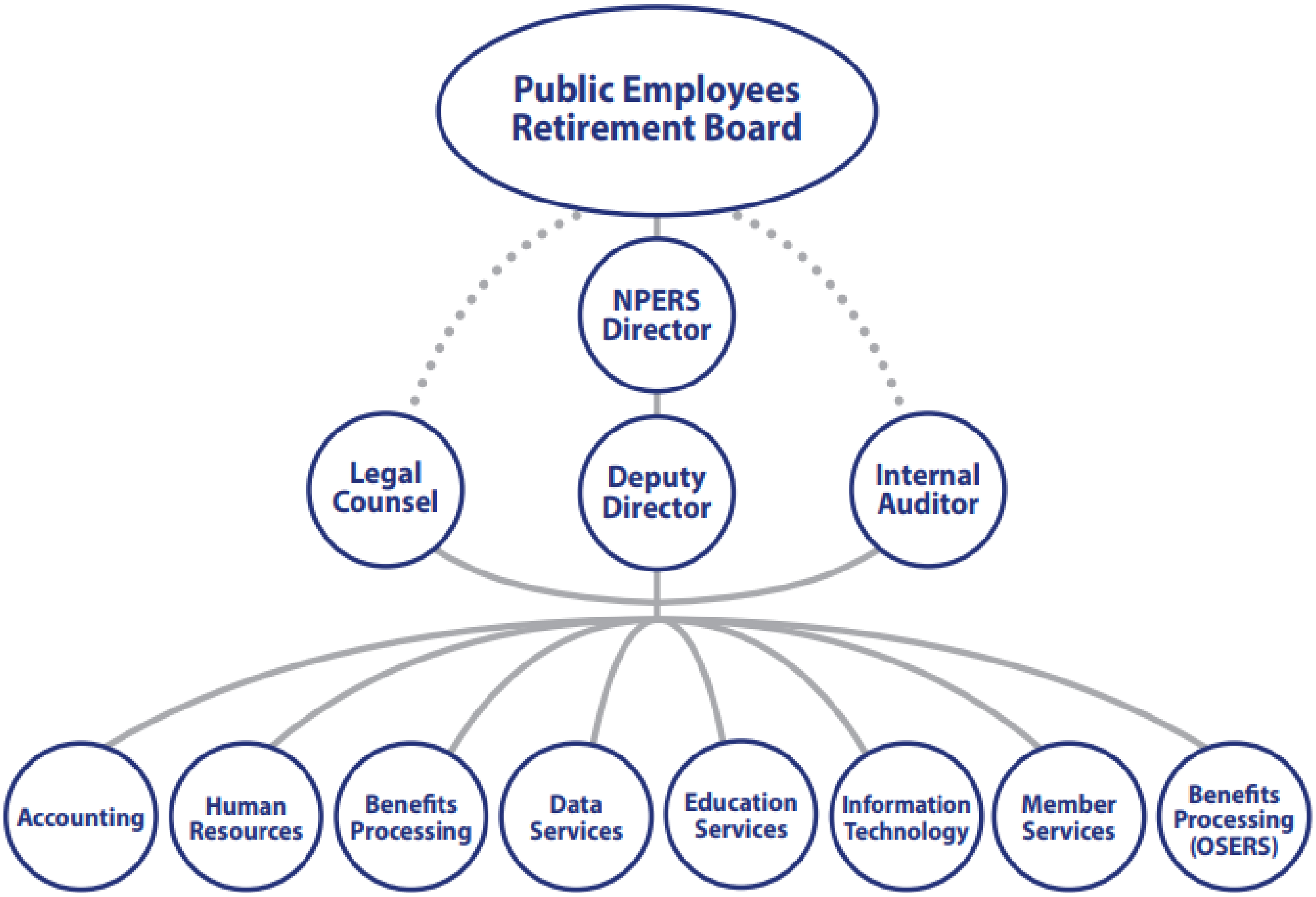
MISSION STATEMENT

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.

VISION

The Nebraska Public Employees Retirement Systems seeks to administer the retirement systems with exceptional service, integrity, and commitment for the exclusive benefit of our plan members and to ensure retirement security for their future.

ORGANIZATIONAL CHART



KEY OFFICIALS AND AGENCY CONTACT INFORMATION

Public Employees Retirement Board Members
As of June 30, 2024

Kelli Ackerman
Chairperson – School Member
Term Ending January 1, 2025

Janis Elliott
Vice Chair – School Member
Term Ending January 1, 2024*

Allen Simpson
State Member
Term Ending January 1, 2025

Thomas Zimmerman
Judge Member
Term Ending January 1, 2026

Luke Splattstoesser
State Patrol Member
Term Ending January 1, 2028

Gerald Clausen
Public Member
Term Ending January 1, 2028

Jim Schulz
Public Member
Term Ending January 1, 2027

Charles Neumann
County Member
(Appointed February 2024)
Term Ending January 1, 2026

Vacant
Omaha School Member
Ex-Officio until September 1, 2024
Term Ending January 1, 2029

Ellen Hung
Ex-Officio (State Investment Officer)
(Appointed February 2024)

*The term of this board member ended during the fiscal year; however, a successor has not been appointed and/or approved by the Legislature as of June 30, 2024.

Nebraska Public Employees Retirement Systems Executive Management

John Murante
Director

Tyler Cummings
Deputy Director

Teresa Zulauf
Controller

Tag Herbek
Legal Counsel

Nebraska Public Employees Retirement Systems
1526 K Street, Suite 400
P.O. Box 94816
Lincoln, NE 68509
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COMMENT AND RECOMMENDATION

During our audit of the Nebraska Public Employees Retirement Systems (NPERS) – School Employes, Judges, and State Patrol Retirement Plans, we noted a certain matter involving the internal control over financial reporting and other operational matters, which is presented below.

Financial Statement and Footnote Errors

We noted that NPERS made several inaccurate accrual entries and other financial statement errors, which were corrected by NPERS after they were identified, except for the State Patrol Drop Investment Entry, as follows:

Investment Manager Fees
At the end of each fiscal year, NPERS records an accrual entry to account for the year-end investment manager fee activity, which reduces Net Appreciation in Fair Value of Investments and increases Investment Expenses. When preparing the accrual entry, however, NPERS incorrectly included $28,689,151 of investment manager fees in the year-end activity that were already included in the Investment Expenses. As a result, total Investment Expenses and Net Appreciation in Fair Value of Investments were both overstated by $28,689,151 on the Statement of Changes in Fiduciary Net Position. Additionally, Other Investment Expenses was overstated by $28,689,151 on the Supplementary Schedule, Schedule of Investment-Related Expenses.

Effect on Financial Statements	School Employees	Judges	State Patrol	Total
Overstatement of Net Appreciation in Fair Value of Investments	$ 27,331,035	$ 420,618	$ 937,498	$ 28,689,151
Overstatement of Investment Expenses	27,331,035	420,618	937,498	28,689,151

Securities Lending Expenses
Investments for School Employees, Judges, and State Patrol Retirement Plans are commingled funds under the control of the Nebraska Investment Council (NIC) and in the custody of the State Treasurer. Effective April 1, 2024, Northern Trust became the custodial bank for State funds, replacing State Street Bank. At the same time, the Nebraska Investment Council entered into a contract with Mitsubishi UFJ Trust and Banking Corporation (MUTB) to be the State's securities lending agent.

During our audit, we noted that the journal entry prepared by the Nebraska Department of Administrative Services (DAS) to record Securities Lending Expenses for the State's Retirement Funds was incorrect. To record the entry, DAS used the Mitsubishi Securities Lending Earnings by Account Report. This report listed $4,575,072 of rebate expenses for the Retirement Funds, which were included in the total Securities Lending Expenses. However, based on a discussion with MUTB, the rebate expenses on the report included non-cash fees and negative rebates, totaling $3,747, which were considered income and, therefore, should not have been included in the Securities Lending Expenses. NPERS failed to catch this error due a lack of controls to ensure that the amounts reported by DAS were correct.

Additionally, we noted that NPERS incorrectly excluded the State Street Bank activity for the period July 1, 2023, through March 31, 2024, when State Street Bank was still the securities lending agent, from the Securities Lending Expense accrual entry. As a result of both errors, Securities Lending Expenses were understated by $11,067,024, Interest and Dividend Income was overstated by $1,141,159, and Securities Lending Income was understated by $12,208,183.

Effect on Financial Statements	School Employees	Judges	State Patrol	Total
Understatement of Securities Lending Expenses	$ 10,545,188	$ 161,741	$ 360,095	$ 11,067,024
Overstatement of Interest and Dividend Income	1,087,350	16,678	37,131	1,141,159
Understatement of Securities Lending Income	11,632,538	178,419	397,226	12,208,183

COMMENT AND RECOMMENDATION
(Continued)

Governmental Accounting Standards Board (GASB) Cod. Sec. I60.106 (paragraph .106 of Section I60), states, in part, that the "costs of lending securities should not be netted with interest revenue or income from the investment of cash collateral, any other related investments, or loan premiums or fees."

Judges Retirement Plan Appropriations
Legislative Bill 17 (LB 17), passed by the 2021 Nebraska Legislature, requires the State Treasurer to transfer five percent of "the total annual compensation of all members of the retirement system" on July 1st of each year to the Judges Retirement Plan. This amount for fiscal year 2024 was $1,370,712. Due to the annual transfer, there was no actuarial required contribution as of July 1, 2024, for the Judges Retirement Plan. However, NPERS incorrectly requested appropriations from the Nebraska Legislature, totaling $1,370,712, for the Judges Retirement Plan, which were approved and included in LB 1412 (2024). Despite not including the approved appropriations in the accrual entry when preparing the financial statements for the Judges Retirement Plan, which appears appropriate, NPERS lacked adequate procedures to ensure that the correct appropriation amount was requested.

State Patrol DROP Investment Entry
Certain members of the State Patrol Plan are eligible to participate in a voluntary retirement plan called the Deferred Retirement Option Plan (DROP), which is administered by Ameritas. Each month, NPERS sends Ameritas the DROP member's benefit that is invested until the member ceases employment with the State Patrol. Therefore, NPERS performs monthly journal entries to reduce Benefits and increase Investments by the benefit payment amount. Due to the timing of these monthly entries, NPERS also records an annual accrual entry for the journal entries recorded after the fiscal year.

At the end of the fiscal year, NPERS recorded two DROP benefit payments, totaling $166,866 each, in the State accounting system, EnterpriseOne (E1), for the months of May and June 2024. The monthly journal entries to reduce Benefits and increase Investments for these two payments were not recorded in E1 until after June 30, 2024. However, when the financial statements were prepared, NPERS' accrual entry included only the DROP benefit payment for June 2024. As a result, the State Patrol Retirement Plan Investments was understated by $166,866, and Benefits was overstated by $166,866. NPERS declined to correct this entry after it was identified, as the amount was not material to the State Patrol Plan.

Footnote Errors
We noted that NPERS incorrectly calculated the aggregate fair value of derivative instruments in asset positions at June 30, 2024, as $1,244,201, instead of $3,470,217, a difference of $2,226,016.

Additionally, we noted that NPERS incorrectly included U.S. Treasury Notes and Bonds, totaling $555,217,787, and U.S. Treasury Strips, totaling $2,155,890, in the Credit Risk of Debt Securities footnote table.

GASB Cod. Sec. I50.152 (paragraph .152 of Section I50), states, in part, "Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality."

A proper system of internal control and sound accounting practices require financial information to be complete and accurate. This includes procedures to ensure the financial statements and footnote disclosures are correct, and adjustments are made.

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

COMMENT AND RECOMMENDATION
(Concluded)

> We recommend NPERS strengthen procedures to ensure financial information is complete and accurate, including the financial statements and footnote disclosures.

NPERS Response: NPERS will work on strengthening procedures to ensure NPERS' financial information is complete and accurate.

It should be noted this report is critical in nature, containing only our comment and recommendation on the areas noted for improvement and does not include our observation of any strengths of the NPERS – School Employes, Judges, and State Patrol Retirement Plans.

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, upon being objectively evaluated and recognized as appropriate, been included in the 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
SCHOOL EMPLOYEES, JUDGES, AND STATE PATROL RETIREMENT PLANS

INDEPENDENT AUDITOR'S REPORT

Nebraska Public Employees Retirement Board
Lincoln, Nebraska

Report on the Audit of the Financial Statements

Opinions
We have audited the accompanying Statement of Fiduciary Net Position and the related Statement of Changes in Fiduciary Net Position of the Nebraska Public Employees Retirement Systems (NPERS) – School Employees, Judges, and State Patrol Retirement Plans, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the NPERS – School Employees, Judges, and State Patrol 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 – School Employees, Judges, and State Patrol Retirement Plans, as of June 30, 2024, 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 Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 – School Employees, Judges, and State Patrol 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 opinions.

Emphasis of Matter
As discussed in Note 1, the financial statements of the NPERS – School Employees, Judges, and State Patrol 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 – School Employees, Judges, and State Patrol Retirement Plans. They do not purport to, and do not, present fairly the financial position of the State of Nebraska as of June 30, 2024, 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 these 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 – School Employees, Judges, and State Patrol 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 – School Employees, Judges, and State Patrol 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 – School Employees, Judges, and State Patrol 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 School Districts' Net Pension Liability/(Asset), Schedule of Changes in the Judges' Net Pension Liability/(Asset), Schedule of Changes in the State Patrol's Net Pension Liability/(Asset), Schedule of Employer and Non-Employer Contributions, Schedule of Investment Returns, and Notes to the Required Supplementary Information, on pages 34-48 herein, 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, that 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 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. 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 – School Employees, Judges, and State Patrol Retirement Plans' basic financial statements. The Schedule of Administrative Expenses and 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 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. The 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 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 February 6, 2025, on our consideration of the NPERS – School Employees, Judges, and State Patrol 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 NPERS's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NPERS' internal control over financial reporting and compliance.

Zachary Wells

February 6, 2025

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

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL EMPLOYEES, JUDGES, AND STATE PATROL RETIREMENT PLANS
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2024

	School Employees	Judges	State Patrol
ASSETS			
Cash in State Treasury	$ 14,169,554	$ 267,126	$ 381,990
Deposits with Vendors	863	-	-
Receivables:			
Contributions	79,565,417	1,802,673	7,266,458
Interest and Dividends	45,169,364	695,153	1,537,620
Other Investment Receivables (Note 4)	979,277,636	15,029,007	33,461,728
Total Receivables	1,104,012,417	17,526,833	42,265,806
Pooled Investments, at Fair Market Value (Note 4):			
Asset Backed Securities	216,537,507	3,323,218	7,399,048
Bank Loans	310,777,332	4,769,508	10,619,131
Commingled Funds	7,474,363,679	114,719,777	260,846,953
Corporate Bonds	1,500,655,828	23,030,654	51,277,019
Derivative Instruments	12,823,225	196,799	438,169
Equity Securities	3,932,568,143	60,173,227	133,949,734
Government Agency Securities	13,933,564	213,839	476,105
Government Agency Strips	480,618	7,376	16,423
International Government Agency Securities	36,728,237	563,670	1,254,993
International Notes and Bonds	153,380,368	2,353,937	5,240,963
Mortgages	997,081,078	15,302,312	34,070,242
Municipal Bonds	10,641,701	163,319	363,626
Opportunistic Credit	4,036,626	61,950	137,930
Private Equity	1,130,980,747	17,387,184	38,711,633
Private Real Estate	885,445,280	13,588,960	30,255,313
Short Term Investments	83,910,124	1,287,780	2,872,370
U.S. Treasury Notes and Bonds	529,022,271	8,118,941	18,076,575
U.S. Treasury Strips	2,054,172	31,526	70,192
Total Investments	17,295,420,500	265,293,977	596,076,419
Invested Securities Lending Collateral (Note 4)	943,489,762	14,471,167	32,218,127
Capital Assets (Note 9):			
Equipment	4,791,804	65,649	65,649
Less: Accumulated Depreciation	(4,788,843)	(65,603)	(65,603)
Total Capital Assets, Net	2,961	46	46
Total Assets	19,357,096,057	297,559,149	670,942,388
LIABILITIES			
Compensated Absences Payable (Note 5)	283,973	4,732	6,582
Accounts Payable and Accrued Liabilities	14,154,330	193,253	524,329
Obligations Under Securities Lending (Note 4)	943,489,762	14,471,167	32,218,127
Obligations Under Reverse Repurchase Agreements	15,191,306	233,142	519,082
Other Investment Payables (Note 4)	1,443,771,222	22,157,736	49,334,016
Total Liabilities	2,416,890,593	37,060,030	82,602,136
Fiduciary Net Position - Restricted for Pension Benefits	$ 16,940,205,464	$ 260,499,119	$ 588,340,252

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS

SCHOOL EMPLOYEES, JUDGES, AND STATE PATROL RETIREMENT PLANS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	School Employees	Judges	State Patrol
ADDITIONS			
Contributions:			
Member	$ 233,602,611	$ 2,461,061	$ 6,349,386
Employer			
Schools	234,343,126	-	-
Court Fees	-	4,887,421	-
State Patrol	-	-	6,349,386
State Appropriations	-	1,370,712	7,253,460
Non-Employer (Note 2)	49,436,497	-	-
Total Contributions	517,382,234	8,719,194	19,952,232
Investment Income:			
Net Appreciation/(Depreciation) in Fair Value of Investments	1,759,368,724	27,045,599	60,758,046
Interest and Dividends	328,470,009	5,058,303	11,494,910
Securities Lending Income	15,270,321	234,215	521,448
Total Investment Income	2,103,109,054	32,338,117	72,774,404
Investment Expenses:			
Investment Expenses	(61,793,706)	(949,935)	(2,135,808)
Securities Lending Expenses	(14,035,952)	(215,282)	(479,297)
Total Investment Expenses	(75,829,658)	(1,165,217)	(2,615,105)
Net Investment Income	2,027,279,396	31,172,900	70,159,299
Other Additions	22,300	-	18,534
Total Additions	2,544,683,930	39,892,094	90,130,065
DEDUCTIONS			
Benefits	803,490,302	14,402,398	27,591,777
Refunds of Contributions	24,679,912	-	2,750,055
Administrative Expenses	4,001,388	97,571	133,981
Other Deductions (Note 6)	1,999,428	-	-
Total Deductions	834,171,030	14,499,969	30,475,813
Net Increase/(Decrease) in Fiduciary Net Position	1,710,512,900	25,392,125	59,654,252
Net Position - Restricted for Pension Benefits:			
Beginning of Year	15,229,692,564	235,106,994	528,686,000
End of Year	$ 16,940,205,464	$ 260,499,119	$ 588,340,252

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2024

1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying basic financial statements of the Nebraska Public Employees Retirement Systems (NPERS) – School Employees, Judges, and State Patrol 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 five retirement plans administered are the School Employees, State Patrol, Judges, State Employees, and County Employees Retirement Plans. Effective September 1, 2024, the Board will be responsible for administering a sixth plan, the Omaha School Employees' Retirement Plan.

The Board is comprised of nine members appointed by the Governor, with legislative approval, to five-year terms. Seven of the appointed members must be active or retired participants in the retirement system. The seven members include: two participants in the 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 Retirement System for Nebraska Counties; one participant in the State Employees Retirement System; and one participant in the Omaha School Employees' Retirement System. Two appointed 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 organizations or have at least 5 years of experience in the field of actuarial analysis or the administration of an employee benefit plan. Prior to September 1, 2024, the Omaha School Employees' Retirement System member was required to be a nonvoting, ex-officio member. The State Investment Officer serves as a nonvoting, ex-officio 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 State Employees and County Employees Retirement Plans for the calendar year ended December 31, 2023, and the Deferred Compensation Plan for the calendar year ended December 31, 2022.

The financial statements reflect only the School Employees, Judges, and State Patrol 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 all liabilities associated with the operation of these funds are included on the Statement of Fiduciary Net Position.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

The School Employees, Judges, and State Patrol Retirement Plans' financial statements were prepared on the accrual basis of accounting. Under this measurement focus and basis of accounting, 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 in State Treasury

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

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

E. Investments

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

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

F. Capital Assets

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

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

G. Compensated Absences

All permanent employees working for NPERS earn sick and annual leave and are allowed to accumulate compensatory leave rather than being paid overtime. 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 who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination, are included.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

1. Summary of Significant Accounting Policies (Concluded)

NPERS' employees accrue vested annual leave at a variable rate based on years of service. Generally, accrued annual leave cannot exceed 35 days at the end of a calendar year. Employees accrue sick leave at a variable rate based on years of service. In general, accrued sick leave cannot exceed 180 days. There is no maximum limit on the accumulation of sick leave days for employees under certain labor contracts. Sick leave is not vested except upon death or upon reaching the retirement eligibility age of 55, or 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' financial statements recognize the expense and accrued liability when annual 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 fiscal year-end and revenues and expenditures during the reporting period. Actual results could differ from those estimates.

2. Plan Descriptions and Contribution Information

Membership of each plan consisted of the following at July 1, 2024, the date of the last actuarial valuation:

	School Employees	Judges	State Patrol
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	29,408	204	524
Members in Deferred Retirement Option Plan (DROP)	-	-	32
Inactive Plan Members Entitled to but not yet Receiving Benefits	7,782	2	28
Inactive Nonvested Members	22,527	-	17
Active Plan Members	44,613	147	392
	104,330	353	993

The Nebraska Public Employees Retirement Board (Board) was created in 1971 to administer the Nebraska retirement plans. The School Employees, Judges, and State Patrol Plans have been created in accordance with Internal Revenue Code Sections 401(a), 414(d), 414(h), and 414(k). Participants should refer to Neb. Rev. Stat. §§ 79-901 through 79-977.03 (Reissue 2024) for the School Employees Retirement Act, Neb. Rev. Stat. §§ 24-701 through 24-714 (Reissue 2016, Cum. Supp. 2024) for the Judges Retirement Act, and Neb. Rev. Stat. §§ 81-2014 through 81-2041 (Reissue 2024) for the State Patrol Retirement Act. Benefit and contribution provisions are established by State law and may be amended only by the Nebraska Legislature.

Per State law, there is to be an equitable allocation of expenses among the retirement plans administered by the Board, and all expenses must be provided from the investment income earned by the various retirement funds. Following is a summary of the School Employees, Judges, and State Patrol Retirement Plans.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

2. Plan Descriptions and Contribution Information (Continued)

School Employees Retirement

Plan Description. The School Employees Retirement Plan is a cost-sharing, multiple-employer defined benefit pension plan. In 1945, the Legislature enacted the law establishing a retirement plan for school employees of the State. During fiscal year 2024, there were 263 participating school districts. These were the districts that had contributions during the fiscal year. All regular public school employees in Nebraska, other than those who have their own retirement plans (Class V school districts, Nebraska State Colleges, University of Nebraska, Nebraska Community Colleges), are members of the plan.

Normal retirement is at age 65. For an employee who became a member before July 1, 2013, the monthly benefit is equal to the greater of the following: 1) the sum of a savings annuity, which is the actuarial equivalent of the member's accumulated contributions and a service annuity equal to $3.50 per year of service; or 2) the monthly average of the three 12-month periods of service as a school employee in which such compensation was the greatest, multiplied by total years of creditable service, multiplied by a formula factor of two percent, and an actuarial factor based on age.

For an employee who became a member on or after July 1, 2013, the monthly benefit is equal to the greater of the following: 1) the sum of a savings annuity, which is the actuarial equivalent of the member's accumulated contributions and a service annuity equal to $3.50 per year of service; or 2) the average of the five 12-month periods of service as a school employee in which such compensation was the greatest, multiplied by total years of creditable service, multiplied by a formula factor of two percent, and an actuarial factor based on age.

Employees' benefits are vested after five years of plan participation or when termination occurs at age 65 or later. Vested members are eligible to receive an unreduced retirement benefit at age 65.

A member's age will determine eligibility to begin receiving a monthly benefit and if those benefits are reduced or unreduced. Benefit calculations vary with early retirement. At ages 55 to 64, members who are in tier one, two, or three may qualify to receive unreduced benefits under the "Rule of 85" if the member's attained age plus creditable service equals 85 or greater. At ages 60 to 64, members may qualify to receive unreduced benefits under the tier four "Rule of 85" if the member's attained age plus creditable Service equals 85 or greater.

For school employees who became members prior to July 1, 2013, the benefit paid to a retired member or beneficiary receives an annual cost-of-living adjustment, which is increased by the lesser of the percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers or two and one-half percent. The current benefit paid to a retired member or beneficiary is adjusted so that the purchasing power of the benefit being paid is not less than 75 percent of the purchasing power of the initial benefit.

For school employees who became members on or after July 1, 2013, the benefit paid to a retired member or beneficiary receives an annual cost-of-living adjustment, which is increased by the lesser of the percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers or one percent. There is no purchasing power floor for employees who fall under this tier.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

2. Plan Descriptions and Contribution Information (Continued)

Contributions. The State's contribution is based on an annual actuarial valuation. In addition, the State contributes an amount equal to two percent of the compensation of all members. This contribution is considered a non-employer contribution since school employees are not employees of the State. The employee contribution was equal to 9.78 percent of compensation from July 1, 2023, to June 30, 2024. The school district (employer) contribution is 101 percent of the employee contribution.

Judges Retirement

Plan Description. The Judges Retirement Plan is a single-employer defined benefit pension plan, which was established by the 1955 Legislature. The membership includes judges and associate judges employed by the State for the Supreme Court, Court of Appeals, District Courts, Workers' Compensation Court, County Courts, and Juvenile Courts.

Normal retirement is at age 65. For an employee who became a member before July 1, 2015, the monthly benefit is calculated using the average monthly compensation for the three 12-month periods of service as a judge in which compensation was the greatest. For an employee who became a member on or after July 1, 2015, the monthly benefit is calculated using the average monthly compensation for the five 12-month periods of service as a judge in which compensation was the greatest or, in the event of a judge serving less than five 12-month periods, the average monthly compensation for such judge's period of service. Once compensation is determined, it is multiplied by the total years of service and the formula factor of 3.5 percent, subject to a maximum of 70 percent of the final average salary. The calculation varies with early retirement.

Members may begin drawing early reduced benefits prior to age 65. Members may retire as early as age 55. If a member retires before attaining age 62, the early retirement benefit will be reduced using an actuarial factor based on age. If the member is at least age 62 but not yet 65, the benefit will have a 3% reduction for each year the attained age is less than 65.

A member whose service is terminated prior to age 65 may have the total amount of member contributions made to the fund, plus regular interest, returned.

The benefit paid to a retired member or beneficiary receives an annual cost-of-living adjustment. For an employee who became a member prior to July 1, 2015, the cost-of-living adjustment is increased by the lesser of the percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers or two and one-half percent. The current benefit paid to a retired member or beneficiary is adjusted so that the purchasing power of the benefit being paid is not less than 75 percent of the purchasing power of the initial benefit.

For an employee who became a member on or after July 1, 2015, the cost-of-living adjustment is increased by the lesser of the percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers or one percent. Additionally, if the annual actuarial report indicates the plan is fully funded with a sufficient actuarial surplus, the retirement board has the authority to issue a supplemental lump-sum cost-of-living adjustment for that year. The supplemental cost-of-living adjustment cannot exceed one and one-half percent. There is no purchasing power floor for employees who fall under this tier.

2. Plan Descriptions and Contribution Information (Continued)

Contributions. The plan is funded by members' contributions, a portion of the court fees, and the State's contributions. A fee, determined by statute, for each case is collected from District and County Courts, Juvenile Courts, the Workers' Compensation Court, the Supreme Court, and the Court of Appeals, plus a 10 percent charge on certain fees collected in the County Courts. In addition, in 2021, LB 17 increased the amount of docket fees to be collected for the Judges Retirement Plan from four dollars to six dollars through June 30, 2021, to eight dollars for July 1, 2021, through June 30, 2022, to nine dollars for July 1, 2022, through June 30, 2023, to ten dollars for July 1, 2023, through June 30, 2024, to eleven dollars for July 1, 2024, through June 30, 2025, and to twelve dollars beginning July 1, 2025. The State's contribution is based on an annual actuarial valuation. Members, who entered the plan between July 1, 2004, and June 30, 2015, and those active members who elected within 90 days of July 1, 2004, contribute nine percent of their compensation until the maximum benefit has been earned. After earning the maximum benefit, members contribute five percent of their compensation for the remainder of their active service. All other members contribute seven percent of their compensation until the maximum benefit has been earned. After earning the maximum benefit, those members contribute one percent of their compensation for the remainder of their active service. Members entering the plan on or after July 1, 2015, contribute 10 percent of their compensation.

State Patrol Retirement

Plan Description. The State Patrol Retirement Plan is a single-employer defined benefit pension plan, which was created in 1947 for officers of the patrol. The plan includes two tiers of benefits, based on when members joined the plan. Tier one members joined the plan prior to July 1, 2016. Tier two members joined the plan on or after July 1, 2016.

The benefits are based on a percentage of the final average compensation multiplied by years of service, not to exceed 75 percent of the final average monthly compensation.

Members must be vested in order to be eligible for a monthly benefit. Vesting occurs on an incremental basis based on years of service. Members with less than six years are not vested. At six years, members are 20% vested. The vesting percentage increases 20% for each additional year of service credit until reaching 100% in ten years.

To be eligible for an unreduced benefit, members may have 30 or more years of service at any age, members may terminate with 25 or more years of service at age 50, or members may have 10 or more years of service at age 55. Vested members with less than 25 years of service may draw a reduced benefit at age 50.

For tier one members, normal benefits are calculated using the average monthly compensation for the three 12-month periods of service in which compensation was the greatest multiplied by years of service and the formula factor of three percent. The benefit paid to a retired member or beneficiary receives an annual cost-of-living adjustment that is increased by the lesser of the percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers or two and one-half percent. The current benefit paid to a retired member or beneficiary is adjusted so that the purchasing power of the benefit being paid is not less than 60 percent of the purchasing power of the initial benefit.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

2. Plan Descriptions and Contribution Information (Concluded)

For tier two members, normal benefits are calculated using the average monthly compensation for the five 12-month periods of service in which compensation was the greatest multiplied by years of service and the formula factor of three percent. The benefit paid to a retired member or beneficiary receives an annual cost-of-living adjustment that is increased by the lesser of the percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers or one percent. If the plan is fully funded, the Public Employees Retirement Board may elect to issue a supplemental lump-sum cost-of-living payment for that year, not to exceed one and one-half percent. There is no purchasing power floor for tier two members.

Contributions. Tier one members are required to contribute 16 percent of their compensation. Tier two members are required to contribute 17 percent of their compensation. The State Patrol's (employer) contribution is 16 percent and 17 percent of the employee's compensation, respectively. The State's contribution is based on an annual actuarial valuation. Commencing on July 1, 2024, each member is required to contribute 10 percent of their compensation, and the employer is required to contribute 24 percent of the employee's compensation.

Deferred Retirement Option Plan (DROP). Neb. Rev. Stat. § 81-2041 (Reissue 2024) established DROP for the State Patrol effective September 1, 2008. DROP is a voluntary deferred retirement plan that a member can enter between the ages of 50 and 60, with 25 years of service. DROP is only available to tier one members. Upon choosing to participate in DROP, the member is deemed to have retired; however, the member continues in active employment for up to a five-year period with no retirement contributions withheld from his or her paychecks. Upon entering DROP, the individual's monthly benefit is calculated and paid into an Internal Revenue Code (IRC) § 414(k) Deferred Compensation Plan (DCP), held by the record keeper, Ameritas. After the member retires (60 years of age) or has been in DROP for five years, whichever occurs first, the member then has the option to receive a lump sum payment and/or rollover the funds in the DCP account to another qualified plan. Thereafter, future retirement benefit payments are made directly to the member.

The balance of DROP at June 30, 2024, was $5,466,939.

3. Funded Status and Funding Progress

The components of the net pension liability for the plans at July 1, 2024, 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
School	$ 16,392,265,952	$ 16,940,205,464	$ (547,939,512)	103.34%
Judges	$ 246,679,114	$ 260,499,119	$ (13,820,005)	105.60%
State Patrol	$ 668,086,726	$ 588,340,252	$ 79,746,474	88.06%

3. <u>Funded Status and Funding Progress</u> (Continued)

The key actuarial assumptions, as of the latest actuarial valuation date, are as follows:

	School Employees	Judges	State Patrol
Valuation date	July 1, 2024	July 1, 2024	July 1, 2024
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level Percent of Payroll, Closed	Level Percent of Payroll, Closed	Level Percent of Payroll, Closed
Single equivalent amortization period	1 Year	25 Years	18 Years
Asset valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market
<u>Actuarial assumptions:</u>			
Inflation	2.35%	2.35%	2.35%
Investment rate of return, net of investment expense and including inflation	7.00%	7.00%	7.00%
Projected salary increases, including inflation	2.85% - 12.85%	3.10%	2.85% - 8.35%
Cost-of-Living Adjustments (COLA)	2.00% with a floor benefit equal to 75% purchasing power of original benefit*	2.00% with a floor benefit equal to 75% purchasing power of original benefit**	2.00% with a floor benefit equal to 60% purchasing power of original benefit***

*1% and no floor benefit for members joining on or after July 1, 2013
**1% and no floor benefit for members joining on or after July 1, 2015
***1% and no floor benefit for members joining on or after July 1, 2016

The School Employees, Judges, and State Patrol Plans' pre-retirement mortality rates 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 School Employees, Judges, and State Patrol Plans' post-retirement mortality rates for retirees 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.

The School Employees, Judges, and State Patrol 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 School Employees, Judges, and State Patrol Plans' disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree Mortality Table (Static Table).

3. Funded Status and Funding Progress (Continued)

The actuarial assumptions used in the July 1, 2024, valuations for the School Employees, Judges, and State Patrol Plans are based on the results of the most recent actuarial experience study, which covered the four-year period ending June 30, 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, who is responsible for investing the pension plan assets. The School Employees, Judges, and State Patrol 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	100.0%	

*Arithmetic mean, net of investment expenses.

Discount Rate. The discount rate used to measure the Total Pension Liability at June 30, 2024, was seven percent. The discount rate is reviewed as part of the actuarial experience study, which was last performed for the period July 1, 2015, through June 30, 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 contractually required rates, actuarially determined. 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 2123.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the plans calculated using the discount rate of seven percent, 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 (six percent) or one percentage point higher (eight percent) than the current rate.

3. Funded Status and Funding Progress (Concluded)

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net Pension Liability/(Asset):			
School	$ 1,744,864,019	$ (547,939,512)	$ (2,427,840,292)
Judges	$ 12,263,707	$ (13,820,005)	$ (36,089,679)
State Patrol	$ 173,567,476	$ 79,746,474	$ 3,839,556

4. Investments

Investments. Listed below is a summary of the investment portfolio that comprises the Investments on the Statement of Fiduciary Net Position. Neb. Rev. Stat. § 72-1239.01(3) (Cum. Supp. 2024) 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 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 stated in years.

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 and/or uncorroborated.

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.

(Continued on Next Page)

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

4. Investments (Continued)

Plan Investments at June 30, 2024, at Fair Value Measurement Using:

	Fair Value	Level 1	Level 2	Level 3
Debt Securities				
Bank Loans	$ 326,165,971	$ -	$ 326,165,916	$ 55
U.S. Treasury Notes and Bonds	555,217,787	-	555,217,787	-
U.S. Treasury Strips	2,155,890	-	2,155,890	-
Government Agency Securities	14,623,508	-	14,623,508	-
Government Agency Strips	504,417	-	504,417	-
Corporate Bonds	1,574,963,501	-	1,571,872,412	3,091,089
International Notes and Bonds	160,975,268	-	157,608,084	3,367,184
International Government Agency Securities	38,546,900	-	38,546,900	-
Asset Backed Securities	227,259,773	-	226,176,084	1,083,689
Short Term Investments	88,065,135	6,935,272	81,129,863	-
Commingled Debt	1,235,734,855	782,568,404	453,166,451	-
Derivative Instruments	921,781	923,382	(1,601)	-
Mortgages	1,046,453,632	-	1,045,863,352	590,280
Municipal Bonds	11,168,646	-	11,168,646	-
	5,282,757,064	790,427,058	4,484,197,709	8,132,297
Other Investments				
Commingled Funds	6,614,195,554	6,614,125,860	-	69,694
Derivative Instruments	10,887,353	2,605,433	8,262,478	19,442
Equity Securities	4,126,691,104	4,071,978,362	51,911,077	2,801,665
Total Investments at Fair Value Level	$ 16,034,531,075	$ 11,479,136,713	$4,544,371,264	$ 11,023,098

Investments Measured at the Net Asset Value (NAV)		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private Real Estate:				
Core	$ 614,612,309	$ -	Quarterly	90 days
Non-Core	314,677,244	211,235,098		
Opportunistic Credit	4,236,506	-		
Private Equity	1,187,079,564	410,336,896		
Derivative Instruments	1,649,059	-		
Short Term Investments	5,139	-		
Total Investments Measured at NAV	2,122,259,821	$ 621,571,994		
Total	18,156,790,896			
Securities Lending Collateral	990,179,056			
Total Investments at Fair Value	$ 19,146,969,952			

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, U.S. Treasury Strips, Government Agency Strips, 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.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

4. Investments (Continued)

- 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.

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 on the Statement of Fiduciary Net 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 June 30 statements are available, those values are used preferentially. However, some partnerships have fiscal years ending at other than June 30. If June 30 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 $990,179,056 in Securities Lending Collateral, which are investments loaned to broker-dealers and banks under the securities lending program, were not classified for fair value measurement purposes.

(Continued on Next Page)

4. Investments (Continued)

School Employees, Judges, and Patrol Retirement Plans
Investments at June 30, 2024

	Fair Value	Effective Duration
Debt Securities		
Bank Loans	$ 326,165,971	0.01
U.S. Treasury Notes and Bonds	555,217,787	9.87
U.S. Treasury Strips	2,155,890	17.49
Government Agency Securities	14,623,508	8.81
Government Agency Strips	504,417	5.76
Corporate Bonds	1,574,963,501	4.74
International Notes and Bonds	160,975,268	6.87
International Government Agency Securities	38,546,900	6.46
Asset Backed Securities	227,259,773	1.48
Short Term Investments	88,065,135	0.05
Commingled Debt	1,235,734,855	4.18
Derivative Instruments	921,781	3.45
Mortgages	1,046,453,632	5.86
Municipal Bonds	11,168,646	8.77
Other Investments		
Opportunistic Credit	4,236,506	
Commingled Funds	6,614,195,554	
Private Equity	1,187,079,564	
Equity Securities	4,126,691,104	
Derivative Instruments	12,536,412	
Short Term Investments	5,139	
Private Real Estate	929,289,553	
Total Investments	18,156,790,896	
Invested Securities Lending Collateral	990,179,056	
Total	$ 19,146,969,952	

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 does not have a policy that addresses interest rate risk.

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 obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government, is five percent, and the maximum exposure to a single issuer below investment grade is three percent. NPERS' rated debt investments as of June 30, 2024, were rated by Standard and Poor's and/or an equivalent national rating organization, and the ratings are presented below using the Standard and Poor's rating scale.

4. Investments (Continued)

School Employees, Judges, and State Patrol Retirement Plan Investments at June 30, 2024

		Quality Ratings				
	Fair Value	**AAA**	**AA**	**A**	**A**	**BB**
Asset Backed Securities	$ 227,259,773	$ 131,021,678	$ 2,707,191	$ 3,688,212	$ 17,967,391	$ 26,967,362
Bank Loans	326,165,971	-	-	-	11,920,359	60,104,431
Commingled Debt	1,235,734,855	-	-	-	-	-
Corporate Bonds	1,574,963,501	4,502,222	13,630,739	245,693,771	841,225,020	286,297,728
Derivative Instruments	921,781	-	-	-	-	-
Government Agency Securities	14,623,508	1,161,589	13,272,190	-	-	-
Government Agency Strips	504,417	-	504,417	-	-	-
International Notes and Bonds	160,975,268	5,588,878	7,634,855	20,847,508	41,987,061	42,951,474
International Government Agency Securities	38,546,900	-	3,814,967	3,743,742	23,493,392	4,987,845
Mortgages	1,046,453,632	160,477,377	2,847,400	3,876,060	1,105,108	327,170
Municipal Bonds	11,168,646	3,207,116	4,818,410	137,092	3,006,028	-
Short Term Investments	88,070,274	-	-	-	-	-

			Quality Ratings			
	B	**CCC**	**CC**	**C**	**D**	**Unrated**
Asset Backed Securities	$ 1,249,390	$ 1,072,700	$ 4,036,479	$ 2,555	$ 5,190,757	$ 33,356,058
Bank Loans	190,192,360	16,135,408	159,761	-	238,988	47,414,664
Commingled Debt	-	-	-	-	-	1,235,734,855
Corporate Bonds	118,054,379	32,032,464	6,780,992	144,539	-	26,601,647
Derivative Instruments	-	-	-	-	-	921,781
Government Agency Securities	-	-	-	-	-	189,729
Government Agency Strips	-	-	-	-	-	-
International Notes and Bonds	22,438,034	4,093,460	1,197,474	91,723	1,619,230	12,525,571
International Government Agency Securities	1,182,705	-	-	-	-	1,324,249
Mortgages	1,410,730	401,297	649,016	-	1,539,325	873,820,149
Municipal Bonds	-	-	-	-	-	-
Short Term Investments	-	-	-	-	-	88,070,274

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 a government's 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 June 30, 2024, NPERS 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 a deposit. The State does not have a formal policy to limit foreign currency risk. NPERS' exposure to foreign currency risk is presented in the following table.

(Continued on Next Page)

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

4. **Investments** (Continued)

School Employees, Judges, and State Patrol Retirement Plans
Foreign Currency at June 30, 2024

	Asset Backed	Bank Loans	Corporate Bonds	Derivative Instruments	Equity Securities	International Government Agency Securities	International Notes and Bonds	Mortgages	Municipal Bonds	Private Equity	Short Term Investments
Australian Dollar	$ -	$ -	$ -	$ (126,004)	$ 1,997,589	$ -	$ -	$ -	$ -	$ -	$ 364,017
Brazilian Real	-	-	-	1,946,961	30,288,645	-	3,367,184	-	-	-	5,085
British Pound Sterling	-	5,260,533	14,231,601	(39,774,542)	221,849,258	-	7,862,246	9,143,799	-	-	1,611,685
Canadian Dollar	-	-	-	(5,920,828)	56,845,761	-	-	-	-	-	470,848
Chinese Yuan Renminbi	-	-	-	-	122,777,907	-	-	-	-	-	(4,171)
Czech Koruna	-	-	-	-	395,877	-	-	-	-	-	36,982
Danish Krone	-	-	1	(145,155)	79,403,128	-	-	-	-	-	15,798
Euro	26,121,103	95,418,312	89,430,562	(241,243,571)	410,710,167	1,659,536	24,508,478	-	-	86,327,081	4,193,155
Chinese Yuan Renminbi Offshore	-	-	-	(5,423,171)	45,437,943	-	-	-	-	-	1,080,929
Hong Kong Dollar	-	-	-	81,280	44,703,681	-	-	-	-	-	155,507
Hungarian Forint	-	-	-	-	379,150	-	-	-	-	-	11,163
Indian Rupee	-	-	-	8,852,098	-	-	-	-	-	-	-
Indonesian Rupiah	-	-	-	339,601	1,044,344	-	2,710,518	-	-	-	-
Japanese Yen	-	-	-	1,506,617	191,596,297	-	-	-	-	-	(1,048,783)
Kuwaiti Dinar	-	-	-	-	5,142,083	-	-	-	-	-	584,974
Malaysian Ringgit	-	-	-	-	3,429,235	-	-	-	-	-	-
Mexican Peso	-	-	-	(5,082,849)	4,165,699	510,045	11,327,167	-	-	-	72,934
New Israeli Shekel	-	-	-	(25,361)	8,253,354	-	-	-	-	-	153,355
New Taiwan Dollar	-	-	-	(8,431,611)	-	-	-	-	-	-	-
New Zealand Dollar	-	-	-	1,269,598	-	-	2,772,506	-	-	-	16,705
Norwegian Krone	-	-	-	(254,282)	9,548,695	-	2,816,372	-	-	-	478,402
Peruvian Nuevo Sol	-	-	-	(2,318,973)	-	-	869,350	-	1,355,950	-	-
Philippine Peso	-	-	-	-	4,431	-	-	-	-	-	181
Polish Zloty	-	-	-	3,212,397	16,574,516	-	-	-	-	-	396
Singapore Dollar	-	-	-	(1,565,594)	189,352	-	-	-	-	-	5,159
South African Rand	-	-	-	480,258	4,497,609	-	5,277,087	-	-	-	129,050
South Korean Won	-	-	-	(4,813,607)	20,736,886	-	-	-	-	-	1
Swedish Krona	-	-	-	(451,842)	8,024,809	-	-	-	-	-	127,067
Swiss Franc	-	-	-	(3,372,190)	45,695,256	-	-	-	-	-	68,199
Thailand Baht	-	-	-	-	3,281,335	-	-	-	-	-	5,414
Turkish Lira	-	-	-	2,258,796	21,116,674	-	-	-	-	-	50,584
United Arab Emirates Dirham	-	-	-	-	268,248	-	-	-	-	-	-
Total	$ 26,121,103	$ 100,678,845	$ 103,662,164	$ (299,001,974)	$ 1,358,357,929	$ 2,169,581	$ 61,510,908	$ 9,143,799	$ 1,355,950	$ 86,327,081	$ 8,584,636

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 securities lending agent administers the securities lending program and receives collateral in the form 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, commingled funds, equity securities, corporate bonds, and non-U.S. fixed income. At year-end, the State had no credit risk exposure to borrowers because the amounts the State owed the borrowers exceeded the amounts the borrowers owed 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 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 of nine days. Because loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. The securities lending agent indemnifies the State against default by the borrower of securities but 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 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. Swaps represent an exchange of streams of payments over time according to specified terms. All changes in the fair value of derivative instruments are reflected in Investment Income, and the fair value of derivative instruments at June 30, 2024, are reflected in Investments. The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2024, classified by type, and the changes in fair value of such derivative instruments for the year then ended are as follows:

Derivative Instruments at June 30, 2024

Derivative Instrument	Change in Fair Value	Fair Value	Notional
Credit Default Swaps	$ 3,735,384	$ 2,163,481	$ 89,886,549
Credit Default Swaption	3,091	5,637	950,602
Fixed Income Futures	1,668,883	924,908	149,383,339
Fixed Income Options	1,338,644	(1,601)	(3,408)
Foreign Currency Options	890,427	1,059,987	(12,713,386)
Futures Options	871,262	(411)	12,392
FX Forwards	4,955,967	1,649,204	-
Interest Rate Swaps	1,691,527	5,084,245	(24,741,160)
Interest Rate Swaption	16,587	(31,430)	1,806,188
Return Swaps	462,356	-	-
Rights	(5,070)	-	-
Warrants	796,698	2,604,173	-

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 June 30, 2024, 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 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 June 30, 2024, was $3,470,217. 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 $3,470,217.

Although the Plans execute derivative instruments with various counterparties, there is approximately 84 percent of the net exposure to credit risk, held with six counterparties. The counterparties are rated A or A+.

The 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 they 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 Plans' interest rate swaps were fixed with a SOFR (Secured Overnight Financing Rate).

Foreign currency risk for derivative instruments at June 30, 2024, are as follows:

(Continued on Next Page)

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

4. Investments (Concluded)

Derivative Instruments Foreign Currency at June 30, 2024

Currency	Exchange Cleared Swaps	Foreign Exchange Contracts	Interest Rate Contracts	Options
Australian Dollar	$ 14,075	$ (825)	$ -	$ -
Brazilian Real	(144,404)	(164,504)	-	-
British Pound Stearling	103,400	298,552	(13,047)	3,202
Canadian Dollar	(94,709)	11,645	73,659	-
Danish Krone	-	1,670	-	-
Euro	(704,688)	1,255,779	132,403	-
Indian Rupee	-	11,697	-	-
Indonesian Rupiah	-	(1,109)	-	-
Israeli New Shekel	-	(424)	-	-
Japanese Yen	-	26,918	6,954	-
Mexican Peso	1,643,108	83,587	-	-
New Taiwan Dollar	-	48,737	-	-
New Zealand Dollar	-	(10,975)	-	-
Norwegian Krone	-	3,073	-	-
Peruvian Nuevo Sol	-	56,781	-	-
Polish Zloty	-	(55,881)	-	-
Singapore Dollar	-	10,002	-	-
South African Rand	-	3,837	-	-
South Korean Won	-	11,429	-	-
Swiss Franc	-	(21,237)	-	-
Turkish Lira	-	27,838	-	-
Chinese Yuan Renminbi Offshore	-	52,613	-	-
Total	$ 816,782	$ 1,649,203	$ 199,969	$ 3,202

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 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 June 30, 2024, but the security had not settled.

Money-Weighted Rate of Return. For the year ended June 30, 2024, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 13.48 percent for the School Employees Plan, 13.47 percent for the Judges Plan, and 13.44 percent for the State Patrol Plan. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

5. Changes in Compensated Absences Payable

Changes in compensated absences payable for the year ended June 30, 2024, are summarized as follows:

	School Employees		Judges		State Patrol	
Beginning Balance	$	277,897	$	4,433	$	8,350
Increases		42,203		875		-
Decreases		36,127		576		1,768
Ending Balance	$	283,973	$	4,732	$	6,582
Amounts Due Within One Year	$	36,756	$	662	$	921

6. Payments to Omaha Public Schools (OPS)

The School Employee Retirement Plan (School Plan) administers a service annuity to all retired Nebraska school district employees, paid by the State of Nebraska and computed per Neb. Rev. Stat. § 79-933 (Reissue 2024). For the OPS retirees, a calculated service annuity amount is transferred from the School Plan to the Omaha School Employees' Retirement System (Omaha), which then makes the actual service annuity payments to the Omaha retirees.

In accordance with Neb. Rev. Stat. § 79-916 (Reissue 2024), a separate Service Annuity Fund (Fund) was established for such payments, and an actuarially computed amount was transferred to the Fund from other School Plan assets. The State may transfer additional amounts to the Fund as may be necessary to pay the normal cost and amortize any unfunded actuarial accrued liability. This Fund is to be used only to reimburse Omaha for its retirees' service annuity payments and related administrative expenses. The assets of the fund, $13,942,524, consisting almost entirely of investments, are included in the Statement of Fiduciary Net Position at June 30, 2024. The service annuity payments of $1,999,428 to OPS are shown as Other Deductions in the Statement of Changes in Fiduciary Net Position.

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 workers' compensation. The State self-insures all vehicles. The State has chosen to purchase insurance for the following:

A. Life insurance for eligible employees.

B. Crime coverage, with a limit of $11 million per occurrence and a deductible of $1 million per occurrence subject to specific conditions, limits, and exclusions.

C. Real and personal property on a blanket basis for losses up to $200 million with an all other perils deductible of $1 million per loss occurrence. Newly acquired properties are covered up to $10 million for 90 days. If not reported after 90 days, the property is covered for $5 million under the miscellaneous named location coverage. There is a wind and hail limit on the real and personal property of $76,250,000. 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.

7. Contingencies and Commitments (Concluded)

Details of the various insurance coverages are available from the Nebraska Department of Administrative Services – 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 NPERS' 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. School Employee Contributions

Member contributions for the School Plan include purchase of service payments totaling $1,642,120. Members can purchase service credit for reinstatement of service, out-of-state service, for a leave of absence, or within 12 months of retirement in accordance with Neb. Rev. Stat. § 79-921 (Reissue 2024), Neb. Rev. Stat. § 79-933.05 (Reissue 2024), Neb. Rev. Stat. § 79-933.06 (Reissue 2024), and Neb. Rev. Stat. § 79-933.08 (Reissue 2024).

9. Capital Assets

Capital asset activity for the year ended June 30, 2024, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
School Employees				
Equipment	$ 4,791,804	$ -	$ -	$ 4,791,804
Less: Accumulated Depreciation	4,788,026	817	-	4,788,843
Capital Assets, Net	$ 3,778	$ (817)	$ -	$ 2,961
Judges				
Equipment	$ 65,649	$ -	$ -	$ 65,649
Less: Accumulated Depreciation	65,591	12	-	65,603
Capital Assets, Net	$ 58	$ (12)	$ -	$ 46
State Patrol				
Equipment	$ 65,649	$ -	$ -	$ 65,649
Less: Accumulated Depreciation	65,591	12	-	65,603
Capital Assets, Net	$ 58	$ (12)	$ -	$ 46

NOTES TO THE FINANCIAL STATEMENTS
(Concluded)

10. Subsequent Events

State Patrol Additional Contributions. Neb. Rev. Stat. § 81-2017(3) (Reissue 2024) describes actuarially required contributions. As of July 1, 2024, the actuarially determined additional contribution requirement for the State Patrol Plan is $6,834,870

School Employees Additional Contributions. Neb. Rev. Stat. § 79-966.01 (Reissue 2024) describes actuarially required contributions. As of July 1, 2024, the actuarially determined additional contribution requirement for the School Employees Plan is $0. Furthermore, as of that same date, the additional contribution requirement for the Omaha Public Schools Retirement Plan is $1,534,144.

Judges Additional Contributions. Neb. Rev. Stat. § 24-703 (Cum. Supp. 2024) describes actuarially required contributions. As of July 1, 2024, the actuarially determined additional contribution requirement for the Judges Plan is $0.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS

SCHOOL EMPLOYEES, JUDGES, AND STATE PATROL RETIREMENT PLANS

SCHEDULE OF CHANGES IN THE SCHOOL DISTRICTS' NET PENSION LIABILITY/(ASSET)

SCHOOL EMPLOYEES RETIREMENT PLAN

AS OF JUNE 30, 2024

(Unaudited)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service cost	$ 333,280,265	$ 319,543,904	$ 319,551,894	$ 285,433,873	$ 278,496,994	$ 268,216,074	$ 261,067,772	$ 227,893,391	$ 222,525,387	$ 214,673,003
Interest	1,084,501,001	1,051,560,277	1,018,224,746	1,015,346,555	985,415,602	953,982,025	915,143,958	876,680,145	843,289,424	814,387,820
Benefit term changes	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	65,012,502	20,698,862	(4,848,126)	(22,739,951)	(189,863,578)	(161,275,567)	(53,078,517)	(144,448,222)	(108,321,212)	(174,678,979)
Assumption changes	91,546,522	83,673,605	82,620,879	(155,121,129)	-	-	-	853,085,886	-	-
Benefit payments, including member refunds	(830,169,641)	(785,743,620)	(736,680,306)	(692,620,210)	(660,565,238)	(626,500,723)	(587,984,401)	(554,369,720)	(528,499,067)	(502,190,816)
Net change in Total Pension Liability	744,170,649	689,733,028	678,869,087	430,299,138	413,483,780	434,421,809	535,148,812	1,258,841,480	428,994,532	352,191,028
Total Pension Liability - beginning	15,648,095,303	14,958,362,275	14,279,493,188	13,849,194,050	13,435,710,270	13,001,288,461	12,466,139,649	11,207,298,169	10,778,303,637	10,426,112,609
Total Pension Liability - ending (a)	$ 16,392,265,952	$ 15,648,095,303	$ 14,958,362,275	$ 14,279,493,188	$ 13,849,194,050	$ 13,435,710,270	$ 13,001,288,461	$ 12,466,139,649	$ 11,207,298,169	$ 10,778,303,637
Plan Fiduciary Net Position										
Employer contributions	$ 234,343,126	$ 224,030,311	$ 216,059,310	$ 208,990,879	$ 203,022,597	$ 196,850,333	$ 190,657,058	$ 184,903,366	$ 178,608,695	$ 173,013,848
State Appropriation contributions	47,734,715	45,821,148	44,704,077	43,034,416	41,860,351	40,543,609	39,339,378	38,039,347	36,919,600	35,493,591
Omaha Service Annuity contributions	1,701,782	1,964,600	1,603,111	1,219,620	1,216,131	1,248,297	1,243,169	992,451	997,118	997,858
Employee contributions	233,602,611	223,286,528	216,125,582	210,035,574	203,866,708	197,095,568	191,483,632	186,176,743	178,613,265	174,797,341
Net investment income	2,027,279,395	1,381,235,368	(1,288,295,005)	3,639,684,396	284,769,810	772,593,261	927,963,467	1,325,835,296	149,283,503	355,847,514
Benefit payments, including member refunds	(830,169,641)	(785,743,620)	(736,680,306)	(692,620,210)	(660,565,238)	(626,500,723)	(587,984,401)	(554,369,720)	(528,499,067)	(502,190,816)
Administrative expenses	(4,001,388)	(3,681,906)	(3,329,242)	(3,537,301)	(3,385,232)	(3,215,740)	(3,300,321)	(3,334,436)	(3,182,464)	(3,153,883)
Other changes	22,300	20,425	15,925	12,234	4,500	33,515	35,414	33,650	28,107	28,877
Net change in Plan Fiduciary Net Position	1,710,512,900	1,086,932,854	(1,549,796,548)	3,406,819,608	70,789,627	578,648,120	759,437,396	1,178,276,697	12,768,757	234,834,330
Plan Fiduciary Net Position – beginning	15,229,692,564	14,142,759,710	15,692,556,258	12,285,736,650	12,214,947,023	11,636,298,903	10,876,861,507	9,698,584,810	9,685,816,053	9,450,981,723
Plan Fiduciary Net Position - ending (b)	$ 16,940,205,464	$ 15,229,692,564	$ 14,142,759,710	$ 15,692,556,258	$ 12,285,736,650	$ 12,214,947,023	$ 11,636,298,903	$ 10,876,861,507	$ 9,698,584,810	$ 9,685,816,053
Net Pension Liability/(Asset) - ending (a) - (b)	$ (547,939,512)	$ 418,402,739	$ 815,602,565	$ (1,413,063,070)	$ 1,563,457,400	$ 1,220,763,247	$ 1,364,989,558	$ 1,589,278,142	$ 1,508,713,359	$ 1,092,487,584
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	103.34%	97.33%	94.55%	109.90%	88.71%	90.91%	89.50%	87.25%	86.54%	89.86%
Covered payroll	$ 2,372,422,260	$ 2,268,018,294	$ 2,187,322,177	$ 2,115,763,419	$ 2,055,342,252	$ 1,992,856,031	$ 1,930,157,100	$ 1,871,908,380	$ 1,808,182,946	$ 1,751,542,327
Employers' Net Pension Liability/(Asset) as a percentage of covered payroll	(23.10%)	18.45%	37.29%	(66.79%)	76.07%	61.26%	70.72%	84.90%	83.44%	62.37%

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS

SCHOOL EMPLOYEES, JUDGES, AND STATE PATROL RETIREMENT PLANS

SCHEDULE OF CHANGES IN THE JUDGES' NET PENSION LIABILITY/(ASSET)

JUDGES RETIREMENT PLAN

AS OF JUNE 30, 2024

(Unaudited)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service cost	$ 6,604,322	$ 6,322,938	$ 6,259,658	$ 5,725,252	$ 5,550,688	$ 5,640,784	$ 5,589,181	$ 4,997,654	$ 4,721,039	$ 4,759,455
Interest	16,263,789	15,803,665	15,420,748	15,077,474	14,471,871	14,199,759	13,720,785	13,100,385	12,642,618	12,170,797
Benefit term changes	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	1,465,700	326,592	(1,366,103)	(1,806,596)	(205,585)	(5,002,500)	(2,398,903)	(1,714,732)	(2,303,032)	(2,613,808)
Assumption changes	1,201,647	1,125,054	1,062,617	3,553,913	-	-	-	12,705,465	-	-
Benefit payments, including member refunds	(14,402,398)	(13,679,276)	(12,668,823)	(12,066,177)	(11,477,914)	(10,991,157)	(10,144,103)	(9,690,310)	(9,052,110)	(8,547,892)
Net change in Total Pension Liability	11,133,060	9,898,973	8,708,097	10,483,866	8,339,060	3,846,886	6,766,960	19,398,462	6,008,515	5,768,552
Total Pension Liability - beginning	235,546,054	225,647,081	216,938,984	206,455,118	198,116,058	194,269,172	187,502,212	168,103,750	162,095,235	156,326,683
Total Pension Liability - ending (a)	$ 246,679,114	$ 235,546,054	$ 225,647,081	$ 216,938,984	$ 206,455,118	$ 198,116,058	$ 194,269,172	$ 187,502,212	$ 168,103,750	$ 162,095,235
Plan Fiduciary Net Position										
Employer contributions										
Court fees	$ 4,887,421	$ 4,181,623	$ 3,716,356	$ 3,319,567	$ 3,548,379	$ 3,946,292	$ 4,112,543	$ 3,578,851	$ 3,458,665	$ 2,977,205
State Appropriations	1,370,712	1,295,917	231,537	1,427,719	348,794	442,599	667,613	118,714	-	94,000
Employee contributions	2,461,061	2,292,002	2,126,926	2,029,383	1,962,507	1,854,712	1,814,533	1,743,103	1,651,432	1,610,529
Net investment income	31,172,900	21,380,093	(20,061,233)	57,338,744	4,549,079	12,436,060	15,070,504	21,699,250	2,453,560	5,958,799
Benefit payments, including member refunds	(14,402,398)	(13,679,276)	(12,668,823)	(12,066,177)	(11,477,914)	(10,991,157)	(10,144,103)	(9,690,310)	(9,052,110)	(8,547,892)
Administrative expenses	(97,571)	(89,815)	(71,616)	(117,122)	(82,168)	(71,663)	(71,266)	(84,626)	(70,707)	(82,746)
Other changes	-	-	-	14	-	-	-	-	-	3
Net change in Plan Fiduciary Net Position	25,392,125	15,380,544	(26,726,853)	51,932,128	(1,151,323)	7,616,843	11,449,824	17,364,982	(1,559,160)	2,009,898
Plan Fiduciary Net Position – beginning	235,106,994	219,726,450	246,453,303	194,521,175	195,672,498	188,055,655	176,605,831	159,240,849	160,800,009	158,790,111
Plan Fiduciary Net Position - ending (b)	$ 260,499,119	$ 235,106,994	$ 219,726,450	$ 246,453,303	$ 194,521,175	$ 195,672,498	$ 188,055,655	$ 176,605,831	$ 159,240,849	$ 160,800,009
Net Pension Liability/(Asset) - ending (a) - (b)	$ (13,820,005)	$ 439,060	$ 5,920,631	$ (29,514,319)	$ 11,933,943	$ 2,443,560	$ 6,213,517	$ 10,896,381	$ 8,862,901	$ 1,295,226
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	105.60%	99.81%	97.38%	113.60%	94.22%	98.77%	96.80%	94.19%	94.73%	99.20%
Covered payroll	$ 28,304,088	$ 26,661,391	$ 25,257,506	$ 24,667,689	$ 24,366,968	$ 23,215,585	$ 23,125,170	$ 22,801,593	$ 22,178,157	$ 21,586,829
Employers' Net Pension Liability/(Asset) as a percentage of covered payroll	(48.83%)	1.65%	23.44%	(119.65%)	48.98%	10.53%	26.87%	47.79%	39.96%	6.00%

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS

SCHOOL EMPLOYEES, JUDGES, AND STATE PATROL RETIREMENT PLANS

SCHEDULE OF CHANGES IN THE STATE PATROL'S NET PENSION LIABILITY/(ASSET)

STATE PATROL RETIREMENT PLAN

AS OF JUNE 30, 2024

(Unaudited)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service cost	$ 11,905,315	$ 10,115,157	$ 9,630,636	$ 9,175,423	$ 8,960,959	$ 9,079,338	$ 8,794,874	$ 7,955,722	$ 8,152,482	$ 7,562,642
Interest	44,136,609	39,946,663	38,601,148	37,421,871	36,397,966	35,165,912	34,076,868	32,887,178	32,113,989	31,349,873
Benefit term changes	(75,480)	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	2,714,833	41,701,690	1,055,992	2,542,389	(6,168,045)	(2,864,410)	(4,016,896)	(1,508,635)	(8,977,294)	(10,658,914)
Assumption changes	4,456,301	4,214,934	3,850,944	6,936,227	-	-	-	27,947,994	-	-
Benefit payments, including member refunds	(30,341,832)	(28,171,117)	(26,231,520)	(26,256,542)	(24,953,060)	(24,953,776)	(23,828,680)	(24,139,604)	(19,576,376)	(19,458,540)
Net change in Total Pension Liability	32,795,746	67,807,327	26,907,200	29,819,368	14,237,820	16,427,064	15,026,166	43,142,655	11,712,801	8,795,061
Total Pension Liability - beginning	635,290,980	567,483,653	540,576,453	510,757,085	496,519,265	480,092,201	465,066,035	421,923,380	410,210,579	401,415,518
Total Pension Liability - ending (a)	$ 668,086,726	$ 635,290,980	$ 567,483,653	$ 540,576,453	$ 510,757,085	$ 496,519,265	$ 480,092,201	$ 465,066,035	$ 421,923,380	$ 410,210,579
Plan Fiduciary Net Position										
Employer contributions	$ 13,602,846	$ 9,254,337	$ 8,874,355	$ 9,163,828	$ 9,083,079	$ 8,693,805	$ 8,952,649	$ 7,053,110	$ 7,053,408	$ 8,646,426
Employee contributions	6,349,386	5,162,332	5,121,375	5,081,804	4,970,209	4,710,105	4,615,214	4,500,952	4,365,651	4,180,263
Net investment income	70,159,299	47,949,109	(45,135,030)	128,452,500	10,176,689	27,536,775	33,872,593	48,679,867	5,491,550	13,332,650
Benefit payments, including member refunds	(30,341,832)	(28,171,117)	(26,231,520)	(26,256,542)	(24,953,060)	(24,953,776)	(23,828,680)	(24,139,604)	(19,576,376)	(19,458,540)
Administrative expenses	(133,981)	(141,776)	(111,359)	(157,638)	(120,098)	(75,872)	(89,102)	(141,196)	(128,156)	(116,679)
Other changes	18,534	16,512	17,061	14,895	14,058	17,930	23,184	28,557	26,778	21,619
Net change in Plan Fiduciary Net Position	59,654,252	34,069,397	(57,465,118)	116,298,847	(829,123)	15,928,967	23,545,858	35,981,686	(2,767,145)	6,605,739
Plan Fiduciary Net Position – beginning	528,686,000	494,616,603	552,081,721	435,782,874	436,611,997	420,683,030	397,137,172	361,155,486	363,922,631	357,316,892
Plan Fiduciary Net Position - ending (b)	$ 588,340,252	$ 528,686,000	$ 494,616,603	$ 552,081,721	$ 435,782,874	$ 436,611,997	$ 420,683,030	$ 397,137,172	$ 361,155,486	$ 363,922,631
Net Pension Liability/(Asset) - ending (a) - (b)	$ 79,746,474	$ 106,604,980	$ 72,867,050	$ (11,505,268)	$ 74,974,211	$ 59,907,268	$ 59,409,171	$ 67,928,863	$ 60,767,894	$ 46,287,948
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	88.06%	83.22%	87.16%	102.13%	85.32%	87.93%	87.63%	85.39%	85.60%	88.72%
Covered payroll	$ 38,978,657	$ 31,646,901	$ 31,560,068	$ 31,342,267	$ 30,810,004	$ 29,301,599	$ 28,697,715	$ 28,091,906	$ 27,047,938	$ 26,294,294
Employers' Net Pension Liability/(Asset) as a percentage of covered payroll	204.59%	336.86%	230.88%	(36.71%)	243.34%	204.45%	207.02%	241.81%	224.67%	176.04%

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL EMPLOYEES, JUDGES, AND STATE PATROL RETIREMENT PLANS
SCHEDULE OF EMPLOYER AND NON-EMPLOYER CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT PLAN
AS OF JUNE 30, 2024
(Unaudited)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 136,267,152	$ 129,207,605	$ 130,956,556	$ 176,912,402	$ 179,551,208	$ 180,295,400	$ 185,923,377	$ 129,070,591	$ 132,846,323	$ 152,268,397
Actual non-employer contributions										
Actual State Appropriations*	47,734,715	45,821,148	44,704,077	43,034,416	41,860,351	40,543,609	39,339,378	38,039,347	36,919,600	35,493,591
Actual Omaha Appropriations	1,701,782	1,964,600	1,603,111	1,219,620	1,216,131	1,248,297	1,243,169	992,451	997,118	997,858
Actual employer contributions	234,343,126	224,030,311	216,059,310	208,990,879	203,022,597	196,850,333	190,657,058	184,903,366	178,608,695	173,013,848
Total contributions	283,779,623	271,816,059	262,366,498	$ 253,244,915	$ 246,099,079	$ 238,642,239	$ 231,239,605	$ 223,935,164	$ 216,525,413	$ 209,505,297
Annual contribution deficiency (excess)	$ (147,512,471)	$ (142,608,454)	$ (131,409,942)	$ (76,332,513)	$ (66,547,871)	$ (58,346,839)	$ (45,316,228)	$ (94,864,573)	$ (83,679,090)	$ (57,236,900)
Covered payroll	$ 2,372,422,260	$ 2,268,018,294	$ 2,187,322,177	$ 2,115,763,419	$ 2,055,342,252	$ 1,992,856,031	$ 1,930,157,100	$ 1,871,908,380	$ 1,808,182,946	$ 1,751,542,327
Actual contributions as a percentage of covered payroll	11.96%	11.98%	11.99%	11.97%	11.97%	11.97%	11.98%	11.96%	11.97%	11.96%

* Includes scheduled contributions as well as appropriations to make up any contribution shortfall.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL EMPLOYEES, JUDGES, AND STATE PATROL RETIREMENT PLANS

SCHEDULE OF EMPLOYER AND NON-EMPLOYER CONTRIBUTIONS

JUDGES RETIREMENT PLAN
AS OF JUNE 30, 2024
(Unaudited)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined employer contribution	$ 4,081,979	$ 3,911,078	$ 3,947,893	$ 4,747,286	$ 3,897,173	$ 4,388,891	$ 4,780,156	$ 3,697,565	$ 3,458,665	$ 3,727,054
Actual non-employer contributions										
Court Fees	4,887,421	4,181,623	3,716,356	3,319,567	3,548,379	3,946,292	4,112,543	3,578,851	3,458,665	2,977,205
State Contributions	1,370,712	1,295,917	231,537	1,427,719	348,794	442,599	667,613	118,714	-	94,000
Actual non-employer contributions	6,258,133	5,477,540	3,947,893	4,747,286	3,897,173	4,388,891	4,780,156	3,697,565	3,458,665	3,071,205
Annual contribution deficiency (excess)	$ (2,176,154)	$ (1,566,462)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 655,849
Covered payroll	$ 28,304,088	$ 26,661,391	$ 25,257,506	$ 24,667,689	$ 24,366,968	$ 23,215,585	$ 23,125,170	$ 22,801,593	$ 22,178,157	$ 21,586,829
Actual contributions as a percentage of covered payroll	22.11%	20.54%	15.63%	19.24%	15.99%	18.90%	20.67%	16.22%	15.59%	14.23%

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL EMPLOYEES, JUDGES, AND STATE PATROL RETIREMENT PLANS
SCHEDULE OF EMPLOYER AND NON-EMPLOYER CONTRIBUTIONS
STATE PATROL RETIREMENT PLAN
LAST 10 YEARS
AS OF JUNE 30, 2024
(Unaudited)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined employer contribution	$ 13,602,846	$ 9,254,337	$ 8,874,355	$ 9,163,828	$ 9,083,079	$ 8,693,805	$ 8,952,649	$ 7,053,110	$ 7,053,408	$ 8,073,824
Actual employer contributions*	13,602,846	9,254,337	8,874,355	9,163,828	9,083,079	8,693,805	8,952,649	7,053,110	7,053,408	8,073,824
Annual contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 38,978,657	$ 31,646,901	$ 31,560,068	$ 31,342,267	$ 30,810,004	$ 29,301,599	$ 28,697,715	$ 28,091,906	$ 27,047,938	$ 26,294,294
Actual contributions as a percentage of covered payroll	34.90%	29.24%	28.12%	29.24%	29.48%	29.67%	31.20%	25.11%	26.08%	30.71%

* Includes any additional appropriations by the State beyond the regular, payroll-related contributions. 2015 excludes $572,602 in military service credits.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL EMPLOYEES, JUDGES, AND STATE PATROL RETIREMENT PLANS

SCHEDULE OF INVESTMENT RETURNS

AS OF JUNE 30, 2024

(Unaudited)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Annual money-weighted rate of return, net of investment expense:										
School Employees Retirement Plan	13.48%	9.92%	-8.30%	29.99%	2.36%	6.72%	8.63%	13.83%	1.56%	3.77%
Judges Retirement Plan	13.47%	9.87%	-8.25%	29.97%	2.36%	6.72%	8.64%	13.82%	1.55%	3.75%
State Patrol Retirement Plan	13.44%	9.89%	-8.17%	29.86%	2.24%	6.21%	8.17%	13.16%	1.85%	4.05%

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Last Ten Fiscal Years
(Unaudited)

School Employees Retirement Plan

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

2021: Legislative Bill (LB) 17 (2021), which was passed by the 2021 Nebraska Legislature, changed the amortization period for amortization bases established on or after July 1, 2021, from 30 to 25 years. If the unfunded actuarial accrued liability (UAAL) is less than or equal to zero, then all prior amortization bases are considered fully funded, and the UAAL is reinitialized and amortized over a 25-year period as of the actuarial valuation date.

2017: The 2017 Legislature passed LB 415 (2017), affecting the benefit provisions only for members hired on or after July 1, 2017 (with additional changes for those hired on or after July 1, 2018). For members hired on or after July 1, 2017, the Public Employees Retirement Board (PERB) has the authority to set the actuarial assumptions used to determine the benefit amounts payable under optional forms of payment. In addition, LB 415 changed the minimum age required to qualify for retirement under the Rule of 85 from 55 to 60 for members who are hired on or after July 1, 2018.

The following changes were made in the actuarial assumptions:

July 1, 2024, valuation:

- Price inflation decreased from 2.45% to 2.35%.
- Long-term investment return decreased from 7.10% to 7.00%.
- General wage growth decreased from 2.95% to 2.85%.
- Payroll growth decreased from 2.95% to 2.85%.
- COLA assumption decreased to 2.00% for Tier 1 members.

July 1, 2023, valuation:

- Price inflation decreased from 2.55% to 2.45%.
- Long-term investment return decreased from 7.20% to 7.10%.
- General wage growth decreased from 3.05% to 2.95%.
- Payroll growth decreased from 3.05% to 2.95%.
- COLA assumption decreased to 2.05% for Tier 1 members.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
(Continued)

July 1, 2022, valuation:

- Price inflation decreased from 2.65% to 2.55%.
- Long-term investment return decreased from 7.30% to 7.20%.
- General wage growth decreased from 3.15% to 3.05%.
- Payroll growth decreased from 3.15% to 3.05%.
- COLA assumption decreased to 2.10% for Tier 1 members.

July 1, 2021, valuation:

- Price inflation decreased from 2.75% to 2.65%.
- Long-term investment return decreased from 7.50% to 7.30%.
- General wage growth decreased from 3.50% to 3.15%.
- Payroll growth decreased from 3.50% to 3.15%.
- Salary merit increases were adjusted to partially reflect observed experience.
- Interest on employee contribution balances decreased from 3.00% to 2.50%.
- COLA assumption decreased to 2.15% for Tier 1 members.
- An explicit assumption for administrative expenses was adopted as a component of the actuarial contribution rate and was set to 0.16% of pay.
- Mortality assumptions for non-disabled participants was changed to the Pub-2010 General Members (Above Median) Mortality Tables (100% of male rates, 95% female rates), set back one year, projected generationally using MP-2019 modified to 75% of ultimate rates.
- Mortality assumption for disabled participants was changed to the Pub-2010 Non-Safety Disabled Retiree Mortality Table (static).
- Retirement rates changed to better fit the observed experience.
- Termination rates for males changed to better fit the observed experience.
- The assumed retirement age for deferred vested members was increased from 62 to 64.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
(Continued)

July 1, 2017, valuation:

- Price inflation decreased from 3.25% to 2.75%.
- Long-term investment return decreased from 8.00% to 7.50%.
- Covered payroll growth assumption decreased from 4.00% to 3.50%.
- Salary increase assumption decreased by 0.50% at each age.
- Interest on employee contribution balances decreased from 4.25% to 3.00%.
- COLA assumption decreased from 2.50% to 2.25% for members hired before January 1, 2013.
- Mortality assumptions changed to reflect recent mortality experience and future projected improvements.
- Retirement rates changed to better fit the observed experience.
- Termination rates changed to better fit the observed experience.
- Disability rates changed to better fit the observed experience.

Judges Retirement Plan

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

2021: Legislative Bill (LB) 17 (2021), which was passed by the 2021 Nebraska Legislature, provided for an increase in the amount of court fees directed to fund the System, beginning in FY 2022 with further scheduled increases over a five-year period. The bill also authorized a payroll-related contribution from the State, beginning July 1, 2023, for the plan year ended June 30, 2023. The payroll-related contribution can be no greater than 5% of total annual compensation, based on the total member compensation reported in the most recent actuarial valuation. If the funded ratio is equal to or greater than 100% for two consecutive years, the actuary must assess whether the State contribution rate should be adjusted and make a recommendation to the Board in the annual actuarial valuation report. If the State contribution rate has been adjusted to less than 5% and the funded ratio is below 100% for two consecutive years, the actuary must assess whether the State contribution rate should be adjusted (not greater than 5%) and make a recommendation to the Board. LB 17 also changed the amortization period for the amortization bases established on or after July 1, 2021, from 30 to 25 years. If the unfunded actuarial accrued liability (UAAL) is less than or equal to zero, then all prior amortization bases are considered fully funded, and the UAAL is reinitialized and amortized over a 25-year period as of the actuarial valuation date.

2017: LB 415 (2017), which was passed by the 2017 Nebraska Legislature, made changes to the benefit structure for judges who become members on or after July 1, 2017, by granting the Public Employees Retirement Board (PERB) the authority to set the actuarial assumptions used to determine the benefit amounts payable under optional forms of payment.

2015: LB 468 (2015) made changes to the benefit structure for judges who become members on or after July 1, 2015, including the calculation of final average salary based on the highest five years rather than the highest three years of salary and a cost-of-living-adjustment (COLA) of 1% rather than 2.5%. The bill also provided for a supplemental COLA, to be granted at the Board’s discretion, up to an additional

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
(Continued)

1.5% if the System is more than 100% funded. In addition, the member contribution rate for those hired on or after July 1, 2015, was increased to 10% of pay. LB 468 also increased the amount of court fees directed to fund the Judges Retirement System, with the increases phased in over two years. Ultimately, in fiscal year 2018, the additional funding is estimated to be $1.3 million.

The following changes were made in the actuarial assumptions:

July 1, 2024, valuation:

- Price inflation decreased from 2.45% to 2.35%.
- Long-term investment return decreased from 7.10% to 7.00%.
- General wage growth decreased from 2.95% to 2.85%.
- Payroll growth decreased from 2.95% to 2.85%.
- Salary increases were lowered from a flat 3.20% to 3.10%.
- COLA assumption decreased to 2.00% for Tier 1 members.

July 1, 2023, valuation:

- Price inflation decreased from 2.55% to 2.45%.
- Long-term investment return decreased from 7.20% to 7.10%.
- General wage growth decreased from 3.05% to 2.95%.
- Payroll growth decreased from 3.05% to 2.95%.
- Salary increases were lowered from a flat 3.30% to 3.20%.
- COLA assumption decreased to 2.05% for Tier 1 members.

July 1, 2022, valuation:

- Price inflation decreased from 2.65% to 2.55%.
- Long-term investment return decreased from 7.30% to 7.20%.
- General wage growth decreased from 3.15% to 3.05%.
- Payroll growth decreased from 3.15% to 3.05%.
- Salary increases were lowered from a flat 3.40% to 3.30%.
- COLA assumption decreased to 2.10% for Tier 1 members.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
(Continued)

July 1, 2021, valuation:

- Price inflation decreased from 2.75% to 2.65%.
- Long-term investment return decreased from 7.50% to 7.30%.
- General wage growth decreased from 3.50% to 3.15%.
- Payroll growth decreased from 3.50% to 3.15%.
- Salary increases were lowered from a flat 3.50% to 3.40%.
- Interest on employee contribution balances decreased from 3.00% to 2.50%.
- COLA assumption decreased to 2.15% for Tier 1 members.
- An explicit assumption for administrative expenses was adopted as a component of the actuarial contribution rate and was set to 0.31% of pay.
- Mortality assumptions for non-disabled participants was changed to the Pub-2010 General Members (Above Median) Mortality Tables (100% of male rates, 95% female rates), set back one year, projected generationally using MP-2019 modified to 75% of ultimate rates.
- Mortality assumption for disabled participants was changed to the Pub-2010 Non-Safety Disabled Retiree Mortality Table (static).
- Retirement rates changed to better fit the observed experience.

July 1, 2020, valuation:

- Court fees for fiscal year 2021 are assumed to be 85% of actual fiscal year 2020 court fees. This assumption had no impact on the TPL.

July 1, 2017, valuation:

- Price inflation decreased from 3.25% to 2.75%.
- Long-term investment return decreased from 8.00% to 7.50%.
- General wage growth decreased from 4.00% to 3.50%.
- Salary increase assumption decreased by 0.50% at each age.
- Interest on employee contribution balances decreased from 4.25% to 3.00%.
- COLA assumption decreased to 2.25% for Tier 1 members.
- Mortality assumptions changed to reflect recent mortality experience and future projected improvements.
- Retirement rates changed to better fit the observed experience.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
(Continued)

State Patrol Retirement Plan

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

2024: The 2024 Legislature passed Legislative Bill (LB) 196 (2024), which decreased the member contribution rate to 10.00% of covered pay and increased the employer contribution rate to 24.00% of pay.

2021: The 2021 Legislature passed LB 17 (2021), which changed the amortization period for amortization bases established on or after July 1, 2021, from 30 to 25 years. If the unfunded actuarial accrued liability (UAAL) is less than or equal to zero, then all prior amortization bases are considered fully funded, and the UAAL is reinitialized and amortized over a 25-year period as of the actuarial valuation date.

2017: The 2017 Legislature passed LB 415 (2017), which grants the Public Employees Retirement Board (PERB) the authority to set the actuarial assumptions used to determine the benefit amounts payable under optional forms of payment for members hired on or after July 1, 2017. Since these changes do not affect any members in the current valuation, the adopted changes have no impact on the valuation results.

2016: LB 467 (2016) created a new tier of State Patrol members who are employed on or after July 1, 2016. This new tier includes changes to benefits and contributions, as follows:

- Member and employer contributions are increased from 16% to 17% of pay.
- Compensation no longer includes compensation for unused sick leave, unused vacation leave, unused holiday compensatory time, unused compensatory time, or any other type of unused leave, compensatory time, or similar benefits, converted to cash payments.
- Final average salary moves from the highest three 12-month periods to the highest five 12-month periods. During the five-year period, the member's compensation in any plan year is capped at an 8% increase from the preceding plan year.
- The automatic cost-of-living adjustment (COLA) is capped at 1.0% instead of 2.5%. However, a 1.5% discretionary COLA may be granted by the Public Employees Retirement Board (PERB) in addition to the automatic COLA, if certain criteria are met.
- The DROP program is eliminated.

The following changes were made in the actuarial assumptions:

July 1, 2024, valuation:

- Price inflation decreased from 2.45% to 2.35%.
- Long-term investment return decreased from 7.10% to 7.00%.
- Covered Payroll growth assumption decreased from 2.95% to 2.85%.
- General wage inflation decreased from 2.95% to 2.85%.
- COLA assumption decreased to 2.00% for Tier 1 members.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
(Continued)

July 1, 2023, valuation:

- Price inflation decreased from 2.55% to 2.45%.
- Long-term investment return decreased from 7.20% to 7.10%.
- Covered Payroll growth assumption decreased from 3.05% to 2.95%.
- General wage inflation decreased from 3.05% to 2.95%.
- COLA assumption decreased to 2.05% for Tier 1 members.

July 1, 2022, valuation:

- Price inflation decreased from 2.65% to 2.55%.
- Long-term investment return decreased from 7.30% to 7.20%.
- Covered Payroll growth assumption decreased from 3.15% to 3.05%.
- General wage inflation decreased from 3.15% to 3.05%.
- COLA assumption decreased to 2.10% for Tier 1 members.

July 1, 2021, valuation:

- Price inflation decreased from 2.75% to 2.65%.
- Long-term investment return decreased from 7.50% to 7.30%.
- Covered Payroll growth assumption decreased from 3.50% to 3.15%.
- General wage inflation decreased from 3.50% to 3.15%.
- Salary merit increases were adjusted to better reflect observed experience.
- Interest on employee contribution balances decreased from 3.00% to 2.50%.
- COLA assumption decreased to 2.15% for Tier 1 members.
- An explicit assumption for administrative expenses was adopted as a component of the actuarial contribution rate and was set to 0.26% of pay.
- Mortality assumptions for non-disabled participants was changed to the Pub-2010 General Members (Above Median) Mortality Tables (100% of male rates, 95% female rates), set back one year, projected generationally using MP-2019 modified to 75% of ultimate rates.
- Mortality assumption for disabled participants was changed to the Pub-2010 Non-Safety Disabled Retiree Mortality Table (static).
- Retirement rates changed to better fit the observed experience.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
(Concluded)

July 1, 2017, valuation:

- Price inflation decreased from 3.25% to 2.75%.
- Long-term investment return decreased from 8.00% to 7.50%.
- Covered payroll growth assumption decreased from 4.00% to 3.50%.
- Salary increase assumption decreased by 0.50% at each age.
- Interest on employee contribution balances decreased from 4.25% to 3.00%.
- COLA assumption decreased from 2.50% to 2.25% for members hired before July 1, 2016.
- Mortality assumptions changed to reflect recent mortality experience and future projected improvements.
- Termination rates changed to better fit the observed experience.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL EMPLOYEES, JUDGES, AND STATE PATROL RETIREMENT PLANS
SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	School Employees	Judges	State Patrol	Total
Personnel				
Personal Services	$ 2,428,472	$ 40,537	$ 55,967	$ 2,524,976
Travel	14,125	144	260	14,529
Professional and Technical Services				
Professional	19,812	96	177	20,085
Actuary	46,800	35,802	48,621	131,223
Computer Support Services	716,984	11,182	15,943	744,109
Accounting and Auditing	280,124	3,677	5,515	289,316
Communications				
Printing	53,412	710	814	54,936
Other Expenses				
Postage	134,955	1,330	2,480	138,765
Supplies	13,830	211	308	14,349
Hardware & Software	67,995	526	926	69,447
Repairs	-	-	-	-
Rent	121,481	1,852	2,757	126,090
Miscellaneous	103,398	1,504	213	105,115
Total Administrative Expenses	$ 4,001,388	$ 97,571	$ 133,981	$ 4,232,940

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL EMPLOYEES, JUDGES, AND STATE PATROL RETIREMENT PLANS
SCHEDULE OF INVESTMENT-RELATED EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	School Employees	Judges	Patrol	Total
BlackRock Financial Management, Inc.	$ 303,114	$ 4,663	$ 10,398	$ 318,175
Northern Trust Asset Management	209,222	3,214	7,160	219,596
Total Domestic Equity	**512,336**	**7,877**	**17,558**	**537,771**
BlackRock Financial Management, Inc.	1,153,196	17,729	39,519	1,210,444
Baird Advisors	1,235,035	18,987	42,323	1,296,345
Barings	2,007,597	30,864	68,796	2,107,257
Loomis Sayles & Company, L.P.	1,398,042	21,493	47,909	1,467,444
Pacific Investment Management Company, LLC	3,223,217	49,554	110,458	3,383,229
Total Fixed Income	**9,017,087**	**138,627**	**309,005**	**9,464,719**
Arrowstreet Capital LP	5,756,491	88,495	197,252	6,042,238
Dodge & Cox	4,946,310	76,043	169,500	5,191,853
GQG Partners	3,647,117	55,884	124,537	3,827,538
Wellington Management Company, LLP	2,432,815	37,401	83,367	2,553,583
Total Global Equity	**16,782,733**	**257,823**	**574,656**	**17,615,212**
BlackRock Financial Management, Inc.	685,821	10,543	23,501	719,865
Total International Equity	**685,821**	**10,543**	**23,501**	**719,865**
Almanac Realty Investors, LLC	1,039,827	15,986	35,632	1,091,445
Clarion Partners	1,503,440	23,115	51,526	1,578,081
Kayne Anderson	562,215	8,643	19,265	590,123
Landmark Partners	1,638,935	25,196	56,161	1,720,292
Morgan Stanley	417,478	6,418	14,305	438,201
Oaktree Capital Management, L.P.	957,191	14,715	32,800	1,004,706
PGIM Real Estate	2,304,087	35,426	78,968	2,418,481
Rockpoint Group, L.L.C.	3,283	50	112	3,445
Rockwood Capital Partners, LLC	840,454	12,922	28,803	882,179
Torchlight Investors	989,533	15,213	33,910	1,038,656
UBS Realty Investors, LLC	1,490,162	22,912	51,074	1,564,148
Total Real Estate	**11,746,605**	**180,596**	**402,556**	**12,329,757**
Ares Management, LLC	370,174	5,694	12,692	388,560
Beecken Petty O'Keefe & Company	7,024	108	241	7,373
Bridgepoint Advisers Limited	1,800,649	27,696	61,732	1,890,077
CVC Capital Partners	82,026	1,262	2,812	86,100
(The) Energy & Minerals Group	193,012	2,969	6,617	202,598
Francisco Partners	2,215,133	34,067	75,920	2,325,120
Genstar Capital Partners LLC	1,618,737	24,899	55,502	1,699,138
Leonard Green & Partners, L.P.	205,205	3,159	7,048	215,412
HarbourVest Partners, LLC	2,418,874	37,190	82,899	2,538,963
Lightyear Capital LLC	10,774	166	369	11,309
Lincolnshire Management, Inc.	4,241	65	145	4,451
McCarthy Capital Corporation	2,323,737	35,727	79,623	2,439,087
Merit Capital Partners	6,477	100	222	6,799
New Enterprise Associates	1,053,553	16,205	36,122	1,105,880
New Mountain Capital, LLC	1,537,504	23,651	52,710	1,613,865
Pathway Capital Management	145,072	2,230	4,972	152,274
Pine Brook Partners	173,287	2,665	5,941	181,893
Presidio Partners (formerly CMEA Capital)	62,797	966	2,153	65,916
Quantum Energy Partners	628,990	9,677	21,572	660,239

(Continued)

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL EMPLOYEES, JUDGES, AND STATE PATROL RETIREMENT PLANS
SCHEDULE OF INVESTMENT-RELATED EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	School Employees	Judges	Patrol	Total
Sun Capital Partners, Inc.	3,589	55	123	3,767
(The) Jordan Company	1,656,035	25,469	56,768	1,738,272
The Rohatyn Group Management, L.P.	(60,692)	(933)	(2,079)	(63,704)
Wayzata Investment Partners, LLC	14,699	226	504	15,429
Wynnchurch Capital	1,174,560	18,065	40,282	1,232,907
Total Private Equity	**17,645,457**	**271,378**	**604,890**	**18,521,725**
Other Investment Expenses	5,403,667	83,091	203,642	5,690,400
Total Other Investment Expenses	**5,403,667**	**83,091**	**203,642**	**5,690,400**
Total Investment Expenses	**$ 61,793,706**	**$ 949,935**	**$ 2,135,808**	**$ 64,879,449**

(Concluded)

NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL EMPLOYEES, JUDGES, AND STATE PATROL 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) – School Employees, Judges, and State Patrol Retirement Plans, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the NPERS – School Employees, Judges, and State Patrol Retirement Plans' basic financial statements, and have issued our report thereon dated February 6, 2025. The report was modified to emphasize that the financial statements present only the funds of the NPERS – School Employees, Judges, and State Patrol Retirement Plans.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the NPERS – School Employees, Judges, and State Patrol 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 – School Employees, Judges, and State Patrol Retirement Plans' internal control. Accordingly, we do not express an opinion on the effectiveness of the NPERS – School Employees, Judges, and State Patrol 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the NPERS – School Employees, Judges, and State Patrol 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 – School Employees, Judges, and State Patrol 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Additional items
We also noted a certain additional item that we reported to management of the NPERS – School Employees, Judges, and State Patrol Retirement Plans in the Comment Section of this report as Financial Statement and Footnote Errors.

NPERS – School Employees, Judges, and State Patrol Retirement Plans' Response to Findings
Government Auditing Standards requires the auditor to perform limited procedures on NPERS – School Employees, Judges, and State Patrol Retirement Plans' response to the finding identified in our audit and described in the Comment Section of the report. NPERS – School Employees, Judges, and State Patrol Retirement Plans' response was not subjected to other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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, and not to provide an opinion on the effectiveness of the NPERS – School Employees, Judges, and State Patrol 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 – School Employees, Judges, and State Patrol Retirement Plans' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Zachary Wells

February 6, 2025

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