

**AUDIT REPORT
OF THE
NEBRASKA PUBLIC EMPLOYEES RETIREMENT
SYSTEMS – OMAHA SCHOOL EMPLOYEES RETIREMENT PLAN
PENSION TRUST FUND OF THE STATE OF NEBRASKA
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2024**

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Issued on October 1, 2025

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
OMAHA SCHOOL EMPLOYEES RETIREMENT PLAN

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NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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BACKGROUND

In 1909, the Douglas County School District #0001 (District) began maintaining a retirement system for its teachers. Subsequently, the District added two more retirement systems, one covering non-teaching school employees and one covering school cafeteria employees. In 1951, the Nebraska State Legislature consolidated the three systems into one new system.

All full-time employees of the District and Educational Service Unit #19 are covered by the Omaha School Employees Retirement Plan (Plan). The Plan is a single-employer defined-benefit retirement plan.

The Plan has traditionally been governed by the Board of Trustees. Beginning July 1, 2021, the Omaha Public Schools Board of Education for the District, by a majority vote of its members, appointed seven trustees to serve on a Transition Board of Trustees – the purpose of which was to facilitate, as directed by the Omaha Public Schools Board of Education, transition of the management and general administration of the retirement system until September 1, 2024, when the administration transferred from the Omaha School Employees' Retirement System (OSERS) to the Nebraska Public Employees Retirement Board (Board). The Transition Board of Trustees was composed of the following:

- The superintendent of the school district or his or her designee to serve as a voting, ex officio trustee;
- Two members of the retirement system, one of whom is a teacher;
- Two members of the Omaha Public Schools Board of Education; and
- Two trustees who are business persons qualified in financial affairs and who are not members of the retirement system.

Effective September 1, 2024, the Transition Board of Trustees described above was terminated, the terms of the trustees ended, and the Board assumed administration of the retirement system. Administration does not include financial responsibility or liability of the funding obligation for the retirement system, which remains with the District, as described in the Class V School Employees Retirement Act, nor does it include responsibility for investment of funds, which authority and responsibility is to be retained by the Nebraska Investment Council and the State Investment Officer.

The 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 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.

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BACKGROUND

(Concluded)

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

The following Mission Statement, Vision, and Organizational Chart were taken from the Nebraska Public Employees Retirement Systems 2025 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

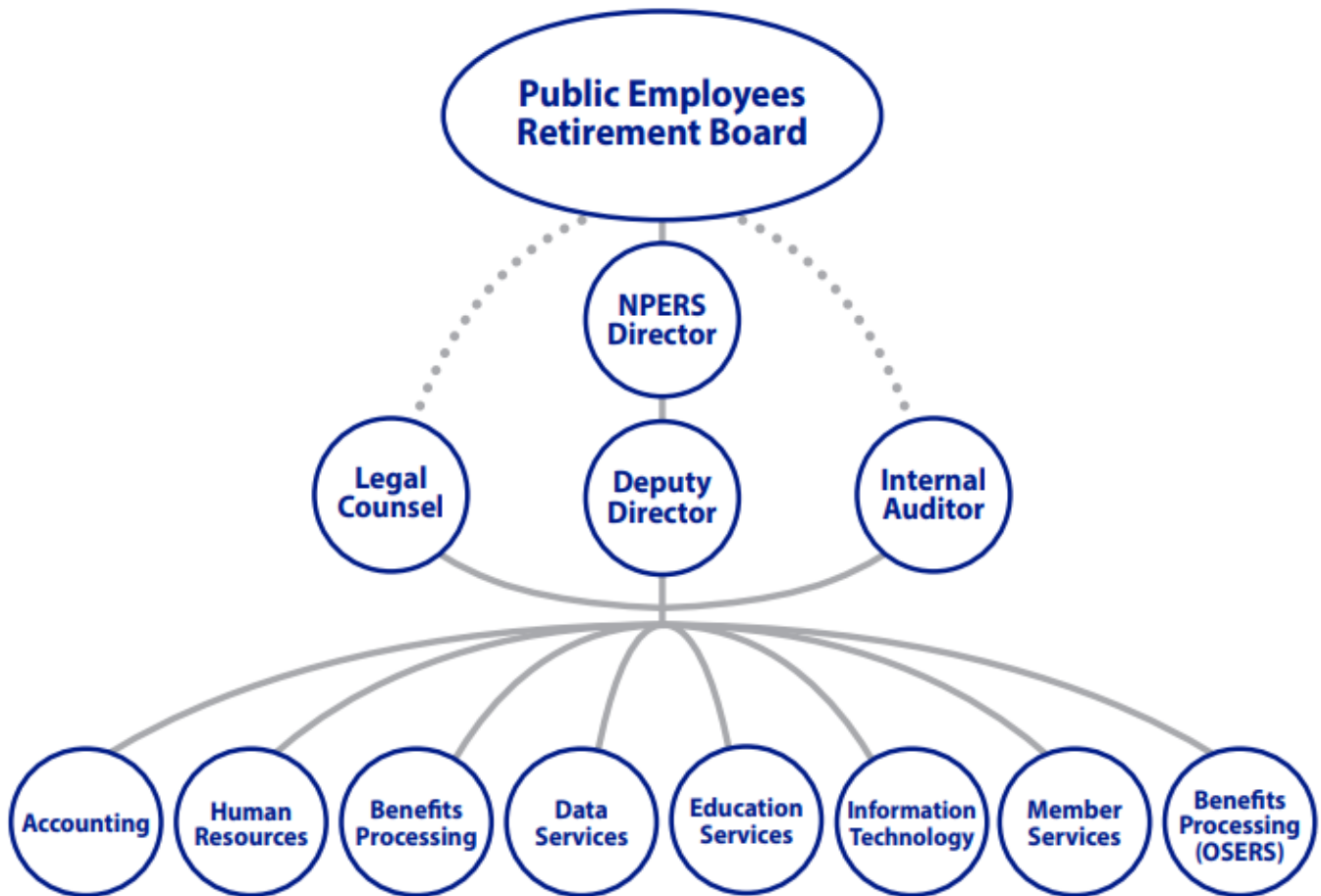
The Nebraska Public Employees Retirement Systems recognizes the importance of a successful retirement and is dedicated to providing the highest quality service necessary to assist members in achieving this goal.

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.

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ORGANIZATIONAL CHART



NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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KEY OFFICIALS AND AGENCY CONTACT INFORMATION

**Public Employees Retirement Board Members
As of December 31, 2024**

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

Janis Elliott
Vice Chair – School Member
Term Ending January 1, 2029

Allen Simpson
State Member
Term Ending January 1, 2025
(Resigned April 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

Patrick Bourne
Public Member
Term Ending January 1, 2027
(Appointed February 2025)

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

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)

Nebraska Public Employees Retirement Systems Executive Management

John Murante
Director
(Resigned December 2024)

Tyler Cummings
Deputy Director/
Interim 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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SUMMARY OF COMMENTS

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

1. ***GASB Statement No. 67 Report Review Procedures:*** We noted that NPERS lacked adequate procedures to ensure the accuracy of the amounts reported in the Governmental Accounting Standards Board (GASB) Statement Number 67 Report exhibits, which are used to prepare the Omaha School Employees Retirement Plan's required supplementary information. A duplicate entry was made in the former Omaha School Employees' Retirement System (OSERS) accounting records, which was not caught during NPERS review of the Report, which resulted in an overstatement of \$84,046,201 of Investments on the fiscal year 2024 Statement of Fiduciary Net Position, and an overstatement of \$84,046,201 in the fiscal year 2024 Net Appreciation in Fair Value of Investments on the Statement of Changes in Fiduciary Net Position.
2. ***Financial Statement Errors:*** We noted that NPERS incorrectly included \$1,971,806 of duplicated Investment Manager Fees in its calculation of Investment Expenses. As a result, Net Appreciation in Fair Value of Investments and Investment Expenses were overstated by \$1,971,806. Additionally, the accrual entry for investment securities lending activity was improperly calculated; as a result, Securities Lending Expense was understated by \$417,049, Interest and Dividend Income was overstated by \$15,321, and Securities Lending Income was understated by \$432,370.
3. ***Asset Capitalization Errors:*** We noted that NPERS incorrectly recorded to Administrative Expenses approximately \$1,920,464 of payments made to Linea Solutions Inc., for additions to the Nebraska Public Retirement Information System (NPRIS), when the costs should have been recorded as Capital Assets - Equipment. Additionally, NPERS failed to recognize approximately \$213,970 of depreciation expense associated with the costs.
4. ***PeopleSoft System Issues:*** Access to the OSERS pension module pages allowed a user to perform all pension functions without a secondary review. While the main factors used in the benefit calculation are system generated, users had the ability to override fields used in the system calculation or update a table – all without a secondary review. History tracking was not enabled to provide an adequate record of changes in several significant areas of the system.
5. ***Lack of Adequate Controls Over Benefits, Refunds, and Expenditures:*** We noted several concerns with the benefit and refund payments and expenditures processed by OSERS, including: 1) OSERS did not establish any written procedures for reviewing the general ledger after expenses, benefits, or refunds were posted to verify that the entries agreed to the claims approved by the Omaha Public Schools Board of Education; 2) the OSERS Retirement Benefits Manager performed no documented secondary review and approval of benefit calculations; and 3) during calendar year 2024, OSERS did not perform a documented review of changes to on-going member benefit amounts to ensure the changes were proper.
6. ***Retirement Benefit Issues:*** We noted several issues with benefit payments processed and calculated by OSERS and paid to newly retired members, including: 1) documentation supporting member termination dates were not on file; 2) one member's effective retirement date could not be verified; 3) retirement benefits were calculated incorrectly; 4) member direct deposit information was not on file; 5) adequate documentation to verify member and beneficiary dates of birth were not obtained; 6) the Actuarial Reduction Factor used in the calculation of formula annuity payments did not agree to the factors provided by the actuary; and 7) for one member, the disbursement in PeopleSoft, the OSERS accounting system, did not agree to the benefit calculated by OSERS.

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SUMMARY OF COMMENTS

(Concluded)

7. ***Member Refund Issues:*** We noted four members who had retirement account balances listed in NPRIS, despite being fully refunded their balances during calendar year 2024. Additionally, we noted four refunds that improperly included or excluded contributions and/or interest, resulting in a total underpayment of \$2,404.
8. ***Errors in Purchase of Prior Service Credit:*** We noted several issues with one member's purchase of prior service credit, resulting in an underpayment of \$29,388. Additionally, we noted that another member's purchased service credit from calendar year 2019 was not properly recorded in her account in NPRIS, as the member purchased 4 years of service credit; however, NPRIS listed only 2.5 years of service credit.
9. ***Incorrect Service Credit Balances:*** We noted that OSERS failed to correct the service credit balances for four members noted in the prior-year audit report. We also noted that service credit hours accumulated by Omaha Public Schools, reported to NPERS, and recorded in NPRIS were incorrect for six members.

More detailed information on the above items is provided hereinafter. It should be noted this report is critical in nature, containing only our comments and recommendations on the areas noted for improvement and does not include our observation of any strengths of the NPERS – Omaha School Employees Retirement Plan.

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

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COMMENTS AND RECOMMENDATIONS

1. GASB Statement No. 67 Report Review Procedures

The passage of Legislative Bill 147 (2021), among other things, effectuated the transition and transfer of management of the Omaha School Employees' Retirement System (OSERS) to the Public Employees Retirement Board (PERB). On July 1, 2021, the Omaha Public Schools Board of Education for the Douglas County School District #0001 created a Transition Board of Trustees, whose purpose was to facilitate, as directed by the Omaha Public Schools Board of Education, transition of the management and general administration of the retirement system. Effective September 1, 2024, the PERB assumed management of OSERS, and under the direction of the PERB, NPERS became the administrator of the Omaha School Employees Retirement Plan (Plan).

We noted that the Nebraska Public Employees Retirement Systems (NPERS) lacked adequate procedures to ensure the amounts reported on the exhibits included in the Governmental Accounting Standards Board (GASB) Statement Number 67 Report, which are used to prepare the required supplementary information for the Plan, were accurate and agreed to the State accounting records.

The required supplementary information is prepared as of the Plan's fiscal year ending August 31. Although OSERS was the administrator of the Plan during fiscal year 2024, the contract for the actuarial services to prepare the GASB Statement No. 67 Report was entered into between NPERS and the actuary, as it occurred after the transition. However, Omaha Public Schools provided the fiscal year 2024 financial statements to NPERS, which then provided them to the actuary.

After receiving the fiscal year financial statements, the actuary prepared the draft GASB Statement No. 67 Report. NPERS received the original draft report on April 2, 2025, and, following a review, notified the actuary that there were no questions with it. However, during our review of the draft GASB Statement No. 67 Report, including the underlying fiscal year 2024 financial statements, we noted significant variances between the reported investment balances and net investment income compared to the State accounting records.

We presented the variances noted to the Omaha Public Schools Chief Financial Officer, who notified us on April 11, 2025, that a duplicate entry was made in the OSERS accounting system, resulting in an overstatement of \$84,046,201 of Investments on the fiscal year 2024 Statement of Fiduciary Net Position, and an overstatement of \$84,046,201 in the Net Appreciation in Fair Value of Investments on the fiscal year 2024 Statement of Changes in Fiduciary Net Position. Additionally, this duplicate entry caused GASB Statement No. 67 Report Exhibits to show an additional \$84,046,201 available to pay benefits. Once this duplicate entry was removed, the funding percentage dropped from 64.88% to 61.90%.

We communicated the errors to NPERS, which subsequently requested that the actuary revise the GASB Statement No. 67 Report, which was reissued on May 22, 2025. However, had we not reviewed the draft GASB Statement No. 67 Report and communicated to NPERS the errors noted above, it is likely the original, inaccurate draft report would have been issued because NPERS had failed to review adequately the draft, including neglecting to compare the amounts reported to the State's accounting system.

A proper system of internal controls requires procedures to ensure the required supplementary information is accurate and agrees to the State's accounting records.

We recommend NPERS strengthen its procedures to ensure an adequate review of the required supplementary information is carried out, including, but not limited to, ensuring amounts on the fiscal year financial statements used to prepare the information agree to the State's accounting records.

NPERS Management Response: NPERS will be strengthening its procedures to ensure a review of financial information. As we receive records from OPS, we will work to verify that the amounts reported in the fiscal year financial statements agree with the State's official accounting records.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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COMMENT AND RECOMMENDATION

(Continued)

2. Financial Statement Errors

We noted that NPERS recorded inaccurate accrual entries, which were corrected by NPERS after they were identified, as follows:

Investment Manager Fees

At the end of each fiscal year, NPERS records an entry to account for unrecorded investment manager fee activity, which increases Net Appreciation in Fair Value of Investments and Investment Expenses. When preparing the accrual entry, however, NPERS incorrectly included \$1,971,806 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 \$1,971,806 on the Statement of Changes in Fiduciary Net Position.

Investment Expenses recorded on the financial statements consist of two types of expenses, Other Investment Expenses and Investment Manager Fees. When NPERS accounting staff calculated Other Investment Expenses, they used the amount of investment expenses recorded in EnterpriseOne (E1), the State's accounting system, during the period January 1, 2024, through December 31, 2024. However, the investment expenses recorded in E1 include both Other Investment Expenses and Investment Manager Fees. As a result, \$1,971,806 of Investment Manager Fees encompassed in the E1 investment expense entries was included in both NPERS-calculated totals of Investment Manager Fees and Other Investment Expenses.

The Controller and accounting staff reviewed this accrual entry prior to submitting it to the Auditor of Public Accounts (APA). However, the review was insufficient to catch the error noted because no analytical procedures, such as comparing the entry to the prior-year accrual or to other retirement audits, were performed to ensure that the amount was reasonable.

Securities Lending Expenses

Investments for the Omaha School Employees Retirement Plan 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 NIC entered into a contract with Mitsubishi to be the State's securities lending agent.

During our audit, we noted that NPERS incorrectly excluded one commingled Retirement Account from the calculation and improperly included a General Endowment Account, which should not be included in the calculation of Securities Lending Expenses. As a result, Securities Lending Expenses was understated by \$417,049, Interest and Dividend Income was overstated by \$15,321, and Securities Lending Income was understated by \$432,370.

The Controller did not perform a documented review of the accrual entry before that information was presented to the APA.

A proper system of internal control and sound accounting practices requires financial information to be complete and accurate. This includes procedures to ensure that financial statements and accrual entries are correct, adjustments are made, and the Controller presents a review of all such financial information to the auditors.

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

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

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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COMMENTS AND RECOMMENDATIONS

(Continued)

2. Financial Statement Errors (Concluded)

NPERS Management Response: NPERS acknowledges the need for a more thorough review of financial information prior to submission to the APA. Moving forward, we are committed to improving our internal review procedures to ensure greater accuracy and completeness in the information we provide. As we receive records from the Nebraska Investment Council, we will work to confirm the documents' accuracy.

3. Asset Capitalization Errors

We noted that NPERS lacked adequate policies and procedures to ensure internally generated intangible assets were properly capitalized in accordance with Governmental Accounting Standards.

NPERS entered into a contract with Linea Solutions Inc. to add the former OSERS members to the Nebraska Public Retirement Information System (NPRIS), the State's retirement record keeping system, including modifying and adding to NPRIS certain interfaces, forms, letters, reports, member self-service portal, workflow, and document management functions.

However, during the period November 2023 through December 2024, we noted that NPERS incorrectly recorded approximately \$1,920,464 of payments made to Linea Solutions Inc. as Administrative Expenses, when the costs should have been considered capital outlays and recorded on the financial statements as Capital Assets - Equipment.

Further, NPERS failed to recognize approximately \$213,970 of depreciation expense associated with the costs. Despite not correcting these errors, NPERS said that it plans to correct the financial statements and fixed asset records for the error in the future.

GASB Cod. Sec. 1400.132 (paragraph .132 of section 1400) states the following:

Outlays incurred related to the development of an internally generated intangible asset that is identifiable should be capitalized only upon the occurrence of all of the following:

a. Determination of the specific objective of the project and the nature of the service capacity that is expected to be provided by the intangible asset upon the completion of the project

b. Demonstration of the technical or technological feasibility for completing the project so that the intangible asset will provide its expected service capacity

c. Demonstration of the current intention, ability, and presence of effort to complete or, in the case of a multiyear project, continue development of the intangible asset.

Only outlays incurred subsequent to meeting the above criteria should be capitalized. Outlays incurred prior to meeting those criteria should be expensed as incurred.

GASB Cod. Sec. 1400.133 (paragraph .133 of section 1400) also states, in part, "Computer software should be considered internally generated if it is developed in-house by the government's personnel or by a third-party contractor on behalf of the government."

Further, GASB Cod. Sec. 1400.134 (paragraph .134 of section 1400) states, in part, the following:

The activities involved in developing and installing internally generated computer software can be grouped into the following stages:

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COMMENTS AND RECOMMENDATIONS

(Continued)

3. Asset Capitalization Errors (Concluded)

* * * *

b. Application Development Stage. Activities in this stage include the design of the chosen path, including software configuration and software interfaces, coding, installation to hardware, and testing, including the parallel processing phase.

GASB Cod. Sec. 1400.135 (paragraph .135 of section 1400) also states, in part, the following:

For internally generated computer software, the criteria in paragraph .132 should be considered to be met only when both of the following occur:

a. The activities noted in the preliminary project stage are completed

b. Management implicitly or explicitly authorizes and commits to funding, at least currently in the case of a multiyear project, the software project.

GASB Cod. Sec. 1400.136 (paragraph .136 of section 1400) states the following:

Once the criteria in paragraph .132 have been met, as described in the preceding paragraph, outlays related to activities in the application development stage should be capitalized. Capitalization of such outlays should cease no later than the point at which the computer software is substantially complete and operational.

Additionally, GASB Cod. Sec. 1400.139 (paragraph .139 of section 1400) states, in part, the following:

Outlays associated with an internally generated modification of computer software that is already in operation should be capitalized in accordance with paragraphs .135 and .136 if the modification results in any of the following:

a. An increase in the functionality of the computer software, that is, the computer software is able to perform tasks that it was previously incapable of performing[.]

The Nebraska Department of Administrative Services (DAS) State Accounting Manual, General Policies, Section 28, "Capital Outlay," states, in relevant part, the following:

Computer software that is internally developed, or commercially available software that is modified using more than minimal incremental effort before being put into operation, shall be capitalized as a separate asset if the cost is \$100,000 or more and has a life greater than one year.

Good internal controls require NPERS to implement policies and procedures to ensure internally generated software is properly capitalized or expensed in accordance with GASB standards and State policies.

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

We recommend NPERS implement procedures to ensure costs are correctly capitalized in accordance with Governmental Accounting Standards and the State Accounting Manual.

NPERS Management Response: NPERS is implementing enhanced procedures to ensure that costs are properly evaluated and correctly capitalized in accordance with applicable standards. These steps are part of our ongoing efforts to strengthen financial reporting and maintain compliance with accounting requirements.

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COMMENTS AND RECOMMENDATIONS

(Continued)

4. PeopleSoft System Issues

The Douglas County School District #0001 (District) utilized a PeopleSoft application for its accounting and payroll functions. Additionally, OSERS used PeopleSoft for the pension function. During testing of the PeopleSoft application, we noted the following issues:

- Access to the pension module pages allowed a user to perform all pension functions without a secondary review. While the main factors used in the benefit calculation are system generated, users had the ability to override fields used in the system calculation or update a table – all without a secondary review. When performing testing of user access for the calendar year 2024 audit in March 2025, no users had access to the pension module; however, as noted below, due to the lack of an audit log tracking when roles were added or removed, we were unable to verify who had access throughout calendar year 2024.
- History tracking was not enabled to provide an adequate record of changes in several significant areas of the system.
 - The pension module was not set up to maintain an audit history of changes, including overrides of system calculations or adjustments to tables made therein.
 - During prior-year testing, it was noted that PeopleSoft was set up to maintain a background table of all changes to bank information. However, it was noted that this activity was no longer tracked, and a history of changes to bank information was no longer available.
 - The system did not track changes to user access. As a result, it could not be determined when roles were added and whether roles were removed in a timely manner.

Similar findings have been reported since the calendar year 2021 audit.

A proper system of internal control requires procedures to ensure the following with regard to the PeopleSoft application: 1) a proper segregation of duties exists, so no one individual can override a pension calculation without a secondary review; and 2) significant changes to the accounting system are tracked to ensure both the accuracy and completeness of information therein and the proper restrictions upon user access.

Without such procedures, there is an increased risk for misuse of the PeopleSoft application.

We recommend NPERS consider these weaknesses as it continues to update NPRIS to become the recordkeeping system for the Omaha School Employees Retirement Plan, including ensuring there is a system of enforced segregation of duties exists, and an audit history is enabled.

NPERS Management Response: NPERS acknowledges the findings reported to OSERS prior to the transfer of administration to NPERS. NPERS has worked to ensure we take these into account as we consider and create processes and procedures surrounding the recordkeeping of OSERS. NPERS has a segregation of duties and history tracking embedded into our system and processes.

5. Lack of Adequate Controls Over Benefits, Refunds, and Expenditures

We noted the following concerns with the benefit and refunds payments and the expenditures processed by OSERS prior to the transition to NPERS:

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COMMENTS AND RECOMMENDATIONS

(Continued)

5. Lack of Adequate Controls Over Benefits, Refunds, and Expenditures (Concluded)

- The Omaha Public Schools Board of Education approves all retirement claims at its monthly meetings. However, during calendar year 2024, OSERS did not establish any written procedures for reviewing the general ledger after expenses, benefits, or refunds were posted to verify that the entries agreed to the approved claims. Additionally, there was no documentation to support that OSERS actually performed any such procedures.
- The Retirement Benefits Manager performed no documented secondary review and approval of benefit calculations.
- During calendar year 2024, OSERS did not perform a documented review of changes to on-going member benefit amounts to ensure the changes were proper.

The concerns noted above were communicated to OSERS and included as findings in the calendar year 2023 audit report under Comment Number 1 (“Poor Management Oversight”). However, OSERS failed to take action to resolve these findings prior to the transition of the retirement plan to NPERS.

A proper system of internal controls requires procedures to ensure the following: 1) a review of the General Ledger is performed after expenditures or refunds are posted to ensure amounts agree to supporting documentation; 2) benefit calculations are reviewed by a second individual, and that review is documented; 3) a documented review of changes to benefit payments is performed to ensure the changes are proper; and 4) after-the-fact reviews of claims posted in the accounting system are performed to ensure amounts agree to the approved claims.

Without such procedures, there is an increased risk for inaccurate financial reporting, incorrect benefit, refund, and/or expense payments, and a loss of Plan funds.

We recommend NPERS consider these control weaknesses identified at OSERS,
as it designs and reviews its internal control procedures.

NPERS Management Response: NPERS acknowledges the findings reported to OSERS prior to the transfer of administration to NPERS. NPERS has worked to ensure we take these into account as we consider and create processes and procedures surrounding the recordkeeping of OSERS. NPERS has a segregation of duties and history tracking embedded into our system and processes.

6. Retirement Benefit Issues

We noted the following issues with retirement benefits paid during the calendar year:

- We noted that the OSERS accounting system listed a calculated gross monthly payment of \$1,272 for one member; however, the actual monthly gross payment amount paid to the member was \$1,239, \$33 less than the amount calculated and documented in the accounting system.
- For 4 of 15 benefit payments tested, that were processed by OSERS, we noted that OSERS failed to maintain the member’s signed Retirement Application that listed the member’s termination date. As a result, we could not determine whether benefit payments started timely.
- We noted that the Retirement Application signed by one member did not contain the date the form was received by OSERS; as a result, we were unable to determine if the effective retirement date was correct. The member signed the form in February 2024, and the effective retirement date was listed as March 1, 2024.

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COMMENTS AND RECOMMENDATIONS

(Continued)

6. Retirement Benefit Issues (Continued)

Chapter 17 (“Benefit Options and Distribution Rules”), Section 002.05 (“Definitions”), of the OSERS Rules and Regulations (adopted January 20, 2022) defines “retirement date” as follows:

“Retirement Date” means the first day of the month following the later of (a) the date a member terminates employment, or (b) the date a member’s request for retirement is received on a completed retirement application provided by the retirement system.

- For three members, OSERS did not maintain copies of the members’ Direct Deposit Forms, therefore, we were unable to verify that the retirement benefit payment was deposited into the correct bank account. These members received the following monthly gross benefits:

Member	NPERS Retirement Number	Monthly Gross Benefit
Member 1	255482	\$ 1,545
Member 2	252189	\$ 3,257
Member 3	266534	\$ 9,671

- We noted that there was inadequate evidence on file to verify the date of birth for 7 of 15 members tested, who received benefits during the calendar year, including two of the members’ listed beneficiaries. OSERS obtained only copies of the member’s and the beneficiaries’ driver’s licenses.

Member	NPERS Retirement Number	Date of Birth	Beneficiary Date of Birth
Member 1	255482	3/6/1960	N/A
Member 2	252189	4/5/1954	2/10/1958
Member 4	250808	6/8/1960	1/19/1960
Member 5	257029	3/12/1959	N/A
Member 6	259972	9/16/1961	N/A
Member 7	258838	7/25/1954	N/A
Member 8	250383	12/11/1963	N/A

Chapter 5 (“Evidence to Determine Age and Status”), Section 002 (“Proof of Age”), of the OSERS Rules and Regulations (adopted January 20, 2022) does not identify a driver’s license as acceptable documentation to verify a member’s date of birth.

A proper system of internal controls and sound business practices require policies and procedures to ensure that a member’s termination date, effective retirement date, date of birth, monthly benefit, and banking information is adequately documented.

Without such procedures – as noted in the prior three audit reports – the risk for incorrect benefit payments increases.

Benefit Calculation Errors

We noted errors in OSERS’ calculation of benefits for nine of fifteen members tested, resulting in the following over- and underpayments of retirement benefits:

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
OMAHA SCHOOL EMPLOYEES RETIREMENT PLAN

COMMENTS AND RECOMMENDATIONS

(Continued)

6. Retirement Benefit Issues (Continued)

Member	NPERS Retirement Number	Gross Monthly Benefit	Correct Gross Monthly Benefit	Over/ (Under) Payment	Cause
Member 1	255482	\$ 1,545	\$ 1,524	\$ 21	Benefit was calculated based on an Annuity Reduction Factor of 0.97720, instead of the correct factor of 0.97701. Benefit was calculated based on Service Credit Years, totaling 19.8, instead of 19.5. Benefit included a State Service Annuity; however, that benefit was incorrectly reduced by the Annuity Reduction Factor.
Member 2	252189	3,247	3,302	(55)	Benefit was calculated based on an Annuity Reduction Factor of 0.84870, instead of the correct factor of 0.86467. Benefit was calculated based on Service Credit Years, totaling 30.7, instead of 30.5. Benefit included a State Service Annuity; however, that benefit was incorrectly reduced by the Annuity Reduction Factor.
Member 4	250808	1,262	1,264	(2)	Benefit was calculated based on an Annuity Reduction Factor of 0.99090, instead of the correct factor of 0.99076. The member was 56.7 years old at the time of retirement; however, the State Service Annuity benefit was reduced based on a State Service Reduction Factor of 0.41481487, which is the factor for members who are 56 years old at the time of retirement, instead of 0.45491647, the factor for members who are 57 years old at the time of retirement.
Member 5	257029	675	664	11	Benefit was calculated based on Service Credit Years, totaling 16.3, instead of 16.0.
Member 6	259972	3,261	3,353	(92)	The final average compensation used to calculate the monthly benefit for the member was incorrectly calculated as \$6,653, instead of \$6,843.
Member 8	250383	1,230	1,253	(23)	The final average compensation used to calculate the monthly benefit for the member was incorrectly calculated as \$5,759, instead of \$5,869.
Member 9	247552	2,004	2,017	(13)	Benefit was calculated based on an Annuity Reduction Factor of 0.86310, instead of the correct factor of 0.87505. Benefit was calculated based on Service Credit Years, totaling 18.2, instead of 18.0. Benefit included a State Service Annuity; however, that benefit was incorrectly reduced by the Annuity Reduction Factor.
Member 10	245628	3,644	3,721	(77)	Benefit was calculated based on an Annuity Reduction Factor of 0.89530, instead of the correct factor of 0.90385. The annuity benefit and State Service Annuity benefit were calculated based on Service Credit Years, totaling 30.5, instead of 30.0.
Member 11	265281	2,967	3,137	(170)	The final average compensation used to calculate the monthly benefit for the member was incorrectly calculated as \$6,006, instead of \$6,361. The State Service Annuity benefit was calculated based on Service Credit Years, totaling 24.0, instead of 24.1.
Totals		\$ 19,835	\$ 20,235	\$ (400)	

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
OMAHA SCHOOL EMPLOYEES RETIREMENT PLAN

COMMENTS AND RECOMMENDATIONS

(Continued)

6. Retirement Benefit Issues (Continued)

Average Compensation

As noted in the table above, we found that three of the benefits were underpaid, in part, due to the incorrect calculation of the members' final average compensation. All three of these benefits were calculated by OSERS prior to the transition to NPERS. Based on a discussion with the former management of OSERS, they agreed that the final average compensation used to determine the benefits was calculated incorrectly.

Neb. Rev. Stat. § 79-9,100(8) (Reissue 2024), states the following:

Any member receiving a formula retirement annuity based on final average compensation who is a member prior to July 1, 2016, shall also receive the service annuity to be paid by the State of Nebraska as provided in sections 79- 933 to 79-935 and 79-951.

Uncorrected Actuarially Determined Reduction Factors

For benefit payments that are formula annuities, the option annuity factor is a reduction to the monthly benefit that results when a member chooses an optional form of payment other than the normal form, which is paid at 100%. The normal form is an annuity payable during the remainder of the member's life or until a minimum of 60 monthly payments have been made. OSERS staff entered the option factors into the accounting system, which is used to calculate benefit amounts.

In our first audit of OSERS for calendar year 2021, the APA found that OSERS failed to maintain documentation to support the reduction factors used in its system. The APA asked OSERS to verify with its actuary that the factors used were correct. On August 6, 2022, OSERS' actuary provided the reduction factors, which did not agree to those in the OSERS system. OSERS failed to integrate these new factors into the benefit calculations; instead, the old, undocumented factors continued to be used.

During our current audit, we noted that the actuarial reduction factor used in the calculation of formula annuity benefits for five of the nine members included in the table above did not agree to the factors provided by the actuary.

Additionally, we noted OSERS improperly applied the formula annuity reduction factor to the members' State Service Annuity, which resulted in an improper reduction of the members' State Service Annuity benefit. This error was included in three of the nine members included in the table above.

Further, one member's service annuity was calculated improperly, using a reduction factor for members who are 56 years old at the time of retirement; however, the member was 57 years old at the time of retirement, resulting in underpaid benefits.

Neb. Rev. Stat. § 79-9,101 (Reissue 2024) allows a member to select an actuarially equivalent annuity.

Further, Neb. Rev. Stat. § 79-978(2) (Reissue 2024) provides the following definition for "actuarial equivalent":

Actuarial equivalent means the equality in value of the retirement allowance for early retirement or the retirement allowance for an optional form of annuity, or both, with the normal form of the annuity to be paid, as determined by the application of the appropriate actuarial table, except that use of such actuarial tables shall not effect a reduction in benefits accrued prior to September 1, 1985, as determined by the actuarial tables in use prior to such date[.]

Subsection (3) of that same statute defines "actuarial tables" as follows, in relevant part:

Actuarial tables means:

(a) For determining the actuarial equivalent of any annuities other than joint and survivorship annuities:

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
OMAHA SCHOOL EMPLOYEES RETIREMENT PLAN

COMMENTS AND RECOMMENDATIONS

(Continued)

6. Retirement Benefit Issues (Concluded)

(i) For members hired before July 1, 2018, a unisex mortality table using twenty-five percent of the male mortality and seventy-five percent of the female mortality from the 1994 Group Annuity Mortality Table with a One Year Setback and using an interest rate of eight percent compounded annually; and

* * * *

(b) For joint and survivorship annuities:

(i) For members hired before July 1, 2018, a unisex retiree mortality table using sixty-five percent of the male mortality and thirty-five percent of the female mortality from the 1994 Group Annuity Mortality Table with a One Year Setback and using an interest rate of eight percent compounded annually and a unisex joint annuitant mortality table using thirty-five percent of the male mortality and sixty-five percent of the female mortality from the 1994 Group Annuity Mortality Table with a One Year Setback and using an interest rate of eight percent compounded annually[.]

Service Credit Rounding Errors

We have noted issues with the service credit used in the benefit calculation since our first audit completed for calendar year 2021. In the current audit, we noted that the benefit calculations for six of the nine members included in the table above were based on the incorrect number of years of service credit. These errors were due, in part, to OSERS including a partial year of service credit in the benefit calculation for years in which there was no policy for earning a partial year of service credit.

Since the formula annuity is calculated using the member's final average earnings multiplied by years of service and the applicable formula factor, any error in the service credit will affect the benefit calculation.

A proper system of internal controls requires procedures to verify that benefit payments are accurate by ensuring 1) the reduction factors for the formula annuity options are the same as those provided by the actuary; 2) the service credit for each retiring member is accurate; and 3) average compensation used to determine the gross monthly benefit payment is calculated correctly based on the member's employment records.

Without such procedures – as noted for the last three calendar years – the risk for incorrect benefit payments increases.

We recommend NPERS implement procedures to ensure that a member's termination date, effective retirement date, date of birth, monthly benefit, and direct deposit banking information is accurate and adequately documented. Additionally, we recommend NPERS perform a review of all retirees receiving a reduced formula annuity and a State Service Annuity to determine whether there are any errors in the monthly benefit calculations.

NPERS Management Response: NPERS is still in the process of reviewing the transition of information and documents, along with past OSERS audit findings, to determine what continued reviews we need to undertake. The APA's past audit findings are taken into consideration when processing current benefits as we implement our processes.

7. Member Refund Issues

We have noted several errors with refund payments and member balances since the first audit of the Plan completed for calendar year 2021. These issues have continued since that time, as follows:

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
OMAHA SCHOOL EMPLOYEES RETIREMENT PLAN

COMMENTS AND RECOMMENDATIONS

(Continued)

7. Member Refund Issues (Concluded)

- We noted that NPRIS, the State's retirement record keeping system, continued to reflect an account balance for four members who took full refunds during calendar year 2024. Further one of the four members also had an incorrect balance reflected in PeopleSoft, OSERS' accounting system. These refunds occurred prior to the transition and transfer of management of OSERS to the PERB.

Member	NPERS Retirement Number	Refund Payment Date(s)	Total Gross Refund	NPRIS Account Balance	PeopleSoft Account Balance
Member 12	260392	8/29/2024, 8/14/2024	\$ 17,181	\$ 14,278	\$ 17,181
Member 13	257338	8/14/2024	1,921	1,930	-
Member 14	246267	8/14/2024	9,042	8,691	-
Member 15	246580	8/14/2024	3,715	3,663	-
Totals			\$ 31,859	\$ 28,562	\$ 17,181

- We noted two refund payments that were incorrectly calculated and paid by OSERS. These payments failed to include all contributions and interest posted to the members' account, resulting in the following underpayments:

Member	NPERS Retirement Number	Refund Payment	Correct Refund Payment	Amount Underpaid
Member 15	246580	\$ 3,715	\$ 3,811	\$ (96)
Member 16	250042	40,392	44,056	(3,664)
Totals		\$ 44,107	\$ 47,867	\$ (3,760)

- We also noted two refund payments, calculated and paid by OSERS, that erroneously included contribution and interest that the members were not entitled to receive, resulting in the following overpayments:

Member	NPERS Retirement Number	Refund Payment	Correct Refund Payment	Amount Underpaid
Member 12	260392	\$ 17,181	\$ 15,898	\$ 1,283
Member 17	261442	25,460	25,387	73
Totals		\$ 42,641	\$ 41,285	\$ 1,356

Neb. Rev. Stat. § 79-992(1) (Reissue 2024) states, in relevant part, the following:

Upon termination of employment, except on account of retirement, a member shall be entitled to receive refunds as follows: (a) An amount equal to the accumulated contributions to the retirement system by the member; and (b) any contributions made to a previously existing system which were refundable under the terms of that system.

(Emphasis added.) A proper system of internal controls requires procedures to ensure refunds are paid accurately and member account balances are reduced to zero after the balances are paid.

Without such procedures, there is an increased risk that refunds will be overpaid, resulting in a loss of Plan funds.

We recommend NPERS work with Omaha Public Schools (OPS) management to ensure that all overpayments of refunds are recovered and implement procedures to ensure account balances are reduced to zero after the balances are paid.

NPERS Management Response: NPERS has worked through the past and current APA findings in an effort to reconcile the issues. We will continue to review accounts and internal processes to ensure we are focusing on the greatest risks and storing accurate information.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
OMAHA SCHOOL EMPLOYEES RETIREMENT PLAN

COMMENTS AND RECOMMENDATIONS

(Continued)

8. Errors in Purchase of Prior Service Credit

We have identified several issues related to the calculation and recording of purchases of service credit, which have been reported since the calendar 2021 audit. During the current audit, we noted the following issues with one purchase of service credit, calculated by OSERS and incorrectly recorded by NPERS. The member purchased 15 years of prior service at OPS for \$157,127, and 4 years of prior year service at other school districts for \$29,303, for a total payment of \$186,430.

- The purchase was not calculated correctly according to State statute. Per Neb. Rev. Stat. § 79-978(21) (Reissue 2024), interest used to determine the amount of the purchase should be calculated based on the actuarial assumed rate of return in the most recent actuarial valuation. However, we noted that OSERS calculated the member's purchase of prior service at OPS and prior service at other school districts using historical interest rates. As a result, the purchase of prior service was underpaid by \$29,388, including an underpayment of \$24,669 for prior service at OPS, and an underpayment of \$4,719 for the purchase of service at other school districts.
- No written application submitted to the administrator of the retirement system for the purchase was on file.
- OSERS failed to verify properly the number of creditable years worked at other school districts, obtaining verification that benefits at those school districts, if any, were terminated prior to the purchase. Based on the documentation obtained, for the four years of service purchased from 1999-2003, the member did not work a full year of creditable service for three of the years. The other school districts reported that during the three school years, the employee worked 112 days to 127 days during the year. A year of creditable service for prior years is typically based on the Omaha Education Association (OEA) contract. The 1999-2003 OEA contract for 1999-2003 stated that "140 teaching days on duty during the regular school year shall be counted as a creditable school year for all teaching and nursing personnel in the Omaha school system." OSERS should have obtained additional information from the other school districts to verify how many days of service constituted a full year of service during those school years.
- OPS failed to remit the required matching contribution for purchase of service in other school districts, totaling \$29,303, to NPERS.
- The member's purchase of service and years of service were incorrectly recorded in NPRIS, the State's retirement record keeping system. We noted that NPERS duplicated the 15 years of prior OPS service credit and the payment for the purchase in NPRIS, resulting in an overstatement of service credit by 15 years, and an overstated balance of \$157,127.

Additionally, we noted one member whose service credit purchased in calendar year 2019 was not properly credited to the member's account in NPRIS. The member purchased 4 years of service credit; however, NPRIS, the State's retirement record keeping system, listed only 2.5 years of service credit purchased, a variance of 1.5 years of service credit.

The provisions related to prior service credit purchases can be found at Neb. Rev. Stat. § 79-991(1) (Reissue 2024), which states, as is relevant, the following:

An employee who becomes a member without prior service credit may purchase prior service credit, not to exceed the lesser of ten years or the member's years of membership service, for the period of service the member was employed by a school district or by an educational service unit and which is not used in the calculation of any retirement or disability benefit having been paid, being paid, or payable in the future to such member under any defined benefit retirement system or program maintained by such other school district or educational service unit. The purchase of prior service credit shall be made in accordance with and subject to the following requirements:

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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COMMENTS AND RECOMMENDATIONS

(Continued)

8. Errors in Purchase of Prior Service Credit (Concluded)

(a) A member who desires to purchase prior service credit shall make written application to the administrator of the retirement system that includes all information and documentation determined by the administrator as necessary to verify the member's prior service and qualification to purchase the prior service credit.

(b) The member shall pay to the retirement system the total amount he or she would have contributed to the retirement system had he or she been a member of the retirement system during the period for which prior service is being purchased, together with interest thereon as determined using the rate of interest for the purchase of prior service credit.

* * * *

(d) The school district shall contribute to the retirement system an amount equal to the amount paid by each member for the purchase of prior service credit at the time such payments are made by such member.

Neb. Rev. Stat. § 79-992(1) (Reissue 2024) states, in part, the following:

Any member receiving a refund of contributions shall thereby forfeit and relinquish all accrued rights in the retirement system including all accumulated creditable service, except that if any member who has withdrawn his or her contributions as provided in this section reenters the service of the district and again becomes a member of the retirement system, he or she may restore any or all money previously received by him or her as a refund, including the interest on the amount of the restored refund for the period of his or her absence from the district's service as determined using the interest rate for interest on such restored refunds, and he or she shall then again receive credit for that portion of service which the restored money represents.

Further, Neb. Rev. Stat. § 79-978(21) (Reissue 2024) states the following:

Interest means, for the purchase of service credit, the purchase of prior service credit, restored refunds, and delayed payments, the investment return assumption used in the most recent actuarial valuation[.]

A proper system of internal controls requires procedures to ensure the following: 1) costs are calculated correctly and in accordance with State statute; 2) applications are received and maintained; 3) prior-year service and the termination of other school district benefits is properly verified; 4) the District match is accurately paid; and 5) payments and service credit are recorded timely in member accounts.

Without such procedures, there is an increased risk that members will not receive the benefit they are entitled to, and the cost of purchasing service credit will not only fail to cover the future benefits related to such purchase but also be incompatible with the requirements of State statute.

We recommend NPERS implement procedures to ensure all prior purchases of service credit are reviewed to determine if the correct amounts were paid in accordance with State statute, and the amounts purchased and service years are properly credited to the member accounts.

NPERS Management Response: NPERS is currently reviewing this information, and we will build processes to support compliance and accuracy.

9. Incorrect Service Credit Balances

Service credit earned by members is an important component of the benefit annuity calculation upon retirement. We noted several errors with the service credit used in the benefit calculations since the first audit of the Plan completed for calendar year 2021. These issues have gone unresolved since that time, as follows:

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
OMAHA SCHOOL EMPLOYEES RETIREMENT PLAN

COMMENTS AND RECOMMENDATIONS

(Continued)

9. Incorrect Service Credit Balances (Continued)

Uncorrected Prior-Year Findings

During the calendar year 2023 audit, we noted errors with the service credit earned for 12 members, which were included in Comment Number 5 (“Service Credit”) in the management letter. OSERS responded to that finding by claiming to be “actively working with the NPERS to review all OSERS members’ data as part of the transition of administration effective September 1, 2024.” However, during calendar year 2024, we noted that 4 of the 12 service credit balance errors noted in the prior year were uncorrected, as shown in the table below:

Member	NPERS Retirement Number	OPS Service Credit As of 12/31/2023	NPERS Service Credit As of 12/31/2023	Correct Service Credit As of 12/31/2023	Variance
Member 18	251812	1.40	1.30	0.60	0.70
Member 19	262726	-	-	0.40	(0.40)
Member 20	265685	-	-	0.40	(0.40)
Member 21	258402	0.30	0.30	0.40	(0.10)

Current Service Credit Accumulation Errors

We noted that six members’ service credit hours accumulated by OPS, reported to NPERS, and recorded in NPRIS, the State’s retirement record keeping system, were incorrect.

The District used certain coding in the PeopleSoft system to accumulate service credit through a special accumulator code called OPN. All issues noted in the table below were caused by errors in how certain pay types were coded to OPN, including In-Service Extra Pay, Lost Plan Time, Extra Period/Student, and Curriculum Writing.

Member	NPERS Retirement Number	Hours Improperly Included	Hours Improperly Excluded	Net Over/(Under) Statement of Hours
Member 22	248935	8.00	2.50	5.50
Member 23	262492	1.70	-	1.70
Member 24	246997	2.92	-	2.92
Member 25	265914	15.46	4.00	11.46
Member 26	253462	3.68	1.00	2.68
Member 27	260693	-	2.00	(2.00)

Neb. Rev. Stat. § 79-978(23) (Reissue 2024) defines “membership service,” in relevant part, as follows:

Membership service means service on or after September 1, 1951, as an employee of the school district and a member of the system for which compensation is paid by the school district. . . . For an employee who becomes a member prior to July 1, 2018, an hour of compensated service shall include any hour for which the member is compensated by the school district during periods when no service is performed due to vacation or approved leave. For an employee who becomes a member on or after July 1, 2018, an hour of compensated service shall include any hour for which the member is compensated by the school district during periods when no service is performed due to used accrued sick days, used accrued vacation days, federal and state holidays, and jury duty leave for which the member is paid full compensation by an employer.

A similar finding has been reported since the calendar year 2021 audit.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
OMAHA SCHOOL EMPLOYEES RETIREMENT PLAN

COMMENTS AND RECOMMENDATIONS
(Concluded)

9. Incorrect Service Credit Balances (Concluded)

A proper system of internal controls requires procedures to ensure that the membership service credit calculations comply with State statute and are properly reported and recorded in NPRIS.

Without such procedures, there is an increased risk of the service credit calculation being inaccurate, creating the potential for inaccurate benefit calculations and the loss of Plan funds.

We recommend NPERS continue to work with OPS to ensure reported service credit for each member complies with State statute and is accurate prior to the payment of member benefits.

NPERS Management Response: NPERS is continuing to work with OPS to ensure reported service credit complies with state statutes and is accurate before processing distributions.



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NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS OMAHA SCHOOL EMPLOYEES RETIREMENT PLAN

INDEPENDENT AUDITOR'S REPORT

Nebraska Public Employees Retirement Board
Lincoln, Nebraska

Report on the Audit of the Financial Statements

Opinion

We have audited the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position of the Nebraska Public Employees Retirement Systems – Omaha School Employees Retirement Plan (Plan), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Plan's 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 Plan, as of December 31, 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 Opinion

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

Emphasis of Matter

As discussed in Note 1, the financial statements of the Plan 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 Plan. They do not purport to, and do not, present fairly the financial position of the State of Nebraska as of December 31, 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for 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 opinion. 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 Plan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in the Net Pension Liability, the Schedule of Changes in Employer and Non-Employer Contributions, the Schedule of Investment Returns, and the Notes to the Required Supplemental Information on pages 45-51 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted its Management Discussion and Analysis, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2025, on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Plan's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Zachary Wells". The signature is fluid and cursive, with a long horizontal stroke at the end.

Lincoln, NE
September 22, 2025

Zachary Wells, CPA, CISA
Assistant Deputy Auditor

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
 OMAHA SCHOOL EMPLOYEES RETIREMENT PLAN
STATEMENT OF FIDUCIARY NET POSITION
 AS OF DECEMBER 31, 2024

ASSETS

Cash in State Treasury	\$ 22,812,153
Receivables:	
Contributions	14,973,704
Interest and Dividends	4,296,937
Other Investment Receivable (Note 4)	78,659,253
State Service Annuity	192,578
Total Receivables	98,122,472
Pooled Investments, at Fair Market Value (Note 4):	
Asset Backed Securities	17,996,407
Bank Loans	19,980,449
Commingled Funds	749,189,672
Corporate Bonds	144,542,277
Derivative Instruments	1,111,186
Equity Securities	373,939,152
Government Agency Securities	1,387,124
Government Agency Strips	27,332
International Government Agency Securities	3,360,027
International Notes and Bonds	9,505,426
Mortgages	120,156,779
Municipal Bonds	1,639,398
Private Equity	105,941,663
Private Real Estate	98,790,019
Short Term Investments	18,694,870
U.S. Treasury Notes and Bonds	73,721,304
U.S. Treasury Strips	286,109
Total Investments	1,740,269,194
Invested Securities Lending Collateral (Note 4)	108,555,877
Total Assets	1,969,759,696

LIABILITIES

Compensated Absences Payable (Note 5)	18,383
Accounts Payable and Accrued Liabilities	13,499,042
Obligations Under Securities Lending (Note 4)	108,555,877
Obligations Under Reverse Repurchase Agreements	4,089,225
Other Investments Payable (Note 4)	125,286,657
OSERS Payable	1,772,186
Total Liabilities	253,221,370
Fiduciary Net Position - Restricted for Pension Benefits	\$ 1,716,538,326

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

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
 OMAHA SCHOOL EMPLOYEES RETIREMENT PLAN
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2024

ADDITIONS

Contributions:	
Member	\$ 45,530,864
Employer	91,466,712
State Service Annuity	1,899,886
Non-Employer (Note 2)	8,639,634
Total Contributions	<u>147,537,096</u>
 Investment Income:	
Net Appreciation in Fair Value of Investments	118,619,396
Interest and Dividends Income	33,934,389
Securities Lending Income	2,983,394
Total Investment Income	<u>155,537,179</u>
 Investment Expenses:	
Investment Expenses	(6,323,643)
Securities Lending Expenses	(2,853,545)
Total Investment Expenses	<u>(9,177,188)</u>
 Net Investment Income	 <u>146,359,991</u>
 Other Additions	 <u>2,940,481</u>
 Total Additions	 <u>296,837,568</u>

DEDUCTIONS

Benefits	149,833,772
Refunds of Contributions	7,855,604
Administrative Expenses	2,887,563
Total Deductions	<u>160,576,939</u>

Net Increase in Fiduciary Net Position 136,260,629

Fiduciary Net Position - Restricted for Pension Benefits:

Beginning of Year	<u>1,580,277,697</u>
End of Year	<u><u>\$ 1,716,538,326</u></u>

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

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
OMAHA SCHOOL EMPLOYEES RETIREMENT PLAN

NOTES TO THE FINANCIAL STATEMENTS

For the Calendar Year Ended December 31, 2024

1. Summary of Significant Accounting Policies

A. Basis of Presentation

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

B. Reporting Entity

In 1909, the Douglas County School District #0001 (District) began maintaining a retirement system for its teachers. Subsequently, the District added two more retirement systems, one covering non-teaching school employees and one covering school cafeteria employees. In 1951, the Nebraska State Legislature consolidated the three systems into one new system, which was called the Omaha School Employees' Retirement System (OSERS). The new system was a defined-benefit plan.

Effective September 1, 2024, OSERS's administration was transferred to the Nebraska Public Employees Retirement Board (Board). The Legislature created the Board in 1971 to administer the existing Nebraska retirement systems. Currently, the Board is responsible for the administration of six retirement plans and the Deferred Compensation Plan. The six retirement plans administered are the School Employees, State Patrol, Judges, State Employees, County Employees, and Omaha School Employees Retirement Plans.

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 Retirement System for the Omaha School Employees. 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 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 Plan 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 six 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, 2024, the Deferred Compensation Plan for the calendar year ended December 31, 2022, and the School Employees, Judges, and State Patrol Retirement Plans for the fiscal year ended June 30, 2024.

The Omaha School Employees Retirement Plan does not reflect all activity of NPERS.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
OMAHA SCHOOL EMPLOYEES RETIREMENT PLAN

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

1. Summary of Significant Accounting Policies (Continued)

C. Basic Financial Statements

Prior to September 1, 2024, the financial transactions of the Omaha School Employees Retirement Plan were included as a fiduciary fund of the District. The fund was accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, net position, additions, and deductions. This fund was used to report assets held in a trustee or agency capacity for others and, therefore, are not available to support the District's programs.

D. 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.

The Omaha School Employees Retirement Plan's 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 the Plan.

E. Cash in State Treasury

Prior to September 1, 2024, the Omaha School Employees Retirement Plan cash was considered to be cash on hand and demand deposits.

Effective September 1, 2024, 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.

F. Investments

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

Although the investments of the retirement 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.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
OMAHA SCHOOL EMPLOYEES RETIREMENT PLAN

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

1. Summary of Significant Accounting Policies (Concluded)

G. Net Realized Gains and Losses on Investments

Market value fluctuations and changes in yields make it beneficial to trade securities periodically. These trades are recommended by the investment managers and are intended to maximize growth and earnings. When a trade is executed, the market value is compared to the cost and any difference is recognized as net realized gain or loss. No adjustments are recognized for the anticipated change in growth or yield.

H. 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.

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 Plan's 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.

I. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of fiduciary net position and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

2. Plan Description and Contribution Information

A. Membership Information

Membership consisted of the following as of January 1, 2024, the date of the last valuation report:

Inactive members or their beneficiaries currently receiving benefits	5,411
Inactive members entitled to but not yet receiving benefits	1,628
Inactive nonvested members entitled to a refund of member contributions	1,657
Active members	6,713
Total	<u>15,409</u>

OSERS is administered under four membership tiers. Each membership tier's composition is defined in the most recent Annual Actuarial Report.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
OMAHA SCHOOL EMPLOYEES RETIREMENT PLAN

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

2. Plan Description and Contribution Information (Continued)

B. Plan Description

All full-time employees of the District and Educational Service Unit #19 are covered by the Omaha School Employees Retirement Plan (Plan). The Plan is a single-employer defined-benefit retirement plan. Participants should refer to the Class V School Employees Retirement Act, Neb. Rev. Stat. §§ 79-978 through 79-9,124 (Reissue 2024). Benefit and contribution provisions are established by State law and may be amended only by the Nebraska Legislature. The State of Nebraska has the authority under which the Plan provisions and obligations may be amended or established.

During 2021, the Nebraska 107th Legislature enacted Legislative Bill (LB) 147. LB 147 contained instituted governance changes to the administration of the Plan. Effective July 1, 2021, the management oversight was invested in the Omaha Public Schools Board of Education, giving the Omaha Public Schools Board of Education the authority to appoint seven members to the OSERS Transition Board of Trustees. The OSERS Transition Board of Trustees was a seven-member board consisting of the District Superintendent, two business community members, two representatives of the Omaha Public Schools Board of Education, and two members of the Plan. The Omaha Public Schools Board of Education also appointed the Administrator of OSERS.

Additionally, LB 147 mandated the transition of the administration of OSERS to the Board, effective September 1, 2024. The OSERS Transition Board and the Omaha Public Schools Board of Education were charged with ensuring the transition of administration by September 1, 2024.

C. Contributions

Employees of the District, and Educational Service Unit #19 are required to contribute 9.78 percent of their annual compensation paid in each fiscal year to the Plan. To maintain the solvency of the Plan, Neb. Rev. Stat. § 79-9,113(1)(d) (Reissue 2024) requires contributions by the District in any fiscal year beginning on or after September 1, 2018, to be the greater of 101 percent of employee contributions, or the actuarially determined contribution rate.

The actuarially determined contribution rate, as required by § 79-9,113(1)(d), resulted in an additional required contribution of \$33,686,180 as of August 31, 2024. The actual total additional contributions made by the District during the calendar year ended December 31, 2024, amounted to \$44,481,856 to meet solvency requirements.

The State of Nebraska contributes two percent of the employee's compensation. Administrative costs of the Plan are financed through investment earnings. 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.

D. Benefits Provided

Each employee who has completed five or more years of creditable service is eligible to elect a deferred vested service annuity in lieu of a refund of accumulated contributions. The Plan provides for various benefits, including normal retirement benefits, early retirement benefits, disability benefits, and pre-retirement and post-retirement survivor benefits. These benefits are paid monthly from the Plan. For members hired prior to July 1, 2013, the benefits under the Plan are based on an average of the highest three years of compensation earned by employees during their employment with the District, up to their normal retirement dates. For members hired on or after July 1, 2013, the benefits under the Plan are based on an average of the highest five years of compensation earned by employees during their employment with the District, up to their normal retirement dates.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
OMAHA SCHOOL EMPLOYEES RETIREMENT PLAN

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

2. Plan Description and Contribution Information (Concluded)

Employees who terminate employment with fewer than five years of creditable service can elect to receive a refund or a rollover of the employee's contributions, plus accrued interest.

For members hired prior to July 1, 2013, retirement benefits are increased by an annual, automatic cost of living adjustment (COLA) of 1.5 percent or the increase in the consumer price index (CPI), whichever is lower. For members hired on or after July 1, 2013, retirement benefits are increased by an annual, automatic COLA of 1.0 percent or the increase in the CPI, whichever is lower.

Following 10 full years of retirement, a medical cost of living supplement is paid. This supplement equals \$10 per month for each year retired and increases by \$10 each year to a maximum of \$250 per month. For retirees with less than 20 years of service, the benefit is reduced proportionately. For members hired on or after July 1, 2016, no State service annuity or medical COLA is provided.

Retirement eligibility rules for the Plan members are based on the member's date of hire in accordance with Neb. Rev. Stat. §§ 79-978 to 79-9,124 (Reissue 2024), known as the Class V School Employees Retirement Act.

3. Funded Status and Funding Progress

The components of the net pension liability of the Plan as of August 31, 2024, are as follows:

Total Pension Liability	\$ 2,820,989,575
Plan Fiduciary Net Position	<u>1,746,255,036</u>
Net Pension Liability	<u>\$ 1,074,734,539</u>
Ratio of Plan Fiduciary Net Position to Total Pension Liability	61.90%

Actuarial assumptions: The Total Pension Liability was determined based on an actuarial valuation as of January 1, 2024, rolled forward to August 31, 2024, using standard actuarial formulae and the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.55%
Wage inflation	3.05%
Salary increases, including price inflation...	3.05 – 6.45%
Long-term rate of return, net of investment expense, including price inflation.....	7.20%
Municipal bond index rate:	
Prior measurement date	3.77%
Measurement date.....	3.88%
Year fiduciary net position is expected to be depleted.....	N/A

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
OMAHA SCHOOL EMPLOYEES RETIREMENT PLAN

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

3. Funded Status and Funding Progress (Continued)

Single equivalent interest rate, net of investment expense, including price inflation:

Prior measurement date.....	7.30%
Measurement date	7.20%
Cost-of-living adjustments.....	1.50% for those who became members prior to July 1, 2013 1.00% for those who became members on or after July 1, 2013 Medical COLA of \$10 per month for each year retired (max \$250/month), for those who become members prior to July 1, 2016
Mortality	Active members use the Pub-2010 General Members (Median) Employee Mortality Table projected generationally using the NPERS projection scale. Retirees use the Pub-2010 General Members (Median) Retiree Mortality Table projected generationally using the NPERS projection scale. Beneficiaries use the Pub-2010 General Members (Median) Contingent Survivor Mortality Table projected generationally using the NPERS projection scale. Disabled retirees use the Pub-2010 Non-Safety Disabled Retiree Mortality Table, without generational improvement.
Actuarial cost method.....	Entry Age Normal
Amortization method.....	Level Percent of Payroll, Closed
Remaining amortization period	Layered bases with the Legacy base amortized over a closed 30-year period beginning January 1, 2019. Subsequent bases established prior to January 1, 2022, are amortized over a closed 30-year period beginning on the valuation date. All bases established on or after January 1, 2022, are amortized over a closed 25-year period beginning on the valuation date.
Asset valuation method	Market related smoothed value

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study, which covered the four-year period ending December 31, 2020. The experience study report is dated December 6, 2021.

Information relating to the discount rate used in the actuarial valuations is as follows:

Discount rate: The discount rate used to measure the total pension liability at August 31, 2024, was 7.20 percent. The discount rate used to measure the TPL at August 31, 2023, was 7.30 percent.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
OMAHA SCHOOL EMPLOYEES RETIREMENT PLAN

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

3. Funded Status and Funding Progress (Continued)

Projected cash flows: The projection of cash flows used to determine the discount rate assumed that plan contributions from plan members, the District, and the State of Nebraska will be made at the current contribution rates as set out in State statute:

- a) Employee contribution rate: 9.78 percent of compensation.
- b) District contribution rate: 101 percent of the employee contribution rate. In addition, if the statutory contribution rate is less than the actuarial determined contribution, the District will contribute the difference.
- c) State contribution rate: 2 percent of the members' compensation.
- d) Administrative expenses for the current and future years were assumed to be 0.24 percent of the current members' proportionate share of covered payroll.

Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on investments of 7.20 percent was applied to all periods of projected benefit payments to determine the total pension liability.

The fiduciary net position projections are based upon the Plan's financial status on the measurement date, the indicated set of methods and assumptions, and the requirements of GASB Statement No. 67. As such, the fiduciary net position projections are not reflective of the cash flows and asset accumulations that would occur on an ongoing basis, reflecting the impact of future members. Therefore, the results of this test do not necessarily indicate whether or not the fund will actually run out of money, the financial condition of the Plan, or the Plan's ability to make benefit payments in future years.

Long-term rate of return: The long-term expected rate of return on plan assets is reviewed as part of regular experience studies, prepared periodically. The most recent analysis was performed, and results were included in a report dated December 6, 2021. Generally, several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and an analysis in which best estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class, were developed by the Plan's investment consultant. These ranges were 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 then adding expected inflation. The capital market assumptions developed by the investment consultant may cover a shorter investment horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the long-term inflation assumption, or a fundamental change in the market that alters expected returns in future years.

Municipal bond rate: A municipal bond rate was not used in determining the discount rate. If it were required, the rate would be 3.88 percent on the measurement date.

Periods of projected benefit payments: Projected future benefit payments for all current members were projected through 2123.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
OMAHA SCHOOL EMPLOYEES RETIREMENT PLAN

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

3. Funding Status and Funding Progress (Concluded)

Assumed asset allocation: The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by the Nebraska Investment Council for the last experience study, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
U.S. Equity	27.00%	4.30%
Non-U.S. Equity	11.50%	5.30%
Global Equity	19.00%	4.90%
Fixed Income	30.00%	1.10%
Private Equity	5.00%	6.60%
Real Estate	7.50%	3.90%
Total	<u>100.00%</u>	

*Arithmetic mean, net of investment expenses

Sensitivity analysis: The following presents the Net Pension Liability of the Plan, calculated using the discount rate of 7.20 percent, as well as the Plan's Net Pension Liability calculated using a discount rate that is one percentage-point lower (6.20 percent) or one percentage-point higher (8.20 percent) than the current rate:

	<u>1% Decrease (6.20%)</u>	<u>Current Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
Total Pension Liability	\$ 3,186,442,484	\$ 2,820,989,575	\$ 2,517,737,771
Fiduciary Net Position	1,746,255,036	1,746,255,036	1,746,255,036
Net Pension Liability	<u>\$ 1,440,187,448</u>	<u>\$ 1,074,734,539</u>	<u>\$ 771,482,735</u>

4. Investments

Investments. The Plan investments must be in the custody of the State of Nebraska or deposited with an agent in the State's name. 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 Plan utilizes 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:

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
OMAHA SCHOOL EMPLOYEES RETIREMENT PLAN

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

4. Investments (Continued)

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets that the State has 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, are 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.

**Omaha School Employees Retirement Plan Investments as of December 31, 2024,
at Fair Value Measurement Using:**

	Fair Value	Level 1	Level 2	Level 3
Debt Securities:				
Asset Backed Securities	\$ 17,996,407	\$ -	\$ 17,996,407	\$ -
Bank Loans	19,980,449	-	19,980,449	-
Commingled Funds	153,004,109	118,350,335	34,653,774	-
Corporate Bonds	144,542,277	-	144,473,155	69,122
Derivative Instruments	(128,332)	(128,332)	-	-
Government Agency Securities	1,387,124	-	1,387,124	-
Government Agency Strips	27,332	-	27,332	-
International Notes and Bonds	9,505,426	-	9,505,426	-
International Government Agency Securities	3,360,027	-	3,360,027	-
Mortgages	120,156,779	-	120,156,779	-
Municipal Bonds	1,639,398	-	1,639,398	-
Short Term Investments	18,694,870	953,863	17,741,007	-
U.S. Treasury Notes and Bonds	73,721,304	-	73,721,304	-
U.S. Treasury Strips	286,109	-	286,109	-
	564,173,279	119,175,866	444,928,291	69,122
Other Investments:				
Commingled Funds	596,185,563	596,179,325	-	6,238
Derivative Instruments	1,239,518	153,926	1,084,246	1,346
Equity Securities	373,939,152	369,617,042	4,117,263	204,847
Total Investments at Fair Value Level	<u>\$ 1,535,537,512</u>	<u>\$ 1,085,126,159</u>	<u>\$ 450,129,800</u>	<u>\$ 281,553</u>
Investments Measured at the Net Asset Value (NAV):		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private Real Estate:			Quarterly	90 Days
Core	\$ 38,782,291	\$ -		
Non-Core	60,007,728	38,299,127		
Private Equity	105,941,663	35,579,412		
Total Investments Measured at NAV	<u>204,731,682</u>	<u>\$ 73,878,539</u>		
Total	1,740,269,194			
Securities Lending Collateral	108,555,877			
Total Investments at Fair Value	<u>\$ 1,848,825,071</u>			

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
OMAHA SCHOOL EMPLOYEES RETIREMENT PLAN

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

4. Investments (Continued)

Debt securities and other investments classified in Level 1 of the fair value hierarchy 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, U.S. Treasury Strips, Government Agency Securities, 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;
- Asset Backed Securities, Bank Loans, and Mortgages: matrix pricing, based on accepted modeling and pricing conventions, of the securities' relationship to benchmark quoted prices;
- Commingled Funds: published fair value per share (unit) for each fund.

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

Certain investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) have not been categorized in the fair value hierarchy. The fair value amounts at NAV presented in the above table are intended to permit reconciliation of the fair value hierarchy to the amount presented in the 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 Plan values these investments based on the partnerships' audited financial statements. If December 31 statements are available, those values are used preferentially. However, some partnerships have fiscal years ending at other than December 31. If December 31 valuations are not available, the value is progressed from the most recently available valuation taking into account subsequent calls and distributions. The NAV table also presents the unfunded commitments, redemption frequency (if currently eligible), and the redemption notice period for the Plan 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. Investments loaned to broker-dealers and banks under the securities lending program, totaling \$108,555,877 in Securities Lending Collateral, were not classified for fair value measurement purposes.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
OMAHA SCHOOL EMPLOYEES RETIREMENT PLAN

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

4. Investments (Continued)

Omaha School Employees Retirement Plan Investments at December 31, 2024

	Fair Value	Effective Duration
Debt Securities:		
Asset Backed Securities	\$ 17,996,407	1.76
Bank Loans	19,980,449	0.06
Commingled Funds	153,004,109	4.85
Corporate Bonds	144,542,277	4.61
Derivative Instruments	(128,332)	-
Government Agency Securities	1,387,124	9.14
Government Agency Strips	27,332	5.26
International Notes and Bonds	9,505,426	7.02
International Government Agency Securities	3,360,027	5.68
Mortgages	120,156,779	5.80
Municipal Bonds	1,639,398	7.54
Short Term Investments	18,694,870	0.01
U.S. Treasury Strips	286,109	16.96
U.S. Treasury Notes and Bonds	73,721,304	8.73
	<hr/> 564,173,279	
Other Investments:		
Commingled Funds	596,185,563	
Equity Securities	373,939,152	
Private Equity	105,941,663	
Derivative Instruments	1,239,518	
Private Real Estate	98,790,019	
	<hr/> 1,740,269,194	
Total Investments	1,740,269,194	
Securities Lending Collateral	108,555,877	
	<hr/>	
Total	\$ 1,848,825,071	
	<hr/> <hr/>	

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 investments full price. The State does not have a policy that addresses interest rate risk.

The Plan investments at December 31, 2024, were presented above. All investments are presented by investment type, and debt securities are presented with an effective duration presented in years.

Credit Risk of Debt Securities. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The State has contracts with investment managers that set minimum average quality ratings for its core fixed income accounts at an A. The maximum exposure to any single investment grade issuer, excluding the 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. The primary government's rated debt investments as of December 31, 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.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
OMAHA SCHOOL EMPLOYEES RETIREMENT PLAN

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

4. Investments (Continued)

Omaha School Employees Retirement Plan Investments at December 31, 2024

	Quality Ratings					
	Fair Value	AAA	AA	A	BBB	BB
Asset Backed Securities	\$ 17,996,407	\$ 12,098,624	\$ 300,182	\$ 189,158	\$ 973,636	\$ 944,484
Bank Loans	19,980,449	-	-	-	125,298	2,855,901
Commingled Funds	153,004,109	-	-	-	-	-
Corporate Bonds	144,542,277	671,119	1,499,346	28,086,934	80,673,499	19,883,372
Derivative Instruments	(128,332)	-	-	-	-	-
Government Agency Securities	1,387,124	143,488	1,224,228	-	-	-
Government Agency Strips	27,332	-	27,332	-	-	-
International Notes and Bonds	9,505,426	163,785	667,222	464,652	2,471,793	2,800,327
International Government Agency Securities	3,360,027	-	793,897	427,156	1,035,905	338,543
Mortgages	120,156,779	17,929,765	1,127,557	137,876	57,390	182,305
Municipal Bonds	1,639,398	429,493	891,326	14,287	270,122	34,170
Short Term Investments	18,694,870	-	-	-	-	-

	Quality Ratings					
	B	CCC	CC	C	D	Unrated
Asset Backed Securities	\$ 210,989	\$ 92,191	\$ 253,762	\$ 152,861	\$ 666,450	\$ 2,114,070
Bank Loans	11,331,391	1,148,521	101,155	-	-	4,418,183
Commingled Funds	-	-	-	-	-	153,004,109
Corporate Bonds	8,851,795	2,971,268	521,313	41,375	-	1,342,256
Derivative Instruments	-	-	-	-	-	(128,332)
Government Agency Securities	-	-	-	-	-	19,408
Government Agency Strips	-	-	-	-	-	-
International Notes and Bonds	1,041,937	725,504	8,478	-	-	1,161,728
International Government Agency Securities	720,285	-	-	-	-	44,241
Mortgages	49,707	76,083	212,384	-	201,369	100,182,343
Municipal Bonds	-	-	-	-	-	-
Short Term Investments	-	-	-	-	-	18,694,870

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 December 31, 2024, the State had no debt security investments, from a single entity, that comprised more than five percent of total investments.

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, equity securities, corporate bonds, commingled funds, 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.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
OMAHA SCHOOL EMPLOYEES RETIREMENT PLAN

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

4. Investments (Continued)

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.

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. The exposure to foreign currency risk is presented in the following table.

Omaha School Employees Retirement Plan Foreign Currency at December 31, 2024

	Australian Dollar	Brazilian Real	British Pound Sterling	Canadian Dollar	Chilean Peso	Chinese Yuan Renminbi
Asset Backed Securities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bank Loans	-	-	339,617	-	-	-
Corporate Bonds	-	-	1,004,824	-	-	-
Derivative Instruments	(130,541)	227,560	(2,799,275)	(550,618)	-	-
Equity Securities	254,590	2,527,347	17,456,668	6,409,927	29,304	7,938,395
International Notes and Bonds	-	-	792,909	163,785	-	-
International Government Agency Securities	-	-	56,778	-	-	-
Mortgages	-	-	736,763	-	-	-
Municipal Bonds	-	-	-	352,137	-	-
Short Term Investments	33,218	2,599	128,164	65,703	-	(375)
Total	\$ 157,267	\$ 2,757,506	\$ 17,716,448	\$ 6,440,934	\$ 29,304	\$ 7,938,020

	Colombian Peso	Czech Koruna	Danish Krone	Euro Currency	Hong Kong Offshore Chinese Yuan Renminbi	Hong Kong Dollar
Asset Backed Securities	\$ -	\$ -	\$ -	\$ 2,033,741	\$ -	\$ -
Bank Loans	-	-	-	6,103,706	-	-
Corporate Bonds	-	-	-	5,058,164	-	-
Derivative Instruments	-	(2,395)	(18,763)	(15,220,925)	(270,445)	-
Equity Securities	5,142	-	4,923,710	33,986,796	6,746,895	6,494,867
International Notes and Bonds	-	-	-	1,239,584	-	-
International Government Agency Securities	-	-	-	674,243	-	-
Mortgages	-	-	-	-	-	-
Municipal Bonds	-	-	-	-	-	-
Short Term Investments	-	5,460	456,763	417,025	273,911	10,091
Total	\$ 5,142	\$ 3,065	\$ 5,361,710	\$ 34,292,334	\$ 6,750,361	\$ 6,504,958

(Continued on Next Page)

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
OMAHA SCHOOL EMPLOYEES RETIREMENT PLAN

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

4. Investments (Continued)

Omaha School Employees Retirement Plan Foreign Currency at December 31, 2024
(Concluded)

	Hungarian Forint	Indian Rupee	Indonesian Rupiah	Japanese Yen	Kuwaiti Dinar	Malaysian Ringgit
Asset Backed Securities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bank Loans	-	-	-	-	-	-
Corporate Bonds	-	-	-	-	-	-
Derivative Instruments	-	771,596	197,070	44,442	-	-
Equity Securities	37,260	-	64,590	15,073,239	301,152	430,942
International Notes and Bonds	-	-	268,226	-	-	-
International Government Agency Securities	-	-	-	-	-	-
Mortgages	-	-	-	-	-	-
Municipal Bonds	-	-	-	-	-	-
Short Term Investments	932	-	-	(38,051)	-	-
Total	\$ 38,192	\$ 771,596	\$ 529,886	\$ 15,079,630	\$ 301,152	\$ 430,942

	Mexican Peso	New Israeli Shekel	New Taiwan Dollar	New Zealand Dollar	Norwegian Krone	Peruvian Nuevo Sol
Asset Backed Securities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bank Loans	-	-	-	-	-	-
Corporate Bonds	-	-	-	-	-	-
Derivative Instruments	94,121	(89,428)	(530,933)	18,886	(9,428)	(190,160)
Equity Securities	119,996	1,063,857	-	-	895,546	-
International Notes and Bonds	139,098	68,779	-	-	-	131,321
International Government Agency Securities	18,364	-	-	-	-	-
Mortgages	-	-	-	-	-	-
Municipal Bonds	-	-	-	-	-	65,203
Short Term Investments	8,128	8,110	-	4	31,928	1,130
Total	\$ 379,707	\$ 1,051,318	\$ (530,933)	\$ 18,890	\$ 918,046	\$ 7,494

	Philippine Peso	Polish Zloty	Singapore Dollar	South African Rand	South Korean Won	Swedish Krona
Asset Backed Securities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bank Loans	-	-	-	-	-	-
Corporate Bonds	-	-	-	-	-	-
Derivative Instruments	-	172,476	(17,592)	(284,777)	(232,820)	-
Equity Securities	81,109	811,226	332,024	469,984	1,976,263	785,023
International Notes and Bonds	-	-	-	762,439	-	-
International Government Agency Securities	-	-	-	-	-	-
Mortgages	-	-	-	-	-	-
Municipal Bonds	-	-	-	-	-	-
Short Term Investments	-	1,881	19,061	71,489	-	1,427
Total	\$ 81,109	\$ 985,583	\$ 333,493	\$ 1,019,135	\$ 1,743,443	\$ 786,450

	Swiss Franc	Thailand Baht	Turkish Lira	United Arab Emirates Dirham	Total
Asset Backed Securities	\$ -	\$ -	\$ -	\$ -	\$ 2,033,741
Bank Loans	-	-	-	-	6,443,323
Corporate Bonds	-	-	-	-	6,062,988
Derivative Instruments	(175,024)	-	395,539	-	(18,601,434)
Equity Securities	4,194,591	360,573	67,387	1,031,592	114,869,995
International Notes and Bonds	-	-	25,311	-	3,591,452
International Government Agency Securities	-	-	-	-	749,385
Mortgages	-	-	-	-	736,763
Municipal Bonds	-	-	-	-	417,340
Short Term Investments	41,257	522	9,925	-	1,550,302
Total	\$ 4,060,824	\$ 361,095	\$ 498,162	\$ 1,031,592	\$ 117,853,855

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
OMAHA SCHOOL EMPLOYEES RETIREMENT PLAN

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

4. Investments (Continued)

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. The net change in futures and options contract values are settled daily in cash with the exchanges. Swaps represent an exchange of streams of payments over time according to specified terms. All changes in fair value of derivative instruments are reflected in investment income, and the fair value of derivative instruments at December 31, 2024, are reflected in investments. The fair value balances and notional amounts of derivative instruments outstanding at December 31, 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 December 31, 2024			
Derivative Instrument	Change in Fair Value	Fair Value	Notional
Credit Default Swaps	\$ 141,638	\$ 143,986	\$ 5,089,018
Credit Default Swaption	225	-	-
Fixed Income Futures	(523,039)	(127,740)	24,332,897
Fixed Income Options	51,427	(783)	(88,716)
Foreign Currency Options	3,301	971	49,686
FX Forwards	1,386,179	187,420	-
Interest Rate Swaps	265,248	763,710	(15,257,291)
Interest Rate Swaption	108,435	(10,495)	977,300
Rights	1,509	-	-
Return Swaps	571	-	-
Warrants	(63,298)	154,117	-
Total	<u>\$ 1,372,196</u>	<u>\$1,111,186</u>	<u>\$ 15,102,894</u>

The change in fair value denotes the net realized and unrealized gains and losses recognized during the period. The fair value of the derivative instruments at December 31, 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 Plan is 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 Plan has never failed to access collateral when required.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
OMAHA SCHOOL EMPLOYEES RETIREMENT PLAN

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

4. Investments (Continued)

The aggregate fair value of derivative instruments in asset positions at December 31, 2024, was \$304,531. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. No collateral is held or liabilities included in netting arrangements with those counterparties; therefore, the net exposure to credit risk is \$304,531.

Although the State executes derivative instruments with various counterparties, the Plan has a net exposure to credit risk of approximately 90 percent, held with six counterparties. The counterparties are rated A, AA, or unrated.

The State is exposed to interest rate risk on its 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 State's interest rate swaps were fixed with a SOFR (Secured Overnight Financing Rate).

The foreign currency risk for derivative instruments at December 31, 2024, is as follows:

Derivative Instruments Foreign Currency at December 31, 2024						
Currency	Exchange Cleared Swaps	Foreign Exchange Contracts	Interest Rate Contracts	Margined Options	Swaps	Swaption
Australian Dollar	\$ 11,717	\$ 6,747	\$ -	\$ -	\$ -	\$ -
Brazilian Real	-	(16,109)	-	-	-	-
British Pound Sterling	277	10,857	(14,064)	-	-	(623)
Canadian Dollar	(45,451)	1,250	17,239	-	-	-
Czech Koruna	(762)	8	-	-	-	-
Danish Krone	-	328	-	-	-	-
Euro Currency	(283)	135,677	24,869	(783)	18,955	(6,002)
Indian Rupee	-	(10,658)	-	-	-	-
Indonesian Rupiah	-	(3,955)	-	-	-	-
New Israeli Shekel	-	(1,459)	-	-	-	-
Japanese Yen	135,378	4,344	-	-	-	-
Mexican Peso	-	(3,755)	-	-	-	-
New Taiwan Dollar	-	14,203	-	-	-	-
New Zealand Dollar	-	(961)	-	-	-	-
Norwegian Krone	-	237	-	-	-	-
Peruvian Nuevo Sol	-	1,312	-	-	-	-
Polish Zloty	-	(3,092)	-	-	-	-
Singapore Dollar	-	244	-	-	-	-
South African Rand	-	20,522	-	-	-	-
South Korean Won	-	12,174	-	-	-	-
Swiss Franc	-	5,024	-	-	-	-
Turkish Lira	-	11,209	-	-	-	-
Hong Kong Offshore	-	-	-	-	-	-
Chinese Yuan Renminbi	-	3,275	-	-	-	-
Total	\$ 100,876	\$ 187,422	\$ 28,039	\$ (783)	\$18,955	\$ (6,625)

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
OMAHA SCHOOL EMPLOYEES RETIREMENT PLAN

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

4. Investments (Concluded)

Other Investment Receivables/Other Investment Payables. Other investment 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 Plan owns the asset. However, if the security has not settled, payment has not been received or made. Receivables and payables for investments sold and purchased represent securities in which the asset had been recorded as of December 31, 2024, but the security had not settled.

Annual Money-Weighted Rate of Return. The annual money-weighted rate of return on Plan investments, net of investment expense, was 9.28 percent for the year ended December 31, 2024. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

5. Changes in Compensated Absences Payable

Changes in compensated absences payable for the calendar year ended December 31, 2024, are summarized as follows:

Beginning Balance	\$	16,558
Increases		3,978
Decreases		2,153
Ending Balance	\$	18,383
Amounts Due Within One Year	\$	2,574

6. 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, motor vehicle liability and physical damage, employee health care, employee indemnification, and workers' compensation. The State has chosen to purchase insurance for:

- A. Life insurance for eligible employees.
- B. Crime coverage, with a limit of \$11,000,000 per occurrence and a deductible of \$1,000,000 per occurrence subject to specific conditions, limits, and exclusions.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
OMAHA SCHOOL EMPLOYEES RETIREMENT PLAN

NOTES TO THE FINANCIAL STATEMENTS
(Concluded)

6. Contingencies and Commitments (Concluded)

- C. Real and personal property on a blanket basis for losses up to \$200,000,000, with an all-other perils deductible of \$1,000,000 per loss occurrence. Newly acquired properties are covered up to \$10,000,000 for 90 days. If not reported after 90 days, the property is covered for \$5,000,000 under the miscellaneous unnamed location coverage. There is a wind and hail limit on the real and personal property of \$96,250,000. This coverage does not apply ground up. The perils of flood, earthquake, and acts of terrorism have various coverage, sub-limits, and self-insurance. State agencies have the option to purchase building contents and inland marine coverage.

Details of the various insurance coverages are available from the Nebraska Department of Administrative Services – Risk Management Division.

In calendar year 2024, one settlement of \$7,450,000 exceeded insurance coverage by \$2,050,000. No other claims have exceeded coverage in the last three years. Workers' compensation is funded in the Workers' Compensation Internal Service Fund through assessments on each agency based on total agency payroll and past experience. Tort claims, theft of, damage to, or destruction of assets, errors or omissions, and natural disasters would be funded through the State General Fund or by individual agency assessments, as directed by the Legislature, unless covered by purchased insurance. No amounts for estimated claims have been reported in the 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 NPERS, 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 approved by the Legislature.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
 OMAHA SCHOOL EMPLOYEES RETIREMENT PLAN
SCHEDULE OF CHANGES IN THE NET POSITION LIABILITY
 LAST 10 FISCAL YEARS ENDING AUGUST 31
 (Thousands of Dollars)
 (Unaudited)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
TOTAL PENSION LIABILITY:										
Service cost at end of year	\$ 52,460	\$ 49,212	\$ 47,817	\$ 46,029	\$ 43,490	\$ 42,354	\$ 37,704	\$ 37,821	\$ 39,451	\$ 38,242
Interest on total pension liability	190,014	181,574	177,118	168,343	163,027	159,150	152,896	144,648	138,933	133,768
Difference between expected and actual experience	23,367	49,437	16,803	45,177	2,015	(17,656)	19,474	26,757	7,104	(501)
Changes of assumptions	29,462	24,519	(1,595)	-	-	-	-	141,348	-	-
Other*	2,865	1,342	3,637	2,290	1,808	1,991	1,832	2,088	1,946	2,919
Benefit payments, including member refunds	(157,459)	(156,216)	(147,214)	(142,546)	(136,485)	(131,896)	(125,272)	(118,997)	(113,106)	(106,735)
Net change in total pension liability	140,709	149,868	96,566	119,293	73,855	53,943	86,634	233,665	74,328	67,693
TOTAL PENSION LIABILITY-beginning of year	2,680,280	2,530,412	2,433,846	2,314,553	2,240,698	2,186,755	2,100,121	1,866,456	1,792,128	1,724,435
TOTAL PENSION LIABILITY-end of year	\$ 2,820,989	\$ 2,680,280	\$ 2,530,412	\$ 2,433,846	\$ 2,314,553	\$ 2,240,698	\$ 2,186,755	\$ 2,100,121	\$ 1,866,456	\$ 1,792,128
PLAN FIDUCIARY NET POSITION										
Contributions-employer	\$ 89,458	\$ 77,213	\$ 69,138	\$ 61,411	\$ 57,033	\$ 57,268	\$ 55,564	\$ 47,981	\$ 33,903	\$ 33,109
Contributions-state	8,398	7,798	7,534	7,290	7,302	7,420	7,111	6,897	6,661	6,453
Contributions-member	43,515	42,382	39,262	36,891	35,295	35,614	36,327	34,883	33,764	32,584
Net investment income	220,388	110,193	(144,671)	290,971	118,829	31,298	85,795	73,217	15,375	(51,214)
Benefit payments, including member refunds	(157,459)	(156,215)	(147,214)	(142,546)	(136,485)	(131,896)	(125,272)	(118,997)	(113,106)	(106,735)
Administrative expense	(1,945)	(1,608)	(894)	(952)	(890)	(1,087)	(867)	(1,384)	(1,290)	(814)
Other*	2,208	1,394	3,638	2,289	1,841	3,160	1,844	2,090	2,082	3,002
Net change in plan fiduciary net position	204,563	81,157	(173,207)	255,354	82,925	1,777	60,502	44,687	(22,611)	(83,615)
PLAN FIDUCIARY NET POSITION-beginning of year	1,541,691	1,460,534	1,633,741	1,378,387	1,295,462	1,293,685	1,233,183	1,188,496	1,211,107	1,294,722
PLAN FIDUCIARY NET POSITION-end of year	\$ 1,746,254	\$ 1,541,691	\$ 1,460,534	\$ 1,633,741	\$ 1,378,387	\$ 1,295,462	\$ 1,293,685	\$ 1,233,183	\$ 1,188,496	\$ 1,211,107
NET PENSION LIABILITY	\$ 1,074,735	\$ 1,138,589	\$ 1,069,878	\$ 800,105	\$ 936,166	\$ 945,236	\$ 893,070	\$ 866,938	\$ 677,960	\$ 581,021
Ratio of plan fiduciary net position to total pension liability	61.90%	57.52%	57.72%	67.13%	59.55%	57.82%	59.16%	58.72%	63.68%	67.58%
Covered payroll	\$ 444,936	\$ 433,356	\$ 401,451	\$ 377,207	\$ 360,891	\$ 364,154	\$ 371,440	\$ 356,676	\$ 345,231	\$ 333,166
Net pension liability as a percentage of covered payroll	241.55%	262.74%	266.50%	212.11%	259.40%	259.57%	240.43%	243.06%	196.38%	174.39%

* Effective 2015, other amounts include transfer of assets of state service annuity liabilities transferred to OSERS and purchases of service. For 2024, these amounts were \$2,325 and \$540, respectively.

Note: LB 147, Laws 2021 changed the reporting period for OSERS from a fiscal year end of August 31, to the calendar year ended December 31. However, generally accepted accounting principles require the information on the Schedule of Changes in the Net Pension Liability to be reported on the entity's fiscal year end which is still August 31, per Neb. Rev. Stat. § 79-978(19) (Reissue 2024).

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
 OMAHA SCHOOL EMPLOYEES RETIREMENT PLAN
SCHEDULE OF CHANGES IN EMPLOYER AND NON-EMPLOYER CONTRIBUTIONS
 LAST 10 FISCAL YEARS ENDING AUGUST 31
 (Thousands of Dollars)
 (Unaudited)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 86,060	\$ 80,011	\$ 68,991	\$ 66,756	\$ 62,803	\$ 61,631	\$ 62,637	\$ 57,674	\$ 37,906	\$ 34,614
Employer statutory	43,976	42,781	39,655	37,266	35,676	35,967	36,664	35,231	33,903	33,109
Employer additional	45,482	34,432	29,483	24,145	21,357	21,300	18,900	12,750	-	-
Non-employer (State)*	8,398	7,798	7,534	7,290	7,302	7,420	7,111	6,897	6,661	6,453
Total actual contributions	97,856	85,011	76,672	68,701	64,335	64,687	62,675	54,878	40,564	39,562
Annual contribution deficiency (excess)	(11,796)	(5,000)	(7,681)	(1,945)	(1,532)	(3,056)	(38)	2,796	(2,658)	(4,948)
Covered payroll	<u>\$ 444,936</u>	<u>\$ 433,356</u>	<u>\$ 401,451</u>	<u>\$ 377,207</u>	<u>\$ 360,891</u>	<u>\$ 364,154</u>	<u>\$ 371,440</u>	<u>\$ 356,676</u>	<u>\$ 345,231</u>	<u>\$ 333,166</u>
Actual contributions as a percentage of covered payroll	<u>21.99%</u>	<u>19.62%</u>	<u>19.10%</u>	<u>18.21%</u>	<u>17.83%</u>	<u>17.76%</u>	<u>16.87%</u>	<u>15.39%</u>	<u>11.75%</u>	<u>11.87%</u>

* Excludes transfer of monies from the Nebraska Public Employees Retirement Systems to fund the liabilities transferred to the system for the service annuity for retirees in the last fiscal year.

Note: This schedule relates to both the employer (School District) and non-employer contributing entities (State of Nebraska).

Note: LB 147, Laws 2021 changed the reporting period for OSERS from a fiscal year end of August 31, to the calendar year ended December 31. However, generally accepted accounting principles require the information on the Schedule of Changes in Employer and Non-Employer Contributions to be reported on the entity's fiscal year end which is still August 31, per Neb. Rev. Stat. § 79-978(19) (Reissue 2024).

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
OMAHA SCHOOL EMPLOYEES RETIREMENT PLAN
SCHEDULE OF INVESTMENT RETURNS
LAST 10 FISCAL YEARS ENDING AUGUST 31
(Unaudited)

**Annual Money-Weighted Rate of Return,
Net of Investment Expense**

2024	15.71%
2023	7.81%
2022	-7.44%
2021	23.70%
2020	7.71%
2019	2.17%
2018	7.45%
2017	9.92%
2016	1.69%
2015	-3.38%

**OSERS revised its money-weighted rate of return calculation. Therefore, this schedule will not agree to its fiscal year audit reports for 2021 and earlier.*

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
OMAHA SCHOOL EMPLOYEES RETIREMENT PLAN

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

For the Last 10 Fiscal Years Ending August 31
(Unaudited)

The Omaha School Employees Retirement Plan is funded by statutory contribution rates for members, the Douglas County School District #001 (District), and the State of Nebraska. If the statutory contribution rate is less than the actuarially determined contribution, the District will contribute the difference. The actuarially determined contributions in the schedule of employer contributions are calculated as of the valuation date that falls within the fiscal year in which contributions are reported.

The following actuarial methods and assumptions were used to determine the actuarially determined contribution reported for the most recent measurement date, August 31, 2024 (based on the January 1, 2024, actuarial valuation).

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed.
Remaining amortization period	Layered bases with the Legacy base amortized over a closed 30-year period beginning January 1, 2019. Subsequent bases established prior to January 1, 2022, are amortized over a closed 30-year period beginning on the valuation date. All bases established on or after January 1, 2022, are amortized over a closed 25-year period beginning on the valuation date.
Asset Valuation method	Market related smoothed value
Price inflation	2.55%
Salary increases, including price inflation	3.05 – 6.45%
Long-term rate to return, net of Investment expense, including price inflation	7.20%
Cost-of-living adjustments	1.50% for those who became members prior to July 1, 2013 1.00% for those who became members on or after July 1, 2013 Medical COLA of \$10 per month for each year retired (max \$250/month), for those who became members prior to July 1, 2016

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
OMAHA SCHOOL EMPLOYEES RETIREMENT PLAN

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
(Continued)

Changes of benefit and funding terms: The following changes to the plan provisions were made by the Nebraska Legislature and reflected in the valuation performed as of September 1 (January 1 starting in 2017) listed below:

2022: The 2021 session of the Nebraska Legislature enacted Legislative Bill 147 (LB 147), which modified the eligibility requirements to participate in the System. Employees who are contracted for less than 30 hours per week are eligible to participate in the System if they average more than 30 hours per week during any three calendar months of a fiscal year. No census data was received to allow quantification of the impact of LB 147 on the January 1, 2022, valuation.

2018: The 2017 session of the Nebraska Legislature enacted Legislative Bill 415 (LB 415), which changed the retirement provisions for members hired on or after July 1, 2018, to match the School Employees Retirement System of the State of Nebraska. Retirement eligibility for members hired on or after July 1, 2018, is set at age 60 with 85 points (age plus service) or age 60 with five years of service. Benefits are unreduced at age 60 with 85 points. Early retirement eligibility is age 60 with five years of service. No medical COLA is provided for members hired on or after July 1, 2018.

The 2018 session of the Nebraska Legislature enacted Legislative Bill 1005 (LB 1005), which states that the District must contribute an amount equal to or greater than the actuarially required contribution rate provided in the most recent valuation report.

2017: The 2016 session of the Nebraska Legislature enacted Legislative Bill 447 (LB 447), which changed the retirement provisions for members hired on or after July 1, 2016, to match the Schools Employees Retirement System of the State of Nebraska. Retirement eligibility for members hired on or after July 1, 2016, is set at 35 years of services, age 55 with 85 points (age plus service) or age 60 with five years of service. Benefits are unreduced with 35 years of service or at the age 55 with 85 points. Early retirement eligibility is age 60 with five years of service. No medical COLA is provided for members hired on or after July 1, 2016.

Changes in actuarial assumptions:

January 1, 2024, valuation:

- The investment return assumption was lowered from 7.30% to 7.20%.
- The inflation assumption was lowered from 2.60% to 2.55%.
- The assumed interest rate credited on employee contributions was lowered from 2.60% to 2.55%.
- The general wage increase assumption was lowered from 3.10% to 3.05%.

January 1, 2023, valuation:

- The investment return assumption was lowered from 7.40% to 7.30%.
- The inflation assumption was lowered from 2.70% to 2.60%.
- The assumed interest rate credited on employee contributions was lowered from 2.70% to 2.60%.
- The general wage increase assumption was lowered from 3.20% to 3.10%.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
OMAHA SCHOOL EMPLOYEES RETIREMENT PLAN

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
(Continued)

January 1, 2022, valuation:

- The investment return assumption was lowered from 7.50% to 7.40%.
- The inflation assumption was lowered from 2.75% to 2.70%.
- The assumed interest rate credited on employee contributions was lowered from 2.75% to 2.7%.
- The general wage increase assumption was lowered from 3.25% to 3.20%.
- The mortality assumption was changed to the Pub-2010 General Members (Median) Mortality Tables projected with generational mortality improvements modeled using the NPERS projection scale. No generational mortality improvement is reflected for disabled members.
- Termination rates were modified for both certificated and classified employees.
- Retirement rates were modified for both certificated and classified employees.
- The probability of a vested member electing a refund upon termination was adjusted for both Certificated and Classified members and is now based on years of service.
- The active member marriage assumption was reduced from 100% to 85%.
- The salary increase assumption was changed to reflect the lower general wage inflation, and the merit salary scale was adjusted to reflect better observed experience.
- An explicit assumption for administrative expenses was adopted as a component of the actuarial contribution rate and was set to 0.24% of pay.
- The amortization period for future amortization bases was reduced from 30 to 25 years.

January 1, 2021, valuation:

- Valuation salaries are imputed using each member's contribution amount during the prior year. For members who did not work a full year, their salaries are annualized using current salary rates.

January 1, 2019, valuation:

- The amortization of the Unfunded Actuarial Assumed Liability (UAAL) was changed to reset the legacy UAAL over a 30-year period beginning on January 1, 2019. New pieces of UAAL are also amortized over a 30-year period beginning on the valuation date.

January 1, 2017, valuation:

- The investment return assumption was lowered from 8% to 7.5%.
- The inflation assumption was lowered from 3% to 2.75%.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
OMAHA SCHOOL EMPLOYEES RETIREMENT PLAN

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
(Concluded)

- The assumed interest rate credited on employee contributions was lowered from 3% to 2.75%.
- The general wage increase assumption was lowered from 4% to 3.25%.
- The mortality assumption was changed to the RP-2014 Mortality Table, with a one-year set forward for males and a one-year age setback from females. Generational mortality improvements are modeled using the MP-2016 scale.
- Retirement rates were modified for both certificated and classified employees.
- The probability of electing a refund at termination was modified for classified employees.
- Termination rates for certificated employees were changed to be the same regardless of gender and are purely service based for both certificated and classified employees.
- The salary increase assumption was changed to a service-based assumption for both certificated and classified employees.
- The amortization of the UAAL was changed to a “layered” approach with new pieces of UAAL amortized over a 25-year period beginning on the valuation date, while the legacy UAAL continues to be amortized on its current schedule.
- The valuation date changed from September 1 to January 1.



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NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS OMAHA SCHOOL EMPLOYEES RETIREMENT PLAN

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 (*Government Auditing Standards*), the financial statements of the Nebraska Public Employees Retirement Systems – Omaha School Employees Retirement Plan (Plan) as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements, and have issued our report thereon dated September 22, 2025. The report was modified to emphasize that the financial statements present only the funds of the Plan.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control that we consider to be significant deficiencies that are described in the Comments Section of the report: Comment Number 1 ("GASB Statement No. 67 Report Review Procedures"), Comment Number 2 ("Financial Statement Errors"), Comment Number 3 ("Asset Capitalization Errors"), Comment Number 4 ("PeopleSoft System Issues"), Comment Number

5 (“Lack of Adequate Controls Over Benefits, Refunds, and Expenditures”), and Comment Number 6 (“Retirement Benefit Issues”).

Report on Compliance and Other Matters

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

Additional Items

We also noted certain additional items that we reported to management of the Plan in the Comments Section of this report as Comment Number 7 (“Member Refund Issues”), Comment Number 8 (“Errors in Purchase of Prior Service Credit”), and Comment Number 9 (“Incorrect Service Credit Balances”).

Plan Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Plan’s responses to the findings identified in our audit and described in the Comments Section of the report. The Plan’s responses were not subjected to other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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



Lincoln, NE
September 22, 2025

Zachary Wells, CPA, CISA
Assistant Deputy Auditor