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, 2025

Issued on July 22, 2026

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
OMAHA SCHOOL EMPLOYEES RETIREMENT PLAN

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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 people 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 Employees' Retirement System;
- ♦ One participant in the State Employees' Retirement System; and
- ♦ One participant in the Omaha School Employees' Retirement System, effective September 1, 2024.

Two appointed members must meet the following requirements:

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

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 2026 Annual Report to the Legislative Retirement Committee, available on the Nebraska Public Employees Retirement Systems webpage, npers.ne.gov, under the “Member Info” and “Publications” sections.

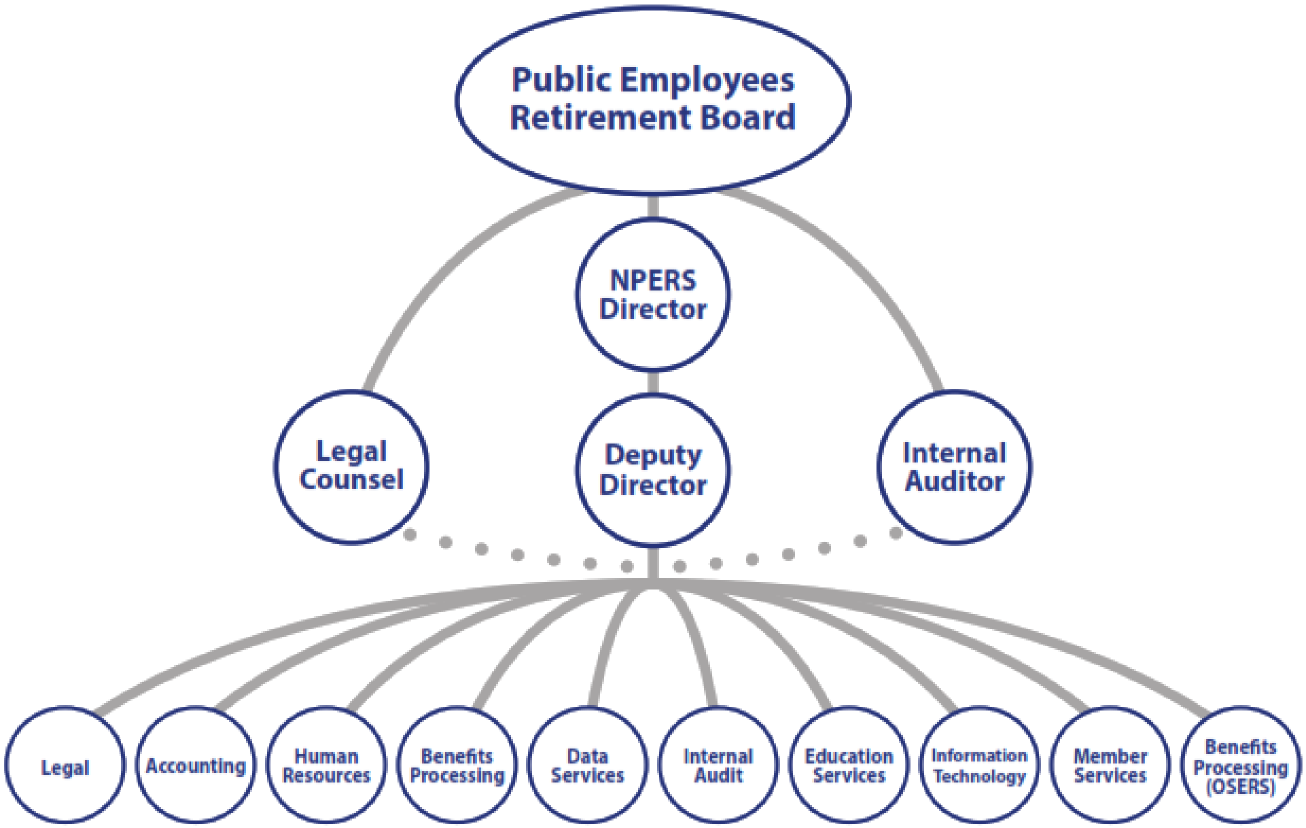
MISSION STATEMENT

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

VISION

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

ORGANIZATIONAL CHART



NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
OMAHA SCHOOL EMPLOYEES RETIREMENT PLAN

KEY OFFICIALS AND AGENCY CONTACT INFORMATION

Public Employees Retirement Board Members
As of December 31, 2025

Janis Elliott
Chairperson – School Member
Term Ending January 1, 2029

Thomas Zimmerman
Vice Chair – Judge Member
Term Ended January 1, 2026

Jacob Curtiss
School Member
Term Ending January 1, 2030
(Appointed February 2025)

Michael Donley
State Member
Term Ending January 1, 2030
(Appointed May 2025)

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 Ended January 1, 2026

Brent Larson
Omaha School Member
Term Ending January 1, 2029
(Appointed May 2025)

Ellen Hung
Ex-Officio (State Investment Officer)

Nebraska Public Employees Retirement Systems Executive Management

Tyler Cummings
Interim Director
(Resigned April 2026)

Tag Herbek
Legal Counsel/
Interim Director
(Appointed April 2026)

Teresa Zulauf
Controller

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

During our audit of the Nebraska Public Employees Retirement Systems (NPERS) – 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. ***Financial Statement and Required Supplementary Information Errors***: We noted that NPERS lacked adequate procedures to ensure the basic financial statements and Required Supplementary Information were accurately compiled and properly reviewed. We noted the accrual entry to record Securities Lending Expenses was incorrect, as NPERS erroneously included $464,196,536 of non-cash loan contract amounts in the total cash collateral amount used to determine the amount of securities lending collateral. The error likely would have resulted in a $31,445,418 overstatement of the Invested Securities Lending Collateral and Obligations Under Securities Lending on the Statement of Fiduciary Net Position, if it had not been caught and communicated to NPERS by the Auditor of Public Accounts (APA). Further, we noted that NPERS lacked adequate procedures to ensure the underlying fiscal year financial information included on the Governmental Accounting Standards Board (GASB) Statement No. 67 Report was accurate. As a result, Net Investment Income and Plan Fiduciary Net Position were understated by $89,747,982, and Net Pension Liability was overstated by $89,747,982 on the GASB Statement No. 67 Report. This error would have also led to material errors on the Schedule of Changes in Net Pension Liability, and within Footnote Number 3, "Funded Status and Funding Progress," if it had not been caught and communicated to NPERS by the APA.

2. ***Asset Capitalization Errors:*** We noted that NPERS lacked adequate policies and procedures to ensure internally generated intangible assets were properly capitalized in accordance with generally accepted accounting principles. We noted NPERS made several errors when recording the costs of a Capital Asset, including accumulated depreciation. As a result of the errors, Capital Assets - Equipment was understated by $451,905, and Capital Assets - Accumulated Depreciation was understated by $200,848 on the Statement of Fiduciary Net Position; Administrative Expenses was understated by $1,334,663, and the Beginning of Year - Fiduciary Net Position was understated by $1,585,720 on the Statement of Changes in Fiduciary Net Position; and the ending Fiduciary Net Position was understated by $251,057 on both statements.

3. ***Annuity Calculation Errors:*** We noted that NPERS did not properly calculate the monthly annuity benefit payments to members that retired during calendar year 2025. As a result, we noted 6 of the 23 members tested received overpayments ranging from $4 to $154 during the calendar year, totaling $418. Further, we estimate NPERS overpaid members who retired during calendar year 2025 a total of $3,213 during the calendar year as a result of the calculation errors.

4. ***Uncorrected Benefit and Refund Payments:*** We noted that NPERS failed to take any corrective action to correct benefit and refund payments noted in the calendar year 2024 audit report. We noted eight members who continued to receive incorrect monthly benefit payments, ranging from an underpayment of $170 per month to an overpayment of $21 per month. Further, we noted two members whose refund payments were underpaid by a total of $3,760 in calendar year 2024, which NPERS took no action to correct during calendar year 2025.

5. ***Errors in Purchase of Service Credit:*** We have identified several issues related to the calculation and recording of one purchase of service credit during calendar year 2025. We noted that the purchase was not calculated correctly, resulting in a possible underpayment of $1,528 to $3,236. Further, we noted that NPERS failed to ensure Omaha Public Schools remitted the required matching contribution, totaling $80,260, verify the service years were not used in the calculation of any current or future retirement benefit, or correctly credit the member's account for the years of service purchased. Additionally, we noted that NPERS has not taken timely action to correct the purchase of service credit errors noted in the calendar year 2024 audit report.

SUMMARY OF COMMENTS
(Concluded)

6. ***Uncorrected Service Credit Balances:*** We noted that NPERS failed to correct the service credit balances for two members, which have been reported since 2023.

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.

COMMENTS AND RECOMMENDATIONS

1. Financial Statement and Required Supplementary Information Errors

We noted that the Nebraska Public Employees Retirement Systems (NPERS) lacked adequate procedures to ensure the basic financial statements and Required Supplementary Information were accurately compiled, as follows:

Securities Lending Expenses

Investments for the Omaha School Employees Retirement Plan (Plan) are commingled funds under the control of the Nebraska Investment Council (NIC) and in the custody of the State Treasurer. In April 2024, NIC entered into a contract with Mitsubishi to be the State's securities lending agent.

During our review of the accrual entries prepared by NPERS, we noted that the entry to record Securities Lending Expenses for the Plan was incorrect. NPERS erroneously included $464,196,536 of non-cash loan contract amounts in the total cash collateral amount used to determine the amount of securities lending collateral. NPERS corrected this entry after it was identified by the Auditor of Public Accounts (APA); however, there was no documented secondary review of the accrual entry before that information was presented to the APA.

Had the error not been communicated to NPERS, it is likely the error would have resulted in a $31,445,418 overstatement of the Invested Securities Lending Collateral and Obligations Under Securities Lending on the Statement of Fiduciary Net Position. This would have been considered a material error in the financial statements.

Governmental Accounting Standards Board (GASB) Cod. Sec. I60.513 (paragraph .513 of section I60) defines securities lending transactions as "[t]transactions in which governmental entities transfer their securities to broker-dealers and other entities for collateral—which may be cash, securities, or letters of credit—and simultaneously agree to return the collateral for the same securities in the future."

Required Supplementary Information

We noted that NPERS lacked adequate procedures to ensure the amounts reported on the exhibits included in the GASB Statement No. 67 Report, which are used to prepare the Required Supplementary Information for the Plan, were accurate.

The required supplementary information for the Plan was prepared as of the fiscal year ending August 31, 2025. Effective September 1, 2024, NPERS responsibilities include providing the contracted actuary with a set of unaudited financial statements for the Plan's fiscal year in order for the actuary to prepare the GASB Statement No. 67 Report. We noted an NPERS accountant prepared the unaudited financial statements for the fiscal year ended August 31, 2025, which were then reviewed by the Controller on January 22, 2026. After receiving the financial statements, the actuary prepared the GASB Statement No. 67 Report, which was issued on February 18, 2026.

However, during our review of the GASB Statement No. 67 Report, including the underlying unaudited fiscal year 2025 financial statements, we noted that NPERS incorrectly recorded an accrual entry made to account for the long-term investment activity recorded in the State's accounting system after the fiscal year end.

Specifically, NPERS incorrectly transposed two accrual entries related to Net Appreciation in Fair Value of Investments and Long Term Investments. As a result, Net Investment Income and Plan Fiduciary Net Position were understated by $89,747,982, and Net Pension Liability was overstated by $89,747,982 on the GASB Statement No. 67 Report. In addition, this error would have led to material errors on the Schedule of Changes in Net Pension Liability, and within Footnote Number 3, "Funded Status and Funding Progress," if it had not been caught and communicated to NPERS by the APA.

COMMENTS AND RECOMMENDATIONS
(Continued)

1. Financial Statement and Required Supplementary Information Errors (Concluded)

We communicated the error to NPERS, who subsequently requested that the actuary revise the GASB Statement No. 67 Report. The revised report was reissued on April 14, 2026.

A similar finding was noted in the calendar year 2024 audit report.

A proper system of internal control and sound accounting practices requires financial information, including the required supplementary information, to be materially correct. This includes procedures to ensure that financial statements and accrual entries are correct, adjustments are made, and a documented secondary review of accrual entries is performed prior to the presentation of the 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 and required supplementary information.

> 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 and required supplementary information, including all accrual entries, by the Controller prior to submission to the APA.

NPERS Management Response: NPERS agrees with the recommendation and has implemented additional review procedures to strengthen the financial statement preparation process. NPERS also notes that this was the first full reporting cycle following the transition of administration of the Omaha School Employees Retirement Plan from OPS to NPERS. While certain historical reporting processes required coordination with external parties during the transition period, NPERS has implemented procedural improvements to strengthen the preparation and review of financial reporting going forward.

2. Asset Capitalization Errors

We noted that NPERS lacked adequate policies and procedures to ensure internally generated intangible assets were properly capitalized in accordance with generally accepted accounting principles (GAAP). As a result, the following misstatements were identified:

Calendar Year 2025 Financial Statement Item	NPERS Financial Statement Amount	APA Financial Statement Amount	Over/(Under) Statement Amount
Beginning of Year – Fiduciary Net Position	$ 1,716,538,326	$ 1,718,124,046	$ (1,585,720)
Administrative Expenses	944,739	2,279,402	(1,334,663)
Capital Assets – Equipment	2,560,775	3,012,680	(451,905)
End of Year – Fiduciary Net Position	1,970,571,740	1,970,822,797	(251,057)
Capital Assets – Accumulated Depreciation	1,138,128	1,338,976	(200,848)

NPERS did not adjust the financial statements for these errors, as they were not considered to be material to the Plan.

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 (Board). Effective September 1, 2024, the PERB assumed management of OSERS, and under the direction of the Board, NPERS became the administrator of the Plan. As part of the transition and transfer of management, NPERS entered into a contract with Linea Solutions Inc. to add the Plan 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.

COMMENTS AND RECOMMENDATIONS
(Continued)

2. Asset Capitalization Errors (Continued)

In the calendar year 2024 audit report, we noted that NPERS incorrectly recorded approximately $1,920,464 of payments made to Linea Solutions Inc. as Administrative Expenses on the financial statements, when the costs should have been considered capital outlays and recorded on the financial statements as Capital Assets - Equipment.

During 2025, NPERS recorded increases to Capital Assets - Equipment of $2,560,775 and reduced Administrative Expenses by the same amount, which included calendar year 2025 costs totaling $1,042,506 but also incorrectly included $1,518,269 of capital outlays paid to Linea Solutions Inc. during calendar year 2023 and 2024. Instead of recording these prior-year capital outlays as a reduction to the current year's Administrative Expenses, NPERS should have restated the Beginning of Year - Fiduciary Net Position to correct the prior finding and recorded a disclosure in the notes to the financial statements describing the correction, in accordance with GAAP.

Additionally, NPERS could not provide documentation to support why it did not capitalize $451,905 paid to Linea Solutions Inc. for services that occurred after the preliminary project stage and funding for the project was authorized, including payments of $49,710 paid in calendar year 2025 and $402,195 paid in calendar year 2023 through 2024. As a result, it appears that NPERS incorrectly recorded the total Capital Assets - Equipment costs in the State's accounting system as $2,560,775, instead of $3,012,680.

Due to the incorrect capitalization amount, NPERS recorded $1,138,128 of Capital Assets – Accumulated Depreciation as of December 31, 2025; however, had NPERS used the total Capital Asset – Equipment cost of $3,012,680, Capital Assets – Accumulated Depreciation would have been $1,338,976, including $334,744 that should have been recorded on the 2024 financial statements and an $1,004,232 increase for calendar year 2025.

GASB Cod. Sec. 1400.135 (paragraph .135 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. 1400.136 (paragraph .136 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. 1400.137 (paragraph .137 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:*
>
> *a. Preliminary Project Stage. Activities in this stage include the conceptual formulation and evaluation of alternatives, the determination of the existence of needed technology, and the final selection of alternatives for the development of the software.*

COMMENTS AND RECOMMENDATIONS
(Continued)

2. 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. 1400.138 (paragraph .138 of section 1400) states, in part, the following:

> *For internally generated computer software, the criteria in paragraph [.135] 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. 1400.139 (paragraph .139 of section 1400) states, the following:

> *Once the criteria in paragraph [.138] 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.*

A similar finding was reported in the calendar year 2024 audit.

A proper system of internal controls requires NPERS to implement policies and procedures to ensure internally generated software is properly capitalized or expensed in accordance with GAAP. Additionally, a proper system of internal control and sound accounting practices require financial information to be complete and accurate.

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

> We recommend NPERS implement procedures to ensure costs are correctly capitalized in accordance with GAAP, and financial information is complete, accurate, and compiled correctly.

NPERS Management Response: NPERS agrees with the recommendation. NPERS will strengthen its procedures by formally documenting capitalization determinations, including the basis for those decisions and any guidance received from collaborating agencies. NPERS will continue working with DAS and other appropriate stakeholders to ensure future accounting treatment is fully supported and consistently applied in accordance with applicable accounting standards.

3. Annuity Calculation Errors

We noted that NPERS did not properly calculate the monthly annuity benefit payments paid to members who retired during calendar year 2025.

According to the contracted actuary, the actuarial equivalence optional form factor (factor) used in determining the monthly annuity benefit payment should be based on the member's age nearest birth, not the age attained as of the date of retirement. However, when NPERS calculated the monthly annuity benefit payments, it used the factor based on the member's age attained as of the date of retirement, not the factor based on the member's rounded age. As a result, we noted 6 of the 23 members tested received overpayments ranging from $4 to $154 during the calendar year, totaling $418, as shown in the table below:

COMMENTS AND RECOMMENDATIONS
(Continued)

3. <u>Annuity Calculation Errors</u> (Continued)

Member	Age at Retirement	NPERS Factor/Age	Correct Factor/Age	Monthly Overpayments in Calendar Year 2025	Total Calendar Year 2025 Overpayment
1	64.56	0.97701/64 Years	0.97429/65 Years	3	$ 4
2	67.83	0.96815/67 Years	0.96462/68 Years	7	88
3	61.59	0.98405/61 Years	0.98189/62 Years	7	56
4	56.7	0.90791/56 Years	0.90385/57 Years	7	91
5	65.68	0.87595/65 Years	0.87231/66 Years	5	25
6	58.94	0.90726/58 Years	0.90308/59 Years	7	154
			Totals	**36**	**$ 418**

While we noted issues with only six members tested, this annuity calculation error impacted all members who received an annuity, except for those who elected to receive a 5-Year Certain and Continuous payment option, during calendar year 2025, and whose birthday was six months, or more, before the member's effective retirement date. The actuarial option factor for members who elect to receive a 5-Year Certain and Continuous payment option is 1 and is not affected by the member's age at retirement.

We noted that there were 191 Plan members who retired during calendar year 2025, including approximately 56 members, or 29% of the members, whose age nearest birth was greater than their attained age at retirement and who did not elect to receive a 5-Year Certain and Continuous payment option and, therefore, would have likely received an overpayment during calendar year 2025. These members' monthly gross benefit payment ranged from $251 to $8,300, with an average monthly gross benefit of $2,829. These members also received an average of six months of payments during calendar year 2025. Based on the average error in the Actuarial Option Factors, totaling 0.00338, we estimate NPERS overpaid members who retired during calendar year 2025 a total of $3,213.

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

Further, Neb. Rev. Stat. § 79-978(2) (Supp. 2025) 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 statue defines "actuarial tables" as follows:

> *Actuarial tables means:*
>
> *(a) For determining the actuarial equivalent of any annuities other than joint and survivorship annuities:*
>
> *(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*
>
> *(ii) For members hired on or after July 1, 2018, or rehired on or after July 1, 2018, after termination of employment and being paid a retirement benefit, the determinations shall be based on a unisex mortality table and an interest rate specified by (A) the board until September 1, 2024, or (B) the retirement board beginning on September 1, 2024. Both the mortality table and the interest rate shall be recommended by the actuary retained pursuant to section 79-984 following an actuarial experience study, a benefit adequacy study, or a plan valuation. The mortality table, interest rate, and actuarial factors in effect on the member's retirement date shall be used to calculate the actuarial equivalency of any retirement benefit. Such interest rate may be, but is not required to be, equal to the assumed rate; and*

COMMENTS AND RECOMMENDATIONS
(Continued)

3. Annuity Calculation Errors (Concluded)

(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; and

(ii) For members hired on or after July 1, 2018, or rehired on or after July 1, 2018, after termination of employment and being paid a retirement benefit, the determinations shall be based on a unisex mortality table and an interest rate specified by (A) the board until September 1, 2024, or (B) the retirement board beginning on September 1, 2024. Both the mortality table and the interest rate shall be recommended by the actuary retained pursuant to section 79-984 following an actuarial experience study, a benefit adequacy study, or a plan valuation. The mortality table, interest rate, and actuarial factors in effect on the member's retirement date shall be used to calculate the actuarial equivalency of any retirement benefit. Such interest rate may be, but is not required to be, equal to the assumed rate[.]

Chapter 3 ("Materiality Amounts for Transactions"), Section 003.03 ("Recalculation of a Final Benefit"), of the Omaha School Employees Retirement Plan Rules and Regulations (adopted September 1, 2024) states, "The monthly retiree benefit payments that require recalculation will not be adjusted if the change in the monthly benefit amount is within+/- $10.00 per report of the original calculated final benefit."

A proper system of internal controls requires policies and procedures to ensure monthly annuity benefit payments are properly calculated, including ensuring that the correct factor is used from the actuarial equivalence optional form factor tables provided by the actuary. Without such procedures, the risk for incorrect benefit payments increases.

We have noted similar issues with the calculation of retiree benefits for the last four calendar years.

> We recommend NPERS implement procedures to ensure monthly annuity benefit payments are accurately calculated. Additionally, we recommend NPERS perform a review of all retirees receiving an annuity, who retired after September 1, 2024, to determine whether there are any errors in the monthly annuity benefit calculations that require an adjustment.

NPERS Management Response: NPERS agrees with the recommendation. NPERS has received clarification from the letter provided by its contracted actuary regarding the appropriate application of actuarial equivalence factors based on age nearest birth. Procedures will be updated to incorporate this guidance into future calculations. NPERS will also evaluate affected retirements to determine whether adjustments are necessary in accordance with applicable statutes and Plan rules.

4. Uncorrected Benefit and Refund Payments

We noted that NPERS lacked adequate policies and procedures to ensure that errors in member benefits and refunds were corrected in a timely manner, as follows:

COMMENTS AND RECOMMENDATIONS
(Continued)

4. <u>Uncorrected Benefit and Refund Payments</u> (Continued)

Uncorrected Monthly Benefit Payments

During the calendar year 2024 audit, we identified eight members who retired during the calendar year and whose benefits were calculated incorrectly, leading to an overpayment or underpayment of more than $10 per month, which was included in Comment Number 6 ("Retirement Benefit Issues") in the Comments Section of the audit report. However, we noted that NPERS failed to perform proper follow-up procedures during calendar year 2025 to correct the errors noted. Further, NPERS had not made any adjustments to the members' monthly benefit payments, despite errors ranging from an underpayment of $170 per month to an overpayment of $21 per month, as noted below:

Member	Gross Monthly Benefit	Correct Gross Monthly Benefit	Over/ (Under) Payment	Estimated Calendar Year 2025 Over/(Under) Payment
7	$ 2,967	$ 3,137	$ (170)	$ (2,040)
8	3,261	3,353	(92)	(1,104)
9	3,644	3,721	(77)	(924)
10	3,247	3,302	(55)	(660)
11	1,230	1,253	(23)	(276)
12	2,004	2,017	(13)	(156)
13	675	664	11	132
14	1,545	1,524	21	252
Totals	**$ 18,573**	**$ 18,971**	**$ (398)**	**$ (4,776)**

Uncorrected Refund Payments

During the calendar year 2024 audit, we identified two members whose refunds were incorrectly calculated and paid by OSERS, which was included in Comment Number 7 ("Member Refund Issues") in the Comments Section of the audit report. However, we noted that NPERS had not made any additional disbursements to the members to correct the reported underpayments of $3,664 and $96, as shown in the table below:

Member	Refund Payment	Correct Refund Payment	Amount Underpaid
15	$ 40,392	$ 44,056	$ (3,664)
16	3,715	3,811	(96)
Totals	**$ 44,107**	**$ 47,867**	**$ (3,760)**

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.*

Chapter 3 ("Materiality Amounts for Transactions"), Section 003.03 ("Recalculation of a Final Benefit"), of the Omaha School Employees Retirement Plan Rules and Regulations (adopted September 1, 2024) states, "The monthly retiree benefit payments that require recalculation will not be adjusted if the change in the monthly benefit amount is within+/- $10.00 per report of the original calculated final benefit."

4. <u>Uncorrected Benefit and Refund Payments</u> (Concluded)

A proper system of internal controls requires policies and procedures to ensure that a members' retirement benefits and refunds are paid out in accordance with State statute, and any errors are corrected in accordance with the Plan rules and regulations.

Without such procedures – as noted in the prior four audit reports – the risk of incorrect benefit payments and refunds increases, which could result in the loss of Plan funds.

> We recommend NPERS strengthen its procedures to ensure that refund and benefit payments are distributed in accordance with State statute, and any errors are corrected in a timely manner. Additionally, we recommend NPERS implement procedures to ensure that all overpayments of refunds and benefits are recovered, and underpayments of refunds and benefits are properly paid, and subsequent benefits are properly adjusted in accordance with the Plan rules and regulations.

NPERS Management Response: NPERS agrees with the recommendation. Several of the items identified originated prior to NPERS assuming administration of the Plan on September 1, 2024. Since assuming administration, NPERS has been working through inherited data and reconciliation issues while simultaneously administering current Plan operations. NPERS will perform a systematic review of the identified 2024 retirements and refund calculations to determine the appropriate corrective action, including any required benefit adjustments or additional payments consistent with applicable statutes, Plan rules, and supporting documentation.

5. <u>Errors in Purchase of Service Credit</u>

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 tested, which was incorrectly calculated and recorded by NPERS. The member purchased 9.5 years of prior service credit earned at other school districts, totaling $80,620.

- The purchase was not calculated correctly in accordance with Neb. Rev. Stat. § 79-978(21) (Supp. 2025), which states that interest used to determine the amount of the purchase should be calculated based on "the investment return assumption used in the most recent actuarial valuation." We noted that NPERS calculated the member's purchase of prior service credit using historical interest rates. As a result, the member overpaid $1,528 for the purchase if NPERS used the rate of return listed in the January 1, 2024, actuarial valuation report dated May 16, 2024, or overpaid $3,236 if NPERS used the rate of return listed in the January 1, 2025, actuarial valuation report dated June 9, 2025.

- NPERS could not provide documentation that Omaha Public Schools (OPS) remitted the required matching contribution for the purchase of prior service credit totaling $80,620.

- NPERS failed to obtain verification that the member's creditable years worked at other school districts, used in the calculation of the purchase, were not used in the calculation of any current or future retirement or disability benefit of another defined benefit retirement system.

- At the time the member's account in NPRIS, the State's retirement record keeping system, was credited for the purchase of prior service credit, the member had only 5.9 years of membership service in the Plan. However, NPERS improperly credited the member's account for the full 9.5 years of service credit purchased, an excess of 3.6 years of service credit. Those 3.6 years of service credit should not have been credited to the member's account because the member had not yet completed additional membership service in accordance with Neb. Rev. Stat. § 79-991(1)(c) (Reissue 2024).

COMMENTS AND RECOMMENDATIONS
(Continued)

5. <u>Errors in Purchase of Service Credit</u> (Continued)

Additionally, during the calendar year 2024 audit, we noted errors with two purchases of service credit, as addressed in Comment Number 8 ("Errors in Purchase of Prior Service Credit") in the audit report. However, we noted NPERS failed to perform proper follow-up procedures and correct the errors during calendar year 2025, as follows:

- We noted one member who purchased 15 years of prior service credit at OPS for $157,127, and 4 years of prior-year service credit at other school districts for $29,303, for a total payment of $186,430 in calendar year 2024. The purchase was not correctly calculated by OSERS, prior to the transition to NPERS, resulting in underpayment of $29,388. Further, OPS did not remit the required matching contribution for purchase of service in other school districts, totaling $29,303, to NPERS. However, during calendar year 2025, NPERS failed to take any subsequent action to resolve or collect the underpayments from either the member or OPS.
- Further, we reported in the calendar year 2024 audit that the same member's purchase of service and years of service were incorrectly recorded in NPRIS, the State's retirement record keeping system. At that time, NPERS duplicated the 15 years of prior OPS service credit in the system, as well as the payment for the purchase, resulting in an overstatement of service credit by 15 years, and an overstated balance of $157,127 in the system. However, NPERS has not taken any action to correct the overstated amounts during calendar year 2025.
- We noted another 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 listed only 2.5 years of service credit purchased, a variance of 1.5 years of service credit. This error was not corrected by NPERS during calendar year 2025.

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:

(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.

* * * *

(c) Payments by the member for the purchase of the prior service credit shall be paid as the board may direct until September 1, 2024, and as the retirement board may direct beginning September 1, 2024, through direct payments to the retirement system or on an installment basis pursuant to a binding irrevocable payroll deduction authorization between the member and the school district over a period not to exceed five years from the date of membership. . . If the prior service to be purchased by the member exceeds the member's membership service at the time of application

5. <u>Errors in Purchase of Service Credit</u> (Concluded)

> *or any subsequent date, such excess prior service shall be credited to the member only as the member completes and is credited additional membership service, in one-tenth-year increments, notwithstanding the member's payment for such prior service credit. If the member retires or terminates employment before completing sufficient membership service to permit all of the excess prior service that has been purchased by the member to be credited to such member, the retirement system shall refund to the member, or to the member's beneficiary if the member's termination is due to his or her death, the payments that have been made to the retirement system for such uncredited prior service, together with regular interest on such refund; and*
>
> *(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.*

A proper system of internal controls requires procedures to ensure the following: 1) costs are calculated correctly and in accordance with State statute; 2) prior-year service and the termination of other school district benefits are properly verified; 3) the District match is accurately paid; and 4) payments and service credit are recorded timely and accurately 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. Further, we recommend NPERS implement procedures to ensure any underpaid purchases of service credit, including OPS matching contributions, are properly paid.

NPERS Management Response: NPERS agrees with the recommendation. Certain corrective actions require coordination with Omaha Public Schools regarding employer matching contributions and historical transactions that originated prior to NPERS assuming administration of the Plan. NPERS will continue working with OPS to establish an effective process for identifying, communicating, and collecting required employer contributions while reviewing historical purchase of service transactions for appropriate corrective action.

6. <u>Uncorrected Service Credit Balances</u>

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, which have gone unresolved since that time.

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 were uncorrected. We reported this issue to NPERS in Comment Number 9 ("Incorrect Service Credit Balances") in the Comments Section of the calendar year 2024 audit report.

COMMENTS AND RECOMMENDATIONS
(Concluded)

6. Uncorrected Service Credit Balances (Concluded)

Nevertheless, we noted in calendar year 2025, that two of the four service credit balance errors noted in the calendar year 2024 audit report remained uncorrected, as shown in the table below:

Member	OSERS Service Years Credited As of 12/31/2023	NPERS Service Years Credited As of 12/31/2023	Correct Service Years Credited As of 12/31/2023	Variance
17	1.40	1.30	0.60	0.70
18	-	-	0.40	(0.40)

A proper system of internal controls requires procedures to ensure that the membership service credit calculations are properly reported and recorded in NPRIS, and errors are corrected in a timely manner.

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. Further, we recommend NPERS implement procedures to correct all errors noted in the accumulated service credit recorded in NPRIS.

NPERS Management Response: NPERS agrees with the recommendation. Certain corrective actions require coordination with Omaha Public Schools regarding employer matching contributions and historical transactions that originated prior to NPERS assuming administration of the Plan. NPERS will continue working with OPS to establish an effective process for identifying, communicating, and collecting required employer contributions while reviewing historical purchase of service transactions for appropriate corrective action.

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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, 2025, 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, 2025, 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 (*Government Auditing Standards*). 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, 2025, 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 Supplementary Information on pages 41-47 herein, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2026, 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.

Zachary Wells

Lincoln, NE
June 30, 2026

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, 2025

ASSETS	
Cash in State Treasury	$ 1,034,188
Receivables:	
Contributions Receivable	15,791,599
Interest and Dividends	6,399,522
Other Investment Receivable (Note 4)	86,491,853
State Service Annuity	668,453
Total Receivables	109,351,427
Pooled Investments, at Fair Market Value (Note 4):	
Asset Backed Securities	21,264,212
Bank Loans	30,474,551
Commingled Funds	897,083,178
Corporate Bonds	180,081,183
Derivative Instruments	664,864
Equity Securities	428,544,291
Government Agency Securities	1,742,705
Government Agency Strips	21,271
International Government Agency Securities	5,789,871
International Notes and Bonds	26,173,671
Mortgages	87,140,090
Municipal Bonds	2,528,166
Private Equity	76,006,773
Private Real Estate	106,378,274
Short Term Investments	5,096,791
U.S. Treasury Bills	59,159
U.S. Treasury Notes and Bonds	98,454,300
U.S. Treasury Strips	1,668,959
Total Investments	1,969,172,309
Invested Securities Lending Collateral (Note 4)	124,673,705
Capital Assets (Note 7):	
Equipment	2,560,775
Less: Accumulated Depreciation	(1,138,128)
Total Capital Assets, Net	1,422,647
Total Assets	2,205,654,276
LIABILITIES	
Compensated Absences Payable (Note 5)	62,228
Accounts Payable and Accrued Liabilities	3,015,115
Obligations Under Securities Lending (Note 4)	124,673,705
Obligations Under Reverse Repurchase Agreements	2,310,508
Other Investments Payable (Note 4)	105,020,980
Total Liabilities	235,082,536
Fiduciary Net Position - Restricted for Pension Benefits	$ 1,970,571,740

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, 2025

ADDITIONS	
Contributions:	
Member	$ 50,514,499
Employer	87,331,995
State Service Annuity	1,495,473
Non-Employer (Note 2)	9,073,468
Total Contributions	148,415,435
Investment Income:	
Net Appreciation in Fair Value of Investments	232,511,683
Interest and Dividends	40,353,098
Securities Lending Income	4,367,911
Total Investment Income	277,232,692
Investment Expenses:	
Investment Expenses	(8,519,032)
Securities Lending Expenses	(4,083,177)
Total Investment Expenses	(12,602,209)
Net Investment Income	264,630,483
Other Additions	1,264,942
Total Additions	414,310,860
DEDUCTIONS	
Benefits	154,207,250
Refunds of Contributions	5,125,457
Administrative Expenses	944,739
Total Deductions	160,277,446
Net Increase in Fiduciary Net Position	254,033,414
Fiduciary Net Position - Restricted for Pension Benefits:	
Beginning of Year	1,716,538,326
End of Year	$ 1,970,571,740

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

NOTES TO THE FINANCIAL STATEMENTS

For the Calendar Year Ended December 31, 2025

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 (GAAP) 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. Those seven members include the following: 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 County Employees' Retirement System; one participant in the State Employees' Retirement System; and one participant in the Omaha School Employees' Retirement System. Two appointed members must meet the following requirements: 1) not be an employee of the State of Nebraska or any of its political subdivisions; and 2) have at least 10 years of experience in the management of 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. The State Investment Officer serves as a nonvoting, ex-officio member. Prior to September 1, 2024, the Omaha School Employees Retirement Plan member was required to be 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, 2025.

The financial statements reflect only the Omaha School Employees Retirement Plan and do not reflect all activity of NPERS.

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting

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

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.

D. Cash in State Treasury

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

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

E. Investments

Investments, as reported in the 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.

F. Capital Assets

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

1. Summary of Significant Accounting Policies (Concluded)

G. Compensated Absences

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

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.

H. 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, 2025, the date of the last valuation report:

Inactive members or their beneficiaries currently receiving benefits	5,417
Inactive members entitled to but not yet receiving benefits	1,592
Inactive nonvested members entitled to a refund of member contributions	2,228
Active members	7,438
Total	16,675

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

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, Supp. 2025). 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.

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 $36,424,129 as of August 31, 2025. The actual total additional contributions made by the District during the calendar year ended December 31, 2025, amounted to $36,424,129 to meet solvency requirements.

The State of Nebraska contributes two percent of the employees' 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

2. Plan Description and Contribution Information (Concluded)

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. Certain members may also qualify to receive a State service annuity of $3.50 multiplied by the members' years of service per month. 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, Supp. 2025), 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, 2025, are as follows:

Total Pension Liability	$	3,006,418,480
Plan Fiduciary Net Position		1,908,174,094
Net Pension Liability	$	1,098,244,386
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		63.47%

Actuarial assumptions: The Total Pension Liability was determined based on an actuarial valuation as of January 1, 2025, rolled forward to August 31, 2025, using standard actuarial formulae and the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.35%
Wage inflation	2.85%
Salary increases, including price inflation	2.85 – 6.25%
Long-term rate of return, net of investment expense, including price inflation	7.00%
Municipal bond index rate:	
Prior measurement date	3.88%
Measurement date	5.22%
Year fiduciary net position is expected to be depleted	N/A
Single equivalent interest rate, net of investment expense, including price inflation:	
Prior measurement date	7.20%
Measurement date	7.00%

3. Funded Status and Funding Progress (Continued)

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 per 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, 2025, was 7.00 percent. The discount rate used to measure the Total Pension Liability at August 31, 2024, was 7.20 percent.

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.

3. Funded Status and Funding Progress (Continued)

b) District contribution rate: 101 percent of the employee contribution rate. In addition, if the statutory contribution rate is less than the actuarially 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 7.00 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 5.22 percent on the measurement date.

Periods of projected benefit payments. Projected future benefit payments for all current members were projected through 2124.

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:

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
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	100.00%	

*Arithmetic mean, net of investment expenses

Sensitivity analysis. This paragraph requires disclosure of the sensitivity of the Net Pension Liability to changes in the discount rate. The following presents the Net Pension Liability of the Plan, calculated using the discount rate of 7.00 percent, as well as the Plan's Net Pension Liability calculated using a discount rate that is one percentage-point lower (6.00 percent) or one percentage-point higher (8.00 percent) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Total Pension Liability	$ 3,402,070,857	$ 3,006,418,480	$ 2,678,794,074
Fiduciary Net Position	1,908,174,094	1,908,174,094	1,908,174,094
Net Pension Liability	$ 1,493,896,763	$ 1,098,244,386	$ 770,619,980

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) (Supp. 2025) 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:

- 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 primarily consist of a broadly traded range of equity and debt securities.

4. Investments (Continued)

- 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 at December 31, 2025, at Fair Value Measurement Using:

	Fair Value	Level 1	Level 2	Level 3
Debt Securities:				
Asset Backed Securities	$ 21,264,212	$ -	$ 21,264,212	$ -
Bank Loans	30,474,551	-	30,474,551	-
Commingled Funds	153,393,402	107,538,754	45,854,648	-
Corporate Bonds	180,081,183	-	179,999,406	81,777
Derivative Instruments	(96,549)	(97,654)	1,105	-
Government Agency Securities	1,742,705	-	1,742,705	-
Government Agency Strips	21,271	-	21,271	-
International Notes and Bonds	26,173,671	-	26,173,671	-
International Government Agency Securities	5,789,871	-	5,789,871	-
Mortgages	87,140,090	-	87,140,090	-
Municipal Bonds	2,528,166	-	2,528,166	-
Short Term Investments	5,096,791	1,168,123	3,928,668	-
U.S. Treasury Bills	59,159	-	59,159	-
U.S. Treasury Notes and Bonds	98,454,300	-	98,454,300	-
U.S. Treasury Strips	1,668,959	-	1,668,959	-
	613,791,782	108,609,223	505,100,782	81,777
Other Investments:				
Commingled Funds	743,689,776	743,682,083	-	7,693
Derivative Instruments	761,413	25,043	736,370	-
Equity Securities	428,544,291	424,802,175	3,504,116	238,000
Total Investments at Fair Value Level	$ 1,786,787,262	$ 1,277,118,524	$ 509,341,268	$ 327,470

Investments Measured at the Net Asset Value (NAV):		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private Real Estate:			Quarterly	90 Days
Core	$ 39,878,775	$ -		
Non-Core	66,499,499	29,366,375		
Private Equity	76,006,773	41,132,308		
Total Investments Measured at NAV	182,385,047	$ 70,498,683		
Total	1,969,172,309			
Securities Lending Collateral	124,673,705			
Total Investments at Fair Value	$ 2,093,846,014			

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, Government Agency Securities, and Short Term Investments: quoted prices for identical securities in markets that are not active;

- Corporate, International Notes and Bonds, 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, 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's 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 $124,673,705 in Securities Lending Collateral, were not classified for fair value measurement purposes.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

4. Investments (Continued)

Omaha School Employees Retirement Plan Investments at December 31, 2025

	Fair Value	Effective Duration
Debt Securities:		
Asset Backed Securities	$ 21,264,212	1.55
Bank Loans	30,474,551	0.05
Commingled Funds	153,393,402	4.41
Corporate Bonds	180,081,183	4.48
Derivative Instruments	(96,549)	-
Government Agency Securities	1,742,705	5.15
Government Agency Strips	21,271	4.21
International Notes and Bonds	26,173,671	6.72
International Government Agency Securities	5,789,871	5.61
Mortgages	87,140,090	4.52
Municipal Bonds	2,528,166	7.06
Short Term Investments	5,096,791	0.01
U.S. Treasury Bills	59,159	0.06
U.S. Treasury Strips	1,668,959	9.85
U.S. Treasury Notes and Bonds	98,454,300	7.76
	613,791,782	
Other Investments:		
Commingled Funds	743,689,776	
Equity Securities	428,544,291	
Private Equity	76,006,773	
Derivative Instruments	761,413	
Private Real Estate	106,378,274	
Total Investments	1,969,172,309	
Securities Lending Collateral	124,673,705	
Total	$ 2,093,846,014	

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, 2025, 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 include specific investment guidelines. For the core fixed income accounts, these guidelines set the minimum average credit quality rating of the account at an A. 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 limited to 5 percent. For issuers below investment grade, the maximum exposure is 3 percent. In other fixed income accounts, the guidelines restrict exposure to any single corporate issuer to no more than 5 percent. The primary government's rated debt investments as of December 31, 2025, were rated by Standard and Poor's or Moody's based on the greatest degree of risk.

4. Investments (Continued)

Omaha School Employees Retirement Plan
Investment Quality Ratings at December 31, 2025

	Quality Ratings					
	Fair Value	AAA	AA	A	BBB	BB
Asset Backed Securities	$ 21,264,212	$ 6,477,862	$ 280,660	$ 124,217	$ 1,214,026	$ 1,040,736
Bank Loans	30,474,551	-	-	52,318	753,230	3,222,540
Commingled Funds	153,393,402	-	-	-	-	-
Corporate Bonds	180,081,183	525,001	2,313,945	24,369,621	82,326,788	39,690,580
Derivative Instruments	(96,549)	-	-	-	-	-
Government Agency Securities	1,742,705	-	1,736,617	-	-	-
Government Agency Strips	21,271	-	-	-	-	-
International Notes and Bonds	26,173,671	333,308	1,946,752	2,612,350	6,517,807	5,891,257
International Government Agency Securities	5,789,871	22,281	831,241	846,080	1,385,705	708,533
Mortgages	87,140,090	9,773,860	331,053	355,567	117,796	52,165
Municipal Bonds	2,528,166	332,880	1,335,872	566,587	273,551	19,276
Short Term Investments	5,096,791	-	-	-	-	-

	Quality Ratings					
	B	CCC	CC	C	D	Unrated
Asset Backed Securities	$ 244,220	$ 24,372	$ 252,302	$ 145	$ 283,211	$ 11,322,461
Bank Loans	14,104,404	2,060,030	87,352	-	8,226	10,186,451
Commingled Funds	-	-	-	-	-	153,393,402
Corporate Bonds	21,440,075	7,005,624	267,722	4,074	-	2,137,753
Derivative Instruments	-	-	-	-	-	(96,549)
Government Agency Securities	-	-	-	-	-	6,088
Government Agency Strips	-	-	-	-	-	21,271
International Notes and Bonds	1,761,564	2,064,705	-	25,272	57,804	4,962,852
International Government Agency Securities	1,529,300	-	-	-	-	466,731
Mortgages	60,192	139,354	-	-	91,457	76,218,646
Municipal Bonds	-	-	-	-	-	-
Short Term Investments	-	-	-	-	-	5,096,791

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, 2025, NPERS had no debt security investments, from a single entity, that comprised 5 percent or more 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 fair value of the loaned securities. Securities on loan at year-end consisted of United States government obligations, commingled funds, equity securities, corporate bonds, and non-U.S. fixed income. At year-end, the State had no credit risk exposure to borrowers because the amounts the State owed the borrowers exceeded the amounts the borrowers owed the State. The collateral securities cannot be pledged or sold by the State unless the borrower defaults. There are no restrictions on the amount of securities that can be loaned, and there were no losses from borrower default during the year.

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 twenty-five 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 Omaha School Employees Retirement Plan's exposure to foreign currency risk is presented in the following table.

Omaha School Employees Retirement Plan
Foreign Currency at December 31, 2025

	Australian Dollar	Brazilian Real	British Pound Sterling	Canadian Dollar	Chilean Peso	Chinese Yuan Renminbi
Asset Backed Securities	$ -	$ -	$ -	$ -	$ -	$ -
Bank Loans	-	-	453,145	-	-	-
Corporate Bonds	-	-	2,430,457	-	-	-
Equity Securities	1,550,963	2,944,209	22,177,950	8,392,168	20,745	2,729,317
International Notes and Bonds	121,128	324,493	1,701,265	212,180	-	-
International Government Agency Securities	-	-	107,313	-	-	-
Mortgages	-	-	119,535	-	-	-
Municipal Bonds	696,563	-	-	217,362	-	-
Private Equity	-	-	388,469	4,010,206	-	-
Short Term Investments	126,471	7,377	30,354	(5,438)	-	-
Total	$ 2,495,125	$ 3,276,079	$ 27,408,488	$ 12,826,478	$ 20,745	$ 2,729,317

	Colombian Peso	Czech Koruna	Danish Krone	Egyptian Pound	Euro Currency	Chinese Yuan Renminbi Offshore
Asset Backed Securities	$ -	$ -	$ -	$ -	$ 2,229,830	$ -
Bank Loans	-	-	-	-	6,782,450	-
Corporate Bonds	-	-	-	-	11,031,540	-
Equity Securities	17,596	-	2,150,729	-	41,471,161	16,791,788
International Notes and Bonds	815,505	-	-	173,833	2,912,981	-
International Government Agency Securities	-	-	-	-	503,674	-
Mortgages	-	-	-	-	-	-
Municipal Bonds	-	-	-	-	-	-
Private Equity	-	-	-	-	2,724,102	-
Short Term Investments	3,707	18,568	398	335	589,261	92,216
Total	$ 836,808	$ 18,568	$ 2,151,127	$ 174,168	$ 68,244,999	$ 16,884,004

	Hong Kong Dollar	Hungarian Forint	Japanese Yen	Kuwaiti Dinar	Malaysian Ringgit	Mexican Peso
Asset Backed Securities	$ -	$ -	$ -	$ -	$ -	$ -
Bank Loans	-	-	-	-	-	-
Corporate Bonds	-	-	-	-	-	-
Equity Securities	6,487,366	34,400	14,726,132	417,301	133,463	1,086,967
International Notes and Bonds	-	442,747	865,294	-	-	611,388
International Government Agency Securities	-	-	-	-	-	57,677
Mortgages	-	-	-	-	-	-
Municipal Bonds	-	-	-	-	-	-
Private Equity	-	-	-	-	-	-
Short Term Investments	(10,132)	3,983	259,863	-	7,739	18,524
Total	$ 6,477,234	$ 481,130	$ 15,851,289	$ 417,301	$ 141,202	$ 1,774,556

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

4. Investments (Continued)

	New Israeli Shekel	New Zealand Dollar	Norwegian Krone	Peruvian Nuevo Sol	Philippine Peso	Polish Zloty
Asset Backed Securities	$ -	$ -	$ -	$ -	$ -	$ -
Bank Loans	-	-	-	-	-	-
Corporate Bonds	-	-	-	-	-	-
Equity Securities	2,263,181	-	394,185	-	138,631	1,636,695
International Notes and Bonds	-	-	-	796,789	-	-
International Government Agency Securities	-	-	-	-	-	-
Mortgages	-	-	-	-	-	-
Municipal Bonds	-	-	-	224,481	-	-
Private Equity	-	-	-	-	-	-
Short Term Investments	6,093	(77,442)	26,771	22,323	-	18,264
Total	$ 2,269,274	$ (77,442)	$ 420,956	$ 1,043,593	$ 138,631	$ 1,654,959

	Singapore Dollar	South African Rand	South Korean Won	Swedish Krona	Swiss Franc	Thailand Baht
Asset Backed Securities	$ -	$ -	$ -	$ -	$ -	$ -
Bank Loans	-	-	-	-	-	-
Corporate Bonds	-	-	-	-	-	-
Equity Securities	123,344	460,387	8,233,005	89,615	7,659,614	514,950
International Notes and Bonds	-	2,180,412	-	-	-	-
International Government Agency Securities	-	-	-	-	-	-
Mortgages	-	-	-	-	-	-
Municipal Bonds	-	-	-	-	-	-
Private Equity	-	-	-	-	-	-
Short Term Investments	28,413	44,735	2,441	43,331	(46,000)	708
Total	$ 151,757	$ 2,685,534	$ 8,235,446	$ 132,946	$ 7,613,614	$ 515,658

	Turkish Lira	United Arab Emirates Dirham	Uruguayan Peso	Uzbekistani Som	Total
Asset Backed Securities	$ -	$ -	$ -	$ -	$ 2,229,830
Bank Loans	-	-	-	-	7,235,595
Corporate Bonds	-	-	-	62,569	13,524,566
Equity Securities	3,497	1,141,221	-	-	143,790,580
International Notes and Bonds	945,350	-	129,066	-	12,232,431
International Government Agency Securities	-	-	-	-	668,664
Mortgages	-	-	-	-	119,535
Municipal Bonds	-	-	-	-	1,138,406
Private Equity	-	-	-	-	7,122,777
Short Term Investments	10,800	-	-	-	1,223,663
Total	$ 959,647	$ 1,141,221	$ 129,066	$ 62,569	$ 189,286,047

Derivative Instruments. Derivative instruments are financial contracts whose underlying values depend on the values of one or more underlying assets, reference rates, or financial indices. These instruments are used primarily to enhance performance and reduce the volatility of the portfolio, in accordance with the Nebraska Investment Council-approved Derivatives Policy. The State invests in futures contracts, options, and swaps. Futures represent commitments to purchase or sell securities or money market instruments at a future date and at a specific price. Options represent the right, but not the obligation, to purchase or sell securities at a future date and at a specific price. The State invests in these contracts related to securities of the U.S. Government or Government Agency obligations based on reference notes, which are traded on organized exchanges, thereby minimizing the State's credit risk. Swaps represent an exchange of streams of payments over time according to specified terms. All changes in fair value of derivative instruments are reflected in Investment Income, and the fair value of derivative instruments at December 31, 2025, are reflected in Investments. The fair value balances and notional amounts of derivative instruments outstanding at December 31, 2025, classified by type, and the changes in fair value of such derivative instruments for the year then ended are as follows:

4. Investments (Continued)

Derivative Instruments at December 31, 2025

Derivative Instrument	Change in Fair Value	Fair Value	Notional
Credit Default Swaps	$ 96,287	$ 388,537	$ 9,313,517
Credit Default Swaption	1,509	-	-
Equity Futures	(30)	-	-
Fixed Income Futures	272,307	(79,214)	37,385,255
Fixed Income Options	15,064	173	(35,123)
Foreign Currency Options	(2,224)	(217)	(3,186)
FX Forwards	(3,206,680)	(224,543)	-
Interest Rate Swaps	209,469	572,593	6,785,370
Interest Rate Swaption	57,530	-	-
Warrants	(111,216)	7,535	-
Total	$(2,667,984)	$ 664,864	$ 53,445,833

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, 2025, 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.

The aggregate fair value of derivative instruments in asset positions at December 31, 2025, was $237,190. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. There is no collateral held or liabilities included in netting arrangements with those counterparties; therefore, the net exposure to credit risk is $237,190.

Although the State executes derivative instruments with various counterparties, the Plan has a net exposure to credit risk of approximately 89 percent, held with seven counterparties. The counterparties are rated A, AA, or were 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).

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

4. Investments (Concluded)

The foreign currency risk for derivative instruments at December 31, 2025, is as follows:

Derivative Instruments Foreign Currency at December 31, 2025

Currency	Credit Default Swaps	Fixed Income Futures	Fixed Income Options	FX Forwards	Interest Rate Swaps
Australian Dollar	$ -	$ 1,105	$ -	$ (17,811)	$ (34,287)
Brazilian Real	-	-	-	(11,355)	(3,579)
British Pound Sterling	-	9,353	-	(62,131)	(942)
Canadian Dollar	-	(6,890)	-	(21,408)	(13,428)
Colombian Peso	-	-	-	(13,940)	-
Czech Koruna	-	-	-	-	(1,177)
Danish Krone	-	-	-	(77)	-
Euro Currency	132,311	(28,218)	173	(113,330)	(7,233)
Hong Kong Dollar	-	-	-	1	-
Indian Rupee	-	-	-	(950)	-
Indonesian Rupiah	-	-	-	46	-
New Israeli Shekel	-	-	-	(5,688)	-
Japanese Yen	-	-	-	4,326	131,222
Mexican Peso	-	-	-	26,017	-
New Taiwan Dollar	-	-	-	14,080	-
New Zealand Dollar	-	-	-	(341)	-
Norwegian Krone	-	-	-	(74)	-
Peruvian Nuevo Sol	-	-	-	(19,782)	-
Polish Zloty	-	-	-	2,594	-
Singapore Dollar	-	-	-	(7,048)	-
South African Rand	-	-	-	(17,541)	-
South Korean Won	-	-	-	1,168	-
Swiss Franc	-	-	-	(1,990)	-
Thailand Baht	-	-	-	(70)	-
Turkish Lira	-	-	-	23,299	-
Uzbekistani Som	-	-	-	(172)	-
Chinese Yuan Renminbi Offshore	-	-	-	(2,366)	-
Total	$ 132,311	$ (24,650)	$ 173	$ (224,543)	$ 70,576

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, 2025, 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 15.13 percent for the year ended December 31, 2025. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

5. Changes in Compensated Absences Payable

Changes in compensated absences payable for the calendar year ended December 31, 2025, are summarized as follows:

Beginning Balance	$	18,383
Net Increases		43,845
Ending Balance	$	62,228
Amounts Due Within One Year	$	33,127

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.

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 $10,000,0000 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 $157,475,000. 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 Risk Management 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.

NOTES TO THE FINANCIAL STATEMENTS
(Concluded)

7. Capital Assets

Capital asset activity for the year ended December 31, 2025, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets being depreciated:				
Equipment	$ -	$ 2,560,775	$ -	$ 2,560,775
Total Capital Assets being depreciated	-	2,560,775	-	2,560,775
Less accumulated depreciation for:				
Equipment	-	(1,138,128)	-	(1,138,128)
Total Accumulated Depreciation	-	(1,138,128)	-	(1,138,128)
Total Capital Assets being depreciated, net	$ -	$ 1,422,647	$ -	$ 1,422,647

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)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
TOTAL PENSION LIABILITY:										
Service cost at end of year	$ 59,703	$ 52,460	$ 49,212	$ 47,817	$ 46,029	$ 43,490	$ 42,354	$ 37,704	$ 37,821	$ 39,451
Interest on total pension liability	197,443	190,014	181,574	177,118	168,343	163,027	159,150	152,896	144,648	138,933
Difference between expected and actual experience	31,214	23,367	49,437	16,803	45,177	2,015	(17,656)	19,474	26,757	7,104
Changes of assumptions	55,766	29,462	24,519	(1,595)	-	-	-	-	141,348	-
Other*	1,549	2,865	1,342	3,637	2,290	1,808	1,991	1,832	2,088	1,946
Benefit payments, including member refunds	(160,246)	(157,459)	(156,216)	(147,214)	(142,546)	(136,485)	(131,896)	(125,272)	(118,997)	(113,106)
Net change in total pension liability	185,429	140,709	149,868	96,566	119,293	73,855	53,943	86,634	233,665	74,328
TOTAL PENSION LIABILITY-beginning 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
TOTAL PENSION LIABILITY-end of year	$ 3,006,418	$ 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
PLAN FIDUCIARY NET POSITION										
Contributions-employer	$ 86,412	$ 89,458	$ 77,213	$ 69,138	$ 61,411	$ 57,033	$ 57,268	$ 55,564	$ 47,981	$ 33,903
Contributions-State	9,073	8,398	7,798	7,534	7,290	7,302	7,420	7,111	6,897	6,661
Contributions-member	49,497	43,515	42,382	39,262	36,891	35,295	35,614	36,327	34,883	33,764
Net investment income	172,166	220,388	110,193	(144,671)	290,971	118,829	31,298	85,795	73,217	15,375
Benefit payments, including member refunds	(160,246)	(157,459)	(156,215)	(147,214)	(142,546)	(136,485)	(131,896)	(125,272)	(118,997)	(113,106)
Administrative expense	(924)	(1,945)	(1,608)	(894)	(952)	(890)	(1,087)	(867)	(1,384)	(1,290)
Other*	3,164	2,208	1,394	3,638	2,289	1,841	3,160	1,844	2,090	2,082
Net change in plan fiduciary net position	159,142	204,563	81,157	(173,207)	255,354	82,925	1,777	60,502	44,687	(22,611)
PLAN FIDUCIARY NET POSITION-beginning of year**	1,749,032	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
PLAN FIDUCIARY NET POSITION-end of year	$ 1,908,174	$ 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
NET PENSION LIABILITY	$ 1,098,244	$ 1,074,735	$ 1,138,589	$ 1,069,878	$ 800,105	$ 936,166	$ 945,236	$ 893,070	$ 866,938	$ 677,960
Ratio of plan fiduciary net position to total pension liability	63.47%	61.90%	57.52%	57.72%	67.13%	59.55%	57.82%	59.16%	58.72%	63.68%
Covered payroll	$ 506,106	$ 444,936	$ 433,356	$ 401,451	$ 377,207	$ 360,891	$ 364,154	$ 371,440	$ 356,676	$ 345,231
Net pension liability as a percentage of covered payroll	217.00%	241.55%	262.74%	266.50%	212.11%	259.40%	259.57%	240.43%	243.06%	196.38%

* Effective 2015, other amounts include transfer of assets of state service annuity liabilities transferred to OSERS and purchases of service. For 2025, these amounts were $1,445 and $105, respectively.

** The beginning of year FNP in 2025 was restated by $2,778. The restatement was due a payable, totaling $1,772, that was not included in OPS records at August 31, 2024, when the fiscal year 2024 financial statements were prepared. The remaining $1,006 included in the restatement was a correction made by NPERS to ensure the end of year FNP in 2025 agreed to the State's records.

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) (Supp. 2025).

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)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	$ 95,485	$ 86,060	$ 80,011	$ 68,991	$ 66,756	$ 62,803	$ 61,631	$ 62,637	$ 57,674	$ 37,906
Employer statutory	49,988	43,976	42,781	39,655	37,266	35,676	35,967	36,664	35,231	33,903
Employer additional	36,424	45,482	34,432	29,483	24,145	21,357	21,300	18,900	12,750	-
Non-employer (state)*	9,073	8,398	7,798	7,534	7,290	7,302	7,420	7,111	6,897	6,661
Total actual contributions	95,485	97,856	85,011	76,672	68,701	64,335	64,687	62,675	54,878	40,564
Annual contribution deficiency (excess)	$ -	$ (11,796)	$ (5,000)	$ (7,681)	$ (1,945)	$ (1,532)	$ (3,056)	$ (38)	$ 2,796	$ (2,658)
Covered payroll	$ 506,106	$ 444,936	$ 433,356	$ 401,451	$ 377,207	$ 360,891	$ 364,154	$ 371,440	$ 356,676	$ 345,231
Actual contributions as a percentage of covered payroll	18.87%	21.99%	19.62%	19.10%	18.21%	17.83%	17.76%	16.87%	15.39%	11.75%

* 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) (Supp. 2025).

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

	Money-Weighted Rates of Return
2025	11.44%
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%

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.

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 Changes in Employer and Non-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, 2025 (based on the January 1, 2025, 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	2.35%
Salary increases, including price inflation	2.85 – 6.25%
Long-term rate to return, net of Investment expense, including price inflation	7.00%
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 per month), for those who became members prior to July 1, 2016.

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 Omaha School Employees' Retirement System (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 and methods:

January 1, 2025, valuation:

- The investment return assumption was lowered from 7.20% to 7.00%.
- The inflation assumption was lowered from 2.55% to 2.35%.
- The assumed interest rate credited on employee contributions was lowered from 2.55% to 2.35%.
- The general wage increase assumption was lowered from 3.05% to 2.85%.

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%.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
(Continued)

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%.

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.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
(Concluded)

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%.
- 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, 2025, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements, and have issued our report thereon dated June 30, 2026. 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.

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

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. We consider the following deficiency described in the Comments Section of the report to be a material weakness: Comment Number 1 ("Financial Statement and Required Supplementary Information Errors").

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. We consider the following deficiencies in the Plan's internal control described in the Comments Section of the report to be significant deficiencies: Comment Number 2 ("Asset Capitalization Errors") and Comment Number 3 ("Annuity Calculation Errors").

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 4 ("Uncorrected Benefit and Refund Payments"), Comment Number 5 ("Errors in Purchase of Service Credit"), and Comment Number 6 ("Uncorrected 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.

Zachary Wells

Lincoln, NE
June 30, 2026

Zachary Wells, CPA, CISA
Assistant Deputy Auditor