

**AUDIT REPORT
OF THE
NEBRASKA PUBLIC EMPLOYEES RETIREMENT
SYSTEMS – SCHOOL EMPLOYEES, JUDGES, AND
STATE PATROL RETIREMENT PLANS
PENSION TRUST FUNDS OF THE STATE OF NEBRASKA
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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Issued on March 17, 2022

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

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

BACKGROUND

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

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

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

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 have at least 5 years of experience in the field of actuarial analysis or the administration of an employee benefit plan.

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

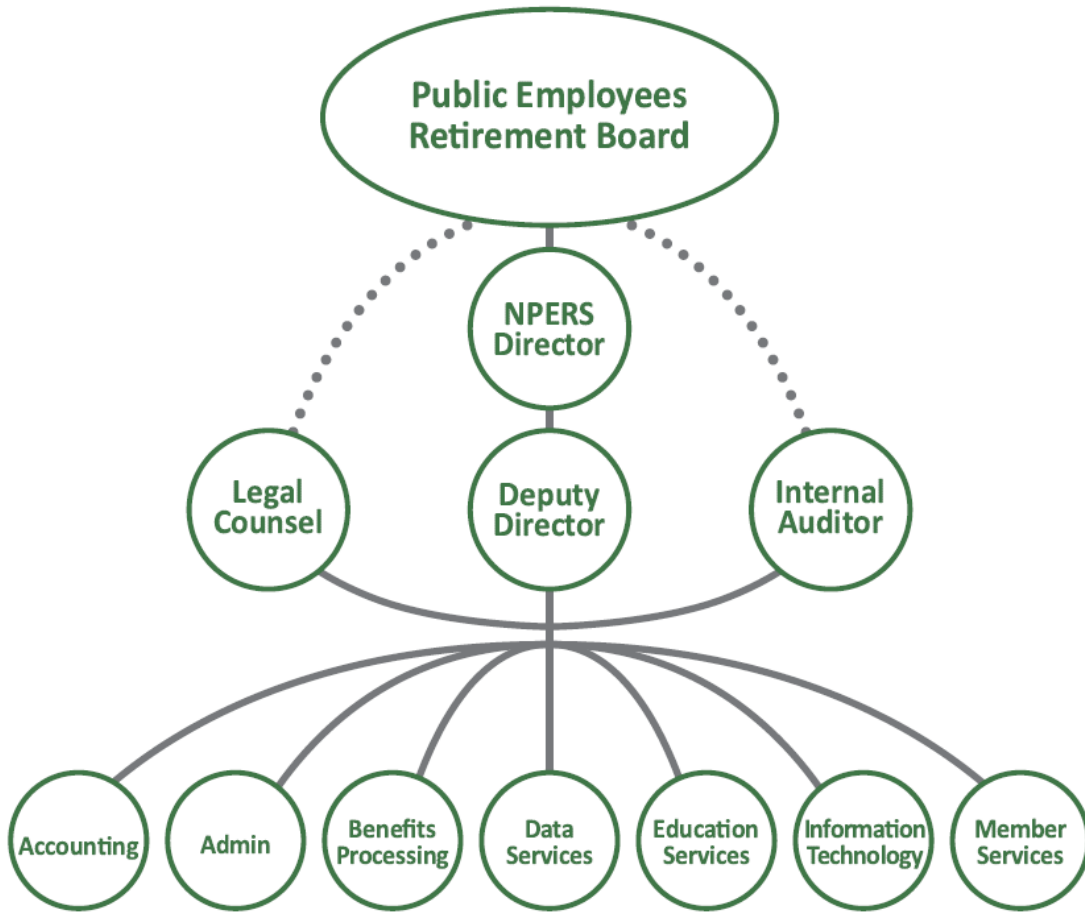
All appointed members must be Nebraska citizens. Members of the Board are paid \$75 per diem and are reimbursed for actual and necessary expenses. The Board hires a director to manage the day-to-day operations. Expenses are to be equitably distributed among the retirement systems. All expenses must be provided from investment income earned by various retirement funds, unless other fund sources to pay expenses are specified by law.

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.

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

ORGANIZATIONAL CHART



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

KEY OFFICIALS AND AGENCY CONTACT INFORMATION

Public Employees Retirement Board Members

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

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

Allen Simpson
State Member
Term Ending January 1, 2025

Thomas Zimmerman
Judge Member
Term Ending January 1, 2026

Mike Jahnke
State Patrol Member
Term Ending January 1, 2023

Pamela Lancaster
County Member
Term Ending January 1, 2026

Jim Schulz
Public Member
Term Ending January 1, 2022

Position Open
Public Member
Term Ending January 1, 2023

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

Nebraska Public Employees Retirement Systems Executive Management

Randy Gerke
Director

Orron Hill
Deputy Director

Teresa Zulauf
Controller

Nebraska Public Employees Retirement Systems
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Lincoln, NE 68509
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NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS SCHOOL EMPLOYEES, JUDGES, AND STATE PATROL RETIREMENT PLANS

INDEPENDENT AUDITOR'S REPORT

Nebraska Public Employees Retirement Board
Lincoln, Nebraska

Report on the Financial Statements

We have audited the accompanying Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position of the Nebraska Public Employees Retirement Systems (NPERS) – School Employees, Judges, and State Patrol Retirement Plans, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Nebraska Public Employees Retirement Systems – School Employees, Judges, and State Patrol Retirement Plans' basic financial statements, as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of NPERS' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Nebraska Public Employees Retirement Systems – School Employees, Judges, and State Patrol Retirement Plans, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Nebraska Public Employees Retirement Systems – School Employees, Judges, and State Patrol Retirement Plans are intended to present the financial position and the changes in financial position of only that portion of the State that is attributable to the transactions of the Nebraska Public Employees Retirement Systems – School Employees, Judges, and State Patrol Retirement Plans. They do not purport to, and do not, present fairly the financial position of the State of Nebraska as of June 30, 2021, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in School Districts' Net Pension Liability, Schedule of Changes in the Judges' Net Pension Liability, Schedule of Changes in the State Patrol's Net Pension Liability, Schedule of Employer and Non-Employer Contributions, Schedule of Investment Returns, and Notes to the Required Supplementary Information on pages 31-44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted its Management Discussion and Analysis 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2022 on our consideration of the Nebraska Public Employees Retirement Systems – School Employees, Judges, and State Patrol Retirement Plans’ internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of NPERS’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NPERS’s internal control over financial reporting and compliance.



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

March 10, 2022

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL EMPLOYEES, JUDGES, AND STATE PATROL RETIREMENT PLANS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2021

ASSETS	School Employees	Judges	State Patrol
Cash in State Treasury	\$ 9,487,927	\$ 189,137	\$ 189,623
Deposits with Vendors	\$ 9,091	\$ 94	\$ 94
Receivables			
Contributions	71,873,809	1,715,296	4,082,024
Interest & Dividend Income	17,159,610	268,804	596,278
Other Investment Receivables (Note 4)	540,698,136	8,469,153	18,821,707
Total Receivables	\$ 629,731,555	\$ 10,453,253	\$ 23,500,009
Investments, at fair value (Note 4)			
Bank Loans	324,413,386	5,081,406	11,292,545
U.S. Treasury Notes and Bonds	421,980,466	6,609,635	14,688,769
U.S. Treasury Bills	79,364,668	1,243,118	2,762,614
Government Agency Securities	9,835,571	154,058	342,368
Corporate Bonds	1,041,984,460	16,320,985	36,270,563
International Bonds	368,304,704	5,768,892	12,820,363
Equity Securities	2,421,375,148	37,926,887	84,285,941
Private Equity	906,452,621	14,198,100	31,552,819
Options	(9,976)	(156)	(347)
Mortgages	639,887,282	10,022,789	22,273,914
Opportunistic Credit	25,051,717	392,394	872,028
Private Real Estate	815,307,209	12,770,456	28,380,128
Asset Backed Securities	114,969,684	1,800,812	4,001,994
Municipal Bonds	4,290,088	67,197	149,334
Commingled Funds	8,482,202,421	132,859,846	300,017,082
Short Term Investments	258,110,540	4,048,253	9,023,047
Total Investments	\$ 15,913,519,989	\$ 249,264,672	\$ 558,733,162
Invested Securities Lending Collateral (Note 4)	\$ 259,830,729	\$ 4,069,913	\$ 9,044,744
Capital Assets (Note 9)			
Equipment	4,791,804	65,649	65,649
Less: Accumulated Depreciation	(4,786,392)	(65,567)	(65,567)
Total Capital Assets, net	\$ 5,412	\$ 82	\$ 82
TOTAL ASSETS	\$ 16,812,584,703	\$ 263,977,151	\$ 591,467,714
LIABILITIES			
Compensated Absences Payable (Note 5)	268,144	4,980	8,654
Accounts Payable and Accrued Liabilities	11,698,955	162,808	806,433
Obligations under Securities Lending (Note 4)	259,830,729	4,069,913	9,044,744
Other Investment Payables (Note 4)	848,230,617	13,286,147	29,526,162
TOTAL LIABILITIES	\$ 1,120,028,445	\$ 17,523,848	\$ 39,385,993
Fiduciary Net Position - Restricted for Pension Benefits	\$ 15,692,556,258	\$ 246,453,303	\$ 552,081,721

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

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL EMPLOYEES, JUDGES, AND STATE PATROL RETIREMENT PLANS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<u>School Employees</u>	<u>Judges</u>	<u>State Patrol</u>
ADDITIONS			
Contributions			
Member	\$ 210,035,574	\$ 2,029,383	\$ 5,081,804
Employer			
Schools	208,990,879	-	-
Court Fees	-	3,319,567	-
State Patrol	-	-	5,081,804
State Appropriations	-	1,427,719	4,082,024
Non-Employer (Note 2)	44,254,036	-	-
Total Contributions	<u>\$ 463,280,489</u>	<u>\$ 6,776,669</u>	<u>\$ 14,245,632</u>
Investment Income			
Net Appreciation in Fair Value of Investments	3,537,441,836	55,725,729	123,692,863
Interest & Dividends	150,818,497	2,377,267	6,474,899
Securities Lending Income	1,946,671	30,492	67,765
Total Investment Income	<u>\$ 3,690,207,004</u>	<u>\$ 58,133,488</u>	<u>\$ 130,235,527</u>
Investment Expense	(50,149,206)	(788,895)	(1,770,029)
Securities Lending Expense	<u>(373,402)</u>	<u>(5,849)</u>	<u>(12,998)</u>
Net Investment Income	<u>\$ 3,639,684,396</u>	<u>\$ 57,338,744</u>	<u>\$ 128,452,500</u>
Other Additions	<u>\$ 12,234</u>	<u>\$ 14</u>	<u>\$ 14,895</u>
Total Additions	<u>\$ 4,102,977,119</u>	<u>\$ 64,115,427</u>	<u>\$ 142,713,027</u>
DEDUCTIONS			
Benefits	674,174,006	12,066,177	23,050,795
Refunds of Contributions	15,708,342	-	3,205,747
Administrative Expense	3,537,301	117,122	157,638
Other Deductions (Note 6)	2,737,862	-	-
Total Deductions	<u>\$ 696,157,511</u>	<u>\$ 12,183,299</u>	<u>\$ 26,414,180</u>
Net Increase in Fiduciary Net Position	<u>\$ 3,406,819,608</u>	<u>\$ 51,932,128</u>	<u>\$ 116,298,847</u>
FIDUCIARY NET POSITION - RESTRICTED FOR PENSION BENEFITS:			
BEGINNING OF YEAR	<u>\$ 12,285,736,650</u>	<u>\$ 194,521,175</u>	<u>\$ 435,782,874</u>
END OF YEAR	<u>\$ 15,692,556,258</u>	<u>\$ 246,453,303</u>	<u>\$ 552,081,721</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2021

1. Summary of Significant Accounting Policies

A. Basis of Presentation

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

B. Reporting Entity

The Legislature created the Public Employees Retirement Board (Board) in 1971 to administer the existing Nebraska retirement systems. Currently, the Board is responsible for the administration of five retirement plans and the Deferred Compensation Plan. The five retirement plans administered are the School Employees, State Patrol, Judges, State Employees, and County Employees Retirement Plans.

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

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

Separate reports have been issued for the State Employees and County Employees Retirement Plans for the calendar year ended December 31, 2020, and the Deferred Compensation Plan for the calendar year ended December 31, 2017.

The financial statements reflect only the School Employees, Judges, and State Patrol Retirement Plans and do not reflect all activity of the Nebraska Public Employees Retirement Systems.

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.

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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

D. Cash 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

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

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

F. Capital Assets

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

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

G. Compensated Absences

All permanent employees working for NPERS earn sick and vacation leave. Temporary and intermittent employees and Board members are not eligible for paid leave. The liability has been calculated using the vesting method, in which leave amounts, for both employees 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.

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Concluded)

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

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

H. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at fiscal year-end and revenues and expenditures during the reporting period. Actual results could differ from those estimates.

2. Plan Descriptions and Contribution Information

Membership of each plan consisted of the following at July 1, 2021, the date of the last actuarial valuation:

	School Employees	Judges	State Patrol
Inactive Plan Members or Beneficiaries			
Currently Receiving Benefits	26,894	195	490
Members in Deferred Retirement Option Plan (DROP)	-	-	35
Inactive Plan Members Entitled to but not yet Receiving Benefits	6,769	4	30
Inactive Nonvested Members	19,141	-	9
Active Plan Members	43,423	145	403
	96,227	344	967

The Nebraska Public Employees Retirement Board (Board) was created in 1971 to administer the Nebraska retirement plans. The School Employees, Judges, and State Patrol Plans have been created in accordance with Internal Revenue Code Sections 401(a), 414(d), 414(h), and 414(k). Participants should refer to Neb. Rev. Stat. §§ 79-901 through 79-977.03 (Reissue 2014, Cum. Supp. 2020, Supp. 2021) for the School Employees Retirement Act, Neb. Rev. Stat. §§ 24-701 through 24-714 (Reissue 2016, Cum. Supp. 2020, Supp. 2021) for the Judges Retirement Act, and Neb. Rev. Stat. §§ 81-2014 through 81-2041 (Reissue 2014, Cum. Supp. 2020, Supp. 2021) for the State Patrol Retirement Act. Benefit and contribution provisions are established by State law and may be amended only by the Nebraska Legislature.

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

2. **Plan Descriptions and Contribution Information** (Continued)

School Employees Retirement

Plan Description. The School Employees Retirement Plan is a cost-sharing, multiple-employer defined benefit pension plan. In 1945, the Legislature enacted the law establishing a retirement plan for school employees of the State. During fiscal year 2021, there were 266 participating school districts. These were the districts that had contributions during the fiscal year. All regular public school employees in Nebraska, other than those who have their own retirement plans (Class V school districts, Nebraska State Colleges, University of Nebraska, Nebraska Community Colleges), are members of the plan.

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

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

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

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

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

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

Contributions. The State's contribution is based on an annual actuarial valuation. In addition, the State contributes an amount equal to two percent of the compensation of all members. This contribution is considered a non-employer contribution since school employees are not employees of the State. The employee contribution was equal to 9.78 percent of compensation from July 1, 2020, to June 30, 2021. The school district (employer) contribution is 101 percent of the employee contribution.

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

2. **Plan Descriptions and Contribution Information** (Continued)

Judges Retirement

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

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

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

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

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

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

Contributions. The plan is funded by members' contributions, a portion of the court fees, and the State's contributions. A six-dollar fee for each case is collected from District and County Courts, Juvenile Courts, the Workers' Compensation Court, the Supreme Court, and the Court of Appeals, plus a 10 percent charge on certain fees collected in the County Courts. In addition, in 2021, LB 17 increased the amount of County Court docket fees to be collected for the Judges Retirement Plan from four dollars to six dollars through June 30, 2021, to eight dollars for July 1, 2021, through June 30, 2022, to nine

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

2. Plan Descriptions and Contribution Information (Continued)

dollars for July 1, 2022, through June 30, 2023, to ten dollars for July 1, 2023, through June 30, 2024, to eleven dollars for July 1, 2024, through June 30, 2025, and to twelve dollars beginning July 1, 2025. The State's contribution is based on an annual actuarial valuation. Members, who entered the plan between July 1, 2004, and June 30, 2015, and those active members who elected within 90 days of July 1, 2004, contribute nine percent of their monthly salary until the maximum benefit has been earned. After earning the maximum benefit, members contribute five percent of their monthly salary for the remainder of their active service. All other members contribute seven percent of their monthly salary until the maximum benefit has been earned. After earning the maximum benefit, those members contribute one percent of their monthly salary for the remainder of their active service. Members entering the plan on or after July 1, 2015, contribute 10 percent of their monthly salary.

State Patrol Retirement

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

2. Plan Descriptions and Contribution Information (Concluded)

Contributions. Tier one members are required to contribute 16 percent of their annual pay. Tier two members are required to contribute 17 percent of their annual pay. The State Patrol's (employer) contribution is 16 percent and 17 percent of the employee's annual pay, respectively. The State's contribution is based on an annual actuarial valuation.

Deferred Retirement Option Plan (DROP). Neb. Rev. Stat. § 81-2041 (Cum. Supp. 2020) established the Patrol DROP effective September 1, 2008. The DROP is a voluntary deferred retirement plan that a member can enter between the ages of 50 and 60, with 25 years of service. The DROP is only available to tier one members. Upon choosing to participate in DROP, the member is deemed to have retired; however, the member continues in active employment for up to a five-year period with no retirement contributions withheld from his or her paychecks. Upon entering DROP, the individual's monthly benefit is calculated and paid into an Internal Revenue Code (IRC) § 414(k) Deferred Compensation Plan (DCP), held by the record keeper, Ameritas. After the member retires (60 years of age) or has been in DROP for five years, whichever occurs first, the member then has the option to receive a lump sum payment and/or rollover the funds in the DCP account to another qualified plan. Thereafter, future retirement benefit payments are made directly to the member.

The balance of the DROP at June 30, 2021, was \$4,783,746.

3. Funded Status and Funding Progress

The components of the net pension liability for the plans at July 1, 2021, the most recent actuarial valuation date, were as follows:

	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(a-b) Net Pension Liability/(Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
School	\$ 14,279,493,188	\$ 15,692,556,258	\$ (1,413,063,070)	109.90%
Judges	216,938,984	246,453,303	(29,514,319)	113.60%
State Patrol	540,576,453	552,081,721	(11,505,268)	102.13%

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

3. Funded Status and Funding Progress (Continued)

	<u>School Employees</u>	<u>Judges</u>	<u>State Patrol</u>
Valuation date	July 1, 2021	July 1, 2021	July 1, 2021
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level Percent of Payroll, Closed	Level Percent of Payroll, Closed	Level Percent of Payroll, Closed
Single equivalent amortization period	8 Years	25 Years	17 Years
Asset valuation method	5 year smoothed market	5 year smoothed market	5 year smoothed market
<u>Actuarial assumptions:</u>			
Inflation	2.65%	2.65%	2.65%
Investment rate of return, net of investment expense and including inflation	7.3%	7.3%	7.3%
Projected salary increases, including inflation	3.15% - 13.15%	3.4%	3.15% - 8.65%
Cost-of-living adjustments (COLA)	2.15% with a floor benefit equal to 75% purchasing power of original benefit*	2.15% with a floor benefit equal to 75% purchasing power of original benefit**	2.15% with a floor benefit equal to 60% purchasing power of original benefit***

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

3. Funded Status and Funding Progress (Continued)

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

The actuarial assumptions used in the July 1, 2021, valuations for the School Employees, Judges, and State Patrol Plans are based on the results of the most recent actuarial experience study, which covered the four-year period ending June 30, 2019. The experience study report is dated December 21, 2020.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
U.S. Equity	27.0%	4.5%
Global Equity	19.0%	5.3%
Non-U.S. Equity	11.5%	5.8%
Fixed Income	30.0%	0.7%
Private Equity	5.0%	7.4%
Real Estate	7.5%	4.2%
Total	100.00%	

*Arithmetic mean, net of investment expenses.

Discount Rate. The discount rate used to measure the Total Pension Liability at June 30, 2021, was seven-and-three-tenths percent. The discount rate is reviewed as part of the actuarial experience study, which was last performed for the period July 1, 2015, through June 30, 2019. The actuarial experience study is reviewed by the NPERS Board, which must vote to change the discount rate.

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

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the plans calculated using the discount rate of seven-and-three-tenths percent, as well as what the plans' net pension liability/(asset) would be if it were calculated using a discount rate that is one percentage point lower (six-and-three-tenths percent) or one percentage point higher (eight-and-three-tenths percent) than the current rate.

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

3. Funded Status and Funding Progress (Concluded)

	1% Decrease (6.30%)	Current Discount Rate (7.30%)	1% Increase (8.30%)
Net Pension Liability/(Asset):			
School	\$ 583,635,131	\$ (1,413,063,070)	\$(3,053,106,475)
Judges	(6,747,283)	(29,514,319)	(48,972,418)
State Patrol	63,453,453	(11,505,268)	(72,320,432)

4. Investments

Investments. Listed below is a summary of the investment portfolio that comprises the Investments on the Statements of Fiduciary Net Position. Neb. Rev. Stat. § 72-1239.01(3) (Cum. Supp. 2020) directs the appointed members of the Nebraska Investment Council to do the following:

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets that the Plans have the ability to access at the measurement date. Instruments categorized in Level 1 consist primarily of a broadly traded range of equity and debt securities.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset.

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

4. Investments (Continued)

Plan Investments at June 30, 2021, at Fair Value Measurement Using:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Debt Securities				
Bank Loans	\$ 340,787,337	\$ -	\$ 340,787,337	\$ -
US Treasury Notes and Bonds	443,278,870	-	443,278,870	-
U.S. Treasury Bills	83,370,400	-	83,370,400	-
Government Agency Securities	10,331,997	-	10,331,997	-
Corporate Bonds	1,094,576,008	-	1,094,576,008	-
International Bonds	386,893,959	-	386,893,959	-
Asset Backed Securities	120,772,490	-	120,772,490	-
Short-Term Investments	271,182,221	14,933,368	256,248,853	-
Commingled Debt	1,202,459,736	783,047,386	419,412,350	-
Mortgages	672,183,985	-	672,183,985	-
Municipal Bonds	4,506,619	-	4,506,619	-
	<u>4,630,343,622</u>	<u>797,980,754</u>	<u>3,832,362,868</u>	<u>-</u>
Other Investments				
Commingled Funds	7,712,619,613	3,264,153,194	4,448,466,419	-
Equity Securities	2,543,587,976	2,542,734,700	853,276	-
Options	(10,479)	-	(10,479)	-
Total Investments	<u>\$ 14,886,540,732</u>	<u>\$ 6,604,868,648</u>	<u>\$ 8,281,672,084</u>	<u>\$ -</u>
Investments Measured at the Net Asset Value (NAV):		<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Private Real Estate Funds:				
Core	\$ 618,524,042	\$ -	Quarterly	90 days
Non-Core	237,933,751	211,241,791		
Opportunistic Credit	26,316,139	67,970,936		
Private Equity Funds	952,203,540	491,105,400		
Short-Term Investment Funds	(381)	-		
Total Investments Measured at Net Asset Value	<u>\$ 1,834,977,091</u>	<u>\$ 770,318,127</u>		
Total	\$ 16,721,517,823			
Securities Lending Collateral	<u>272,945,386</u>			
Total Investments at Fair Value	<u>\$ 16,994,463,209</u>			

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

- U.S. Treasury Notes and Bonds, Government Agency Securities, and Short-Term Investments: quoted prices for identical securities in markets that are not active.
- Corporate, International, Municipal Bonds, and Equity Securities: quoted prices for similar securities in active markets.

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

4. Investments (Continued)

- Asset Backed Securities, Bank Loans, and Mortgages: matrix pricing, based on accepted modeling and pricing conventions, of the securities' relationship to benchmark quoted prices.
- Commingled Funds: published fair value per share (unit) for each fund.

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

Certain investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) have not been categorized in the fair value hierarchy. The fair value amounts at NAV presented in the above table are intended to permit reconciliation of the fair value hierarchy to the amount presented on the Statements of Fiduciary Net Position. Investments valued using the net asset value per share are considered "alternative investments" and, unlike more traditional investments, generally do not have readily obtainable market values and take the form of limited partnerships. The Plans value these investments based on the partnerships' audited financial statements. If June 30 statements are available, those values are used preferentially. However, some partnerships have fiscal years ending at other than June 30. If June 30 valuations are not available, the value is progressed from the most recently available valuation taking into account subsequent calls and distributions. The NAV table also presents the unfunded commitments, redemption frequency (if currently eligible), and the redemption notice period for the Plans' alternative investments. Investments measured by NAV are either short term in nature or intended to be held to maturity. Therefore, they do not bear a significant risk of being sold at amounts different than the NAV.

Other investments not classified. The \$272,945,386 in Securities Lending Collateral, which are investments loaned to broker-dealers and banks under the securities lending program, were not classified for fair value measurement purposes.

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

4. **Investments** (Continued)

**School Employees, Judges, and Patrol Retirement Plans Investments
at June 30, 2021**

	Fair Value	Effective Duration
Debt Securities		
Bank Loans	\$ 340,787,337	0.08
U.S. Treasury Notes and Bonds	443,278,870	9.19
U.S. Treasury Bills	83,370,400	0.27
Government Agency Securities	10,331,997	6.35
Corporate Bonds	1,094,576,008	6.38
International Bonds	386,893,959	7.48
Asset Backed Securities	120,772,490	0.92
Short-Term Investments	271,181,840	0.00
Commingled Debt	1,202,459,736	3.79
Mortgages	672,183,985	3.82
Municipal Bonds	4,506,619	15.49
Other Investments		
Opportunistic Credit	26,316,139	
Commingled Funds	7,712,619,613	
Private Equity Securities	952,203,540	
Equity Securities	2,543,587,976	
Options	(10,479)	
Private Real Estate Funds Trust	856,457,793	
Total Investments	16,721,517,823	
Invested Securities Lending Collateral	272,945,386	
Total	\$ 16,994,463,209	

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of a debt investment's exposure to fair value changes arising from changes in interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price.

Credit Risk of Debt Securities. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The State has contracts with investment managers that set minimum average quality ratings for its core fixed income accounts at an A. The maximum exposure to any single investment grade issuer, excluding the U.S. government, its agencies or instrumentalities, or government-sponsored entities, is five percent, and the maximum exposure to a single issuer below investment grade is three percent. NPERS' rated debt investments as of June 30, 2021, were rated by Standard and Poor's and/or an equivalent national rating organization, and the ratings are presented below using the Standard and Poor's rating scale.

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

4. Investments (Continued)

**School Employees, Judges, and State Patrol Retirement Plan Investments
at June 30, 2021**

	Fair Value	Quality Ratings										
		AAA	AA	A	BBB	BB	B	CCC	CC	C	D	Unrated
Asset Backed Securities	\$ 120,772,490	\$ 78,021,594	\$ 8,363,145	\$ 3,381,632	\$ 2,732,847	\$ 2,137,486	\$ 988,470	\$ 4,193,190	\$ 3,142,340	\$ 5,200	\$ 2,178,737	\$ 15,627,849
Bank Loans	340,787,337	-	-	-	-	-	-	-	-	-	-	340,787,337
Commingled Debt	1,202,459,736	-	-	-	-	-	-	-	-	-	-	1,202,459,736
Corporate Bonds	1,094,576,008	19,704,824	22,914,947	204,000,080	649,416,040	132,215,618	35,321,437	9,115,475	-	-	-	21,887,587
Government Agency Securities	10,331,997	-	6,378,562	2,632,007	615,659	-	-	-	-	-	-	705,769
International Bonds	386,893,959	28,358,062	62,909,288	68,460,339	46,237,116	16,665,443	6,803,346	1,725,616	106,847	-	144,094	155,483,808
Mortgages	672,183,985	80,416,628	12,459,276	3,231,444	8,464,477	855,582	902,050	726,027	91,379	52,571	223,332	564,761,219
Municipal Bonds	4,506,619	-	3,240,003	991,335	275,281	-	-	-	-	-	-	-
Short-Term Investments	271,181,840	-	-	-	-	507,199	-	-	-	-	-	270,674,641

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

At June 30, 2021, NPERS had no debt security investments, from a single entity, that comprised more than five percent of total investments.

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The State does not have a formal policy to limit foreign currency risk. NPERS' exposure to foreign currency risk is presented in the following table

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

4. Investments (Continued)

**School Employees, Judges, and State Patrol Retirement Plans
Foreign Currency at June 30, 2021**

	Asset Backed	Corporate Bonds	Equity Securities	International Bonds	Mortgages	Private Equity	Short-Term Investments
Argentine Peso	\$ -	\$ 156,489	\$ -	\$ 166,552	\$ -	\$ -	\$ 45,786
Australian Dollar	-	3,083,448	3,503,933	6,088,677	-	-	67,806
Brazilian Real	-	-	14,867,826	1,360,464	-	-	(169,395)
Canadian Dollar	-	-	6,584,102	18,156,657	-	-	58,179
Colombian Peso	-	-	-	371,052	-	-	22,079
Czech Koruna	-	-	-	533,561	-	-	42,538
Danish Krone	-	-	8,890,669	603,146	-	-	84,201
Euro Currency	9,982,257	92,743,153	308,911,388	78,267,993	-	65,722,686	9,474,568
Hong Kong Dollar	-	-	24,400,996	-	-	-	74,180
Hungarian Forint	-	-	2,139,284	-	-	-	-
Indian Rupee	-	310,295	-	269,574	-	-	-
Indonesian Rupiah	-	-	1,965,078	1,149,568	-	-	92,248
Japanese Yen	-	-	213,302,720	85,883,673	-	-	2,132,967
Malaysian Ringgit	-	-	504,641	2,082,158	-	-	105,057
Mexican Peso	-	-	7,046,649	2,762,147	-	-	97,115
New Israeli Sheqel	-	-	2,930,845	683,721	-	-	43,789
New Zealand Dollar	-	-	-	703,848	-	-	52,769
Norwegian Krone	-	-	132,090	3,148,936	-	-	42,589
Philippine Peso	-	-	2,537,485	-	-	-	-
Polish Zloty	-	-	1,827,262	558,315	-	-	11,909
Pound Sterling	-	9,515,442	125,416,456	34,202,698	22,552,796	-	1,079,989
Russian Ruble	-	-	-	869,447	-	-	33,430
Singapore Dollar	-	-	-	1,431,207	-	-	61,057

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

4. Investments (Continued)

	Asset Backed	Corporate Bonds	Equity Securities	International Bonds	Mortgages	Private Equity	Short-Term Investments
Sol	-	-	-	5,463,670	-	-	5,273
South African Rand	-	-	131,396	-	-	-	892
South Korean Won	-	-	10,761,422	5,841,561	-	-	191,680
Swedish Krona	-	-	28,528,074	5,033,060	-	-	44,543
Swiss Franc	-	-	93,702,924	2,641,783	-	-	44,529
Thailand Baht	-	-	2,259,287	958,459	-	-	31,249
Turkish Lira	-	-	3,586,331	-	-	-	-
Yuan Renminbi	-	-	35,932,040	34,259,820	-	-	1,379,770
Yuan Renminbi Offshore	-	-	-	-	-	-	(793,139)
Total	<u>\$ 9,982,257</u>	<u>\$105,808,827</u>	<u>\$ 899,862,898</u>	<u>\$ 293,491,747</u>	<u>\$ 22,552,796</u>	<u>\$65,722,686</u>	<u>\$ 14,357,658</u>

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

4. Investments (Continued)

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

Either the State or the borrowers can terminate all securities loans on demand. Cash collateral is invested in one of the lending agent's short-term investment pools that had average durations from 20 to 23 days. Because loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. The custodian indemnifies the State against default by the borrower of securities but does not indemnify against the default by an issuer of a security held in the short-term investment funds where cash collateral is invested.

Derivative Financial Instruments. Derivative instruments are financial contracts whose underlying values depend on the values of one or more underlying assets, reference rates, or financial indices. These instruments are used primarily to enhance performance and reduce the volatility of the portfolio, in accordance with the Nebraska Investment Council-approved Derivatives Policy. The State invests in futures contracts, options, and swaps. Futures represent commitments to purchase or sell securities or money market instruments at a future date and at a specific price. Options represent the right, but not the obligation, to purchase or sell securities at a future date and at a specific price. The State invests in these contracts related to securities of the U.S. government or Government Agency obligations based on reference notes, which are traded on organized exchanges, thereby minimizing the State's credit risk. The net change in futures and options contract values are settled daily in cash with the exchanges. Swaps represent an exchange of streams of payments over time according to specified terms. All changes in fair value of derivative instruments are reflected in Investment Income, and the fair value of derivative instruments at June 30, 2021, are reflected in Investments. The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2021, classified by type, and the changes in fair value of such derivative instruments for the year then ended are as follows:

Derivative Instruments at June 30, 2021

Derivative Instrument	Change in		
	Fair Value	Fair Value	Notional
Credit Default Swaps	\$ 1,044,358	\$ 2,781,399	\$ 35,382,405
Fixed Income Futures	2,560,786	-	161,105,682
Fixed Income Options	323,134	(10,479)	(11,867,018)
Foreign Currency Options	21,285	-	-
Futures Options	1,952	-	-
FX Forwards	(5,543,643)	3,365,086	410,048,178
Fixed Interest Rate Swaps	2,526,233	(604,536)	287,351,288
Rights	810	-	-
Warrants	122,576	2,593	338

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

4. Investments (Continued)

The change in fair value denotes the net realized and unrealized gains and losses recognized during the period. The fair value of the derivative instruments at June 30, 2021, denotes the market value, with the exception of FX Forwards, which denotes the net realized and unrealized gains and losses recognized during the period. Furthermore, the Notional amount for Futures and Options was calculated as contract size times the number of contracts.

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

The aggregate fair value of derivative instruments in asset positions at June 30, 2021, was \$7,654,683. 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 \$7,654,683.

Although the Plans execute derivative instruments with various counterparties, there is approximately 97 percent of the net exposure to credit risk, held with 10 counterparties. The counterparties are rated BBB+, A, or A+.

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

4. Investments (Continued)

Foreign currency risk for derivative instruments at June 30, 2021, are as follows:

Currency	Options	Swaps	Forward Contracts
Australian Dollar	\$ -	\$ -	\$ (114,755)
Brazilian Real	-	(368,641)	(39,469)
Canadian Dollar	-	-	57,596
Chilean Peso	-	-	(30,162)
Czech Koruna	-	-	936
Danish Krone	-	-	(9,201)
Euro Currency	-	2,608,046	1,693,757
Hungarian Forint	-	-	(8,247)
Indonesian Rupiah	-	-	(5,702)
Japanese Yen	-	(543,720)	637,866
Malaysian Ringgit	-	-	1,636
Mexican Peso (New)	-	-	(3,283)
New Zealand Dollar	-	-	(28,411)
Norwegian Krone	-	-	1,857
Polish Zloty	-	-	(8,406)
Pound Sterling	-	307,825	850,139
Rinanian Leu	-	-	(9,815)
Singapore Dollar	-	-	8,761
Sol	-	-	131,009
South African Rand	-	-	140,203
South Korean Won	-	-	(900)
Swedish Krona	-	-	80,927
Swiss Franc	-	-	39,287
Thailand Baht	-	-	(10,706)
Turkish Lira	-	-	(17)
Yuan Renminbi Offshore	-	-	(9,814)
Total	\$ -	\$ 2,003,510	\$ 3,365,086

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

Securities are recorded on a trade date basis. On the trade date, the Plans own the asset. However, if the security has not settled, payment has not been received or made. Receivables and payables for investments sold and purchased represent securities in which the asset had been recorded as of June 30, 2021, but the security had not settled.

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

4. Investments (Concluded)

Money-Weighted Rate of Return. For the year ended June 30, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 29.99 percent for the School Employees Plan, 29.97 percent for the Judges Plan, and 29.86 percent for the Patrol Plan. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

5. Changes in Compensated Absences Payable

Changes in compensated absences payable for the year ended June 30, 2021, are summarized as follows:

	School Employees	Judges	State Patrol
Beginning Balance	\$ 296,724	\$ 4,256	\$ 7,395
Increases	4,060	1,192	2,072
Decreases	32,640	468	813
Ending Balance	\$ 268,144	\$ 4,980	\$ 8,654
Amounts Due Within One Year	\$ 32,177	\$ 598	\$ 1,038

6. Payments to Omaha Public Schools (OPS)

The School Employee Retirement Plan (School Plan) administers a service annuity to all retired Nebraska school district employees, paid by the State of Nebraska and computed per Neb. Rev. Stat. § 79-933 (Reissue 2014). For the OPS retirees, a calculated service annuity amount is transferred from the School Plan to the Omaha School Employees' Retirement System (Omaha), which then makes the actual service annuity payments to the Omaha retirees.

In accordance with Neb. Rev. Stat. § 79-916 (Supp. 2021), a separate Service Annuity Fund (Fund) was established for such payments, and an actuarially computed amount was transferred to the Fund from other School Plan assets. The State may transfer additional amounts to the Fund as may be necessary to pay the normal cost and amortize any unfunded actuarial accrued liability. This Fund is to be used only to reimburse Omaha for its retirees' service annuity payments and related administrative expenses. The assets of the fund, \$12,480,824, consisting almost entirely of investments, are included in the Statements of Fiduciary Net Position at June 30, 2021. The service annuity payments of \$2,737,862 to OPS are shown as Other Deductions in the Statements of Changes in Fiduciary Net Position.

7. Contingencies

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

7. Contingencies (Concluded)

- A. Motor vehicle liability, which includes \$4,700,000 with a self-insured retention of \$300,000 (coverage includes hot pursuit). There is an additional one-time corridor retention of \$300,000. Insurance is also purchased, with various limits and deductibles, for physical damage and uninsured and underinsured motorists. State agencies have the option to purchase coverage for physical damage to vehicles. There is a \$1,000 deductible for this coverage.
- B. Life insurance for eligible employees.
- C. Crime coverage, with a limit of \$10,975,000 for each loss and a \$25,000 self-insured retention per incident subject to specific conditions, limits, and exclusions.
- D. Real and personal property on a blanket basis for losses up to \$200,700,000, with a self-insured retention of \$300,000 per loss occurrence. Newly acquired properties are covered up to \$5 million for 30 days and \$1 million for 90 days, if the property has not been reported. If not reported after 90 days, the property is not covered. The perils of flood, earthquake, and acts of terrorism have various coverage, sub-limits, and self-insurance. State agencies have the option to purchase building contents and inland marine coverage.

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

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

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

8. School Employee Contributions

Member contributions for the School Plan exceeded employer contributions due to purchase of service payments totaling \$3,200,441. Members can purchase service credit for reinstatement of service, out-of-state service, for a leave of absence, or within 12 months of retirement in accordance with Neb. Rev. Stat. § 79-921 (Cum. Supp. 2020), Neb. Rev. Stat. § 79-933.05 (Reissue 2014), Neb. Rev. Stat. § 79-933.06 (Reissue 2014), and Neb. Rev. Stat. § 79-933.08 (Cum. Supp. 2020).

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

NOTES TO THE FINANCIAL STATEMENTS
(Concluded)

9. Capital Assets

Capital asset activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
School Employees:				
Equipment	\$ 4,791,804	\$ -	\$ -	\$ 4,791,804
Less: Accumulated Depreciation	4,785,296	1,096	-	4,786,392
Total Capital Assets, Net	<u>\$ 6,508</u>	<u>\$ (1,096)</u>	<u>\$ -</u>	<u>\$ 5,412</u>
Judges:				
Equipment	\$ 65,649	\$ -	\$ -	\$ 65,649
Less: Accumulated Depreciation	65,551	16	-	65,567
Total Capital Assets, Net	<u>\$ 98</u>	<u>\$ (16)</u>	<u>\$ -</u>	<u>\$ 82</u>
State Patrol				
Equipment	\$ 65,649	\$ -	\$ -	\$ 65,649
Less: Accumulated Depreciation	65,551	16	-	65,567
Total Capital Assets, Net	<u>\$ 98</u>	<u>\$ (16)</u>	<u>\$ -</u>	<u>\$ 82</u>

10. Subsequent Events

State Patrol Additional Contributions. Neb. Rev. Stat. § 81-2017(3) (Supp. 2021) describes actuarially required contributions. As of July 1, 2021, the actuarially determined additional contribution requirement for the State Patrol Plan is \$3,752,980.

School Employees Additional Contributions. Neb. Rev. Stat. § 79-966.01 (Supp. 2021) describes actuarially required contributions. As of July 1, 2021, the actuarially determined additional contribution requirement for the School Employees Plan is \$0. Furthermore, as of that same date, the additional contribution requirement for the Omaha Public Schools Retirement Plan is \$1,603,111.

Judges Additional Contributions. Neb. Rev. Stat. § 24-703 (Supp. 2021) describes actuarially required contributions. As of July 1, 2021, the actuarially determined additional contribution requirement for the Judges Plan is \$231,537.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL EMPLOYEES, JUDGES, AND STATE PATROL RETIREMENT PLANS
SCHEDULE OF CHANGES IN THE SCHOOL DISTRICTS' NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT PLAN
AS OF JUNE 30, 2021
(Unaudited)

	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service cost	\$ 285,433,873	\$ 278,496,994	\$ 268,216,074	\$ 261,067,772	\$ 227,893,391	\$ 222,525,387	\$ 214,673,003	\$ 202,803,787
Interest	1,015,346,555	985,415,602	953,982,025	915,143,958	876,680,145	843,289,424	814,387,820	782,055,188
Benefit term changes	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(22,739,951)	(189,863,578)	(161,275,567)	(53,078,517)	(144,448,222)	(108,321,212)	(174,678,979)	(77,484,140)
Assumption changes	(155,121,129)	-	-	-	853,085,886	-	-	-
Benefit payments, including member refunds	(692,620,210)	(660,565,238)	(626,500,723)	(587,984,401)	(554,369,720)	(528,499,067)	(502,190,816)	(466,161,224)
Net change in Total Pension Liability	<u>430,299,138</u>	<u>413,483,780</u>	<u>434,421,809</u>	<u>535,148,812</u>	<u>1,258,841,480</u>	<u>428,994,532</u>	<u>352,191,028</u>	<u>441,213,611</u>
Total Pension Liability - beginning	13,849,194,050	13,435,710,270	13,001,288,461	12,466,139,649	11,207,298,169	10,778,303,637	10,426,112,609	9,984,898,998
Total Pension Liability - ending (a)	<u>\$ 14,279,493,188</u>	<u>\$ 13,849,194,050</u>	<u>\$ 13,435,710,270</u>	<u>\$ 13,001,288,461</u>	<u>\$ 12,466,139,649</u>	<u>\$ 11,207,298,169</u>	<u>\$ 10,778,303,637</u>	<u>\$ 10,426,112,609</u>
Plan Fiduciary Net Position								
Employer contributions	\$ 208,990,879	\$ 203,022,597	\$ 196,850,333	\$ 190,657,058	\$ 184,903,366	\$ 178,608,695	\$ 173,013,848	\$ 167,710,406
Non-employer contributions								
State Appropriation contributions	43,034,416	41,860,351	40,543,609	39,339,378	38,039,347	36,919,600	35,493,591	34,703,519
Omaha Service Annuity contributions	1,219,620	1,216,131	1,248,297	1,243,169	992,451	997,118	997,858	909,638
Employee contributions	210,035,574	203,866,708	197,095,568	191,483,632	186,176,743	178,613,265	174,797,341	169,200,529
Net investment income	3,639,684,396	284,769,810	772,593,261	927,963,467	1,325,835,296	149,283,503	355,847,514	1,454,496,772
Benefit payments, including member refunds	(692,620,210)	(660,565,238)	(626,500,723)	(587,984,401)	(554,369,720)	(528,499,067)	(502,190,816)	(466,161,224)
Administrative expenses	(3,537,301)	(3,385,232)	(3,215,740)	(3,300,321)	(3,334,436)	(3,182,464)	(3,153,883)	(2,861,508)
Other changes	12,234	4,500	33,515	35,414	33,650	28,107	28,877	30,561
Net change in Plan Fiduciary Net Position	<u>3,406,819,608</u>	<u>70,789,627</u>	<u>578,648,120</u>	<u>759,437,396</u>	<u>1,178,276,697</u>	<u>12,768,757</u>	<u>234,834,330</u>	<u>1,358,028,693</u>
Plan Fiduciary Net Position - beginning	12,285,736,650	12,214,947,023	11,636,298,903	10,876,861,507	9,698,584,810	9,685,816,053	9,450,981,723	8,092,953,030
Plan Fiduciary Net Position - ending (b)	<u>\$ 15,692,556,258</u>	<u>\$ 12,285,736,650</u>	<u>\$ 12,214,947,023</u>	<u>\$ 11,636,298,903</u>	<u>\$ 10,876,861,507</u>	<u>\$ 9,698,584,810</u>	<u>\$ 9,685,816,053</u>	<u>\$ 9,450,981,723</u>
Net Pension Liability - ending (a) - (b)	<u>\$ (1,413,063,070)</u>	<u>\$ 1,563,457,400</u>	<u>\$ 1,220,763,247</u>	<u>\$ 1,364,989,558</u>	<u>\$ 1,589,278,142</u>	<u>\$ 1,508,713,359</u>	<u>\$ 1,092,487,584</u>	<u>\$ 975,130,886</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	109.90%	88.71%	90.91%	89.50%	87.25%	86.54%	89.86%	90.65%
Covered payroll	\$ 2,115,763,419	\$ 2,055,342,252	\$ 1,992,856,031	\$ 1,930,157,100	\$ 1,871,908,380	\$ 1,808,182,946	\$ 1,751,542,327	\$ 1,697,851,809
Employers' Net Pension Liability as a percentage of covered payroll	(66.79%)	76.07%	61.26%	70.72%	84.90%	83.44%	62.37%	57.43%

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

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL EMPLOYEES, JUDGES, AND STATE PATROL RETIREMENT PLANS
SCHEDULE OF CHANGES IN THE JUDGES' NET PENSION LIABILITY
JUDGES RETIREMENT PLAN
AS OF JUNE 30, 2021
(Unaudited)

	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service cost	\$ 5,725,252	\$ 5,550,688	\$ 5,640,784	\$ 5,589,181	\$ 4,997,654	\$ 4,721,039	\$ 4,759,455	\$ 4,257,200
Interest	15,077,474	14,471,871	14,199,759	13,720,785	13,100,385	12,642,618	12,170,797	11,567,915
Benefit term changes	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(1,806,596)	(205,585)	(5,002,500)	(2,398,903)	(1,714,732)	(2,303,032)	(2,613,808)	41,752
Assumption changes	3,553,913	-	-	-	12,705,465	-	-	-
Benefit payments, including member refunds	(12,066,177)	(11,477,914)	(10,991,157)	(10,144,103)	(9,690,310)	(9,052,110)	(8,547,892)	(8,121,996)
Net change in Total Pension Liability	10,483,866	8,339,060	3,846,886	6,766,960	19,398,462	6,008,515	5,768,552	7,744,871
Total Pension Liability - beginning	206,455,118	198,116,058	194,269,172	187,502,212	168,103,750	162,095,235	156,326,683	148,581,812
Total Pension Liability - ending (a)	\$ 216,938,984	\$ 206,455,118	\$ 198,116,058	\$ 194,269,172	\$ 187,502,212	\$ 168,103,750	\$ 162,095,235	\$ 156,326,683
Plan Fiduciary Net Position								
Employer contributions								
Court fees	\$ 3,319,567	\$ 3,548,379	\$ 3,946,292	\$ 4,112,543	\$ 3,578,851	\$ 3,458,665	\$ 2,977,205	\$ 3,102,864
State Appropriations	1,427,719	348,794	442,599	667,613	118,714	-	94,000	803,383
Employee contributions	2,029,383	1,962,507	1,854,712	1,814,533	1,743,103	1,651,432	1,610,529	1,518,801
Net investment income	57,338,744	4,549,079	12,436,060	15,070,504	21,699,250	2,453,560	5,958,799	24,543,298
Benefit payments, including member refunds	(12,066,177)	(11,477,914)	(10,991,157)	(10,144,103)	(9,690,310)	(9,052,110)	(8,547,892)	(8,121,996)
Administrative expenses	(117,122)	(82,168)	(71,663)	(71,266)	(84,626)	(70,707)	(82,746)	(78,263)
Other changes	14	-	-	-	-	-	3	45
Net change in Plan Fiduciary Net Position	51,932,128	(1,151,323)	7,616,843	11,449,824	17,364,982	(1,559,160)	2,009,898	21,768,132
Plan Fiduciary Net Position - beginning	194,521,175	195,672,498	188,055,655	176,605,831	159,240,849	160,800,009	158,790,111	137,021,979
Plan Fiduciary Net Position - ending (b)	\$ 246,453,303	\$ 194,521,175	\$ 195,672,498	\$ 188,055,655	\$ 176,605,831	\$ 159,240,849	\$ 160,800,009	\$ 158,790,111
Net Pension Liability (Net Asset) - ending (a) - (b)	\$ (29,514,319)	\$ 11,933,943	\$ 2,443,560	\$ 6,213,517	\$ 10,896,381	\$ 8,862,901	\$ 1,295,226	\$ (2,463,428)
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	113.60%	94.22%	98.77%	96.80%	94.19%	94.73%	99.20%	101.58%
Covered payroll	\$ 24,667,689	\$ 24,366,968	\$ 23,215,585	\$ 23,125,170	\$ 22,801,593	\$ 22,178,157	\$ 21,586,829	\$ 20,099,647
Employers' Net Pension Liability as a percentage of covered payroll	(119.65%)	48.98%	10.53%	26.87%	47.79%	39.96%	6.00%	(12.26%)

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

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL EMPLOYEES, JUDGES, AND STATE PATROL RETIREMENT PLANS
SCHEDULE OF CHANGES IN THE STATE PATROL'S NET PENSION LIABILITY
STATE PATROL RETIREMENT PLAN
AS OF JUNE 30, 2021
(Unaudited)

	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service cost	\$ 9,175,423	\$ 8,960,959	\$ 9,079,338	\$ 8,794,874	\$ 7,955,722	\$ 8,152,482	\$ 7,562,642	\$ 8,173,815
Interest	37,421,871	36,397,966	35,165,912	34,076,868	32,887,178	32,113,989	31,349,873	30,164,990
Benefit term changes	-	-	-	-	-	-	-	-
Differences between expected and actual experience	2,542,389	(6,168,045)	(2,864,410)	(4,016,896)	(1,508,635)	(8,977,294)	(10,658,914)	(3,787,974)
Assumption changes	6,936,227	-	-	-	27,947,994	-	-	-
Benefit payments, including member refunds	(26,256,542)	(24,953,060)	(24,953,776)	(23,828,680)	(24,139,604)	(19,576,376)	(19,458,540)	(20,010,413)
Net change in Total Pension Liability	29,819,368	14,237,820	16,427,064	15,026,166	43,142,655	11,712,801	8,795,061	14,540,418
Total Pension Liability - beginning	510,757,085	496,519,265	480,092,201	465,066,035	421,923,380	410,210,579	401,415,518	386,875,100
Total Pension Liability - ending (a)	\$ 540,576,453	\$ 510,757,085	\$ 496,519,265	\$ 480,092,201	\$ 465,066,035	\$ 421,923,380	\$ 410,210,579	\$ 401,415,518
Plan Fiduciary Net Position								
Employer contributions	\$ 9,163,828	\$ 9,083,079	\$ 8,693,805	\$ 8,952,649	\$ 7,053,110	\$ 7,053,408	\$ 8,646,426	\$ 8,752,627
Employee contributions	5,081,804	4,970,209	4,710,105	4,615,214	4,500,952	4,365,651	4,180,263	4,134,598
Net investment income	128,452,500	10,176,689	27,536,775	33,872,593	48,679,867	5,491,550	13,332,650	54,950,250
Benefit payments, including member refunds	(26,256,542)	(24,953,060)	(24,953,776)	(23,828,680)	(24,139,604)	(19,576,376)	(19,458,540)	(20,010,413)
Administrative expenses	(157,638)	(120,098)	(75,872)	(89,102)	(141,196)	(128,156)	(116,679)	(121,153)
Other changes	14,895	14,058	17,930	23,184	28,557	26,778	21,619	21,199
Net change in Plan Fiduciary Net Position	116,298,847	(829,123)	15,928,967	23,545,858	35,981,686	(2,767,145)	6,605,739	47,727,108
Plan Fiduciary Net Position - beginning	435,782,874	436,611,997	420,683,030	397,137,172	361,155,486	363,922,631	357,316,892	309,589,784
Plan Fiduciary Net Position - ending (b)	\$ 552,081,721	\$ 435,782,874	\$ 436,611,997	\$ 420,683,030	\$ 397,137,172	\$ 361,155,486	\$ 363,922,631	\$ 357,316,892
Net Pension Liability - ending (a) - (b)	\$ (11,505,268)	\$ 74,974,211	\$ 59,907,268	\$ 59,409,171	\$ 67,928,863	\$ 60,767,894	\$ 46,287,948	\$ 44,098,626
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	102.13%	85.32%	87.93%	87.63%	85.39%	85.60%	88.72%	89.01%
Covered payroll	\$ 31,342,267	\$ 30,810,004	\$ 29,301,599	\$ 28,697,715	\$ 28,091,906	\$ 27,047,938	\$ 26,294,294	\$ 25,624,081
Employers' Net Pension Liability as a percentage of covered payroll	(36.71%)	243.34%	204.45%	207.02%	241.81%	224.67%	176.04%	172.10%

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

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL EMPLOYEES, JUDGES, AND STATE PATROL RETIREMENT PLANS
SCHEDULE OF EMPLOYER AND NON-EMPLOYER CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT PLAN
AS OF JUNE 30, 2021
(Unaudited)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 176,912,402	\$ 179,551,208	\$ 180,295,400	\$ 185,923,377	\$ 129,070,591	\$ 132,846,323	\$ 152,268,397	\$ 174,157,865	\$ 227,859,188	\$ 192,478,407
Actual non-employer contributions										
Actual State Appropriations*	43,034,416	41,860,351	40,543,609	39,339,378	38,039,347	36,919,600	35,493,591	34,703,519	16,874,535	22,400,533
Actual Omaha Appropriations**	1,219,620	1,216,131	1,248,297	1,243,169	992,451	997,118	997,858	909,638	969,396	1,030,017
Actual employer contributions	208,990,879	203,022,597	196,850,333	190,657,058	184,903,366	178,608,695	173,013,848	167,710,406	161,922,831	145,582,040
Total contributions	\$ 253,244,915	\$ 246,099,079	\$ 238,642,239	\$ 231,239,605	\$ 223,935,164	\$ 216,525,413	\$ 209,505,297	\$ 203,323,563	\$ 179,766,762	\$ 169,012,590
Annual contribution deficiency (excess)	\$ (76,332,513)	\$ (66,547,871)	\$ (58,346,839)	\$ (45,316,228)	\$ (94,864,573)	\$ (83,679,090)	\$ (57,236,900)	\$ (29,165,698)	\$ 48,092,426	\$ 23,465,817
Covered payroll	\$ 2,115,763,419	\$ 2,055,342,252	\$ 1,992,856,031	\$ 1,930,157,100	\$ 1,871,908,380	\$ 1,808,182,946	\$ 1,751,542,327	\$ 1,697,851,809	\$ 1,664,793,714	\$ 1,641,692,866
Actual contributions as a percentage of covered payroll	11.97%	11.97%	11.97%	11.98%	11.96%	11.97%	11.96%	11.98%	10.80%	10.30%

Note: Information prior to 2013 was produced by the prior actuary.

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

** For State service annuity only.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL EMPLOYEES, JUDGES, AND STATE PATROL RETIREMENT PLANS
SCHEDULE OF EMPLOYER AND NON-EMPLOYER CONTRIBUTIONS
JUDGES RETIREMENT PLAN
AS OF JUNE 30, 2021
(Unaudited)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined employer contribution	\$ 4,747,286	\$ 3,897,173	\$ 4,388,891	\$ 4,780,156	\$ 3,697,565	\$ 3,458,665	\$ 3,727,054	\$ 3,906,247	\$ 3,180,367	\$ 3,483,614
Actual non-employer contributions										
Court Fees	3,319,567	3,548,379	3,946,292	4,112,543	3,578,851	3,458,665	2,977,205	3,102,864	3,180,367	3,411,370
State Contributions	1,427,719	348,794	442,599	667,613	118,714	-	94,000	803,383	-	72,244
Actual non-employer contributions	4,747,286	3,897,173	4,388,891	4,780,156	3,697,565	3,485,665	3,071,205	3,906,247	3,180,367	3,483,614
Annual contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 655,849	\$ -	\$ -	\$ -
Covered payroll	\$ 24,667,689	\$ 24,366,968	\$ 23,215,585	\$ 23,125,170	\$ 22,801,593	\$ 22,178,157	\$ 21,586,829	\$ 20,099,647	\$ 19,005,478	\$ 18,182,238
Actual contributions as a percentage of covered payroll	19.24%	15.99%	18.90%	20.67%	16.22%	15.59%	14.23%	19.43%	16.73%	19.16%

Note: Actuarially determined employer contributions, actual employer contributions and covered-employee payroll prior to 2013 was produced by the prior actuary.
For years 2014 and prior, covered-employee payroll was estimated based on the valuation.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL EMPLOYEES, JUDGES, AND STATE PATROL RETIREMENT PLANS
SCHEDULE OF EMPLOYER AND NON-EMPLOYER CONTRIBUTIONS
STATE PATROL RETIREMENT PLAN
LAST 10 YEARS
AS OF JUNE 30, 2021
(Unaudited)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined employer contribution	\$ 9,163,828	\$ 9,083,079	\$ 8,693,805	\$ 8,952,649	\$ 7,053,110	\$ 7,053,408	\$ 8,073,824	\$ 8,752,627	\$ 9,768,585	\$ 7,774,506
Actual employer contributions*	\$ 9,163,828	\$ 9,083,079	\$ 8,693,805	\$ 8,952,649	\$ 7,053,110	\$ 7,053,408	\$ 8,073,824	\$ 8,752,627	\$ 7,515,905	\$ 7,774,506
Annual contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,252,680	\$ -
Covered payroll	\$31,342,267	\$ 30,810,004	\$ 29,301,599	\$28,697,715	\$28,091,906	\$27,047,938	\$ 26,294,294	\$ 25,624,081	\$ 26,901,711	\$ 27,390,926
Actual contributions as a percentage of covered payroll	29.24%	29.48%	29.67%	31.20%	25.11%	26.08%	30.71%	34.16%	27.94%	28.38%

Note: Information prior to 2013 was produced by the prior actuary.

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

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL EMPLOYEES, JUDGES, AND STATE PATROL RETIREMENT PLANS
SCHEDULE OF INVESTMENT RETURNS
AS OF JUNE 30, 2021
(Unaudited)

	2021	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense:								
School Employees Retirement Plan	29.99%	2.36%	6.72%	8.63%	13.83%	1.56%	3.77%	18.14%
Judges Retirement Plan	29.97%	2.36%	6.72%	8.64%	13.82%	1.55%	3.75%	18.14%
State Patrol Retirement Plan	29.86%	2.24%	6.21%	8.17%	13.16%	1.85%	4.05%	17.87%

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

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

For the Last 10 Years

School Employees Retirement Plan

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

- 2021: Legislative Bill (LB) 17 (2021), which was passed by the 2021 Nebraska Legislature, changed the amortization period for amortization bases established on or after July 1, 2021, from 30 to 25 years. If the unfunded actuarial accrued liability (UAAL) is less than or equal to zero, then all prior amortization bases are considered fully funded, and the UAAL is reinitialized and amortized over a 25-year period as of the actuarial valuation date.
- 2017: The 2017 Legislature passed LB 415 (2017), affecting the benefit provisions only for members hired on or after July 1, 2017 (with additional changes for those hired on or after July 1, 2018). For members hired on or after July 1, 2017, the Public Employees Retirement Board (PERB) has the authority to set the actuarial assumptions used to determine the benefit amounts payable under optional forms of payment. In addition, LB 415 changed the minimum age required to qualify for retirement under the Rule of 85 from 55 to 60 for members who are hired on or after July 1, 2018.
- 2014: As scheduled, the State contribution rate increased from 1% of covered payroll to 2%.
- 2013: LB 553 (2013) increased the State's payroll-related contribution from 1% to 2% of pay, effective July 1, 2014. LB 553 also made some changes to the benefit structure for members hired on or after July 1, 2013, (Tier 2) including changing the period over which to determine final average salary to the highest 60 months rather than the current highest 36 months of service and changing the maximum cost-of-living adjustment (COLA) from 2.5% to 1%. LB 553 also removed the scheduled reduction in the employee contribution rate in 2017. In addition, it required the use of the Entry Age Normal, level percent of payroll, method to determine the costs for the Omaha State Service Annuity and changed the amortization of the UAAL to be based on payments determined as a level percent of payroll instead of a level dollar amount.

The following changes were made in the actuarial assumptions:

July 1, 2021, valuation:

- Price inflation decreased from 2.75% to 2.65%.
- Long-term investment return decreased from 7.50% to 7.3%.
- General wage growth decreased from 3.5% to 3.15%.
- Payroll growth decreased from 3.5% to 3.15%.
- Salary merit increases were adjusted to partially reflect observed experience.
- Interest on employee contribution balances decreased from 3.00% to 2.5%.
- COLA assumption decreased to 2.15% for Tier 1 members.

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

(Continued)

- An explicit assumption for administrative expenses was adopted as a component of the actuarial contribution rate and was set to 0.16% of pay.
- Mortality assumptions for non-disabled participants was changed to the Pub-2010 General Members (Above Median) Mortality Tables (100% of male rates, 95% female rates), set back one year, projected generationally using MP-2019 modified to 75% of ultimate rates.
- Mortality assumption for disabled participants was changed to the Pub-2010 Non-Safety Disabled Retiree Mortality Table (static).
- Retirement rates changed to better fit the observed experience.
- Termination rates for males changed to better fit the observed experience.
- The assumed retirement age for deferred vested members was increased from 62 to 64.

July 1, 2017, valuation:

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

July 1, 2012, valuation:

- The interest rate on employee contributions was lowered to 4.25% from 5.50%.
- Salary increases were changed to rates grading down from 9.00% for less than one year of service to 4.00% at 40 years of service. Prior valuation rates graded from 7.46% for less than one year to 4.55% at 40 years of service.
- Retirement rates are based on age and retirement eligibility. One hundred percent retirement age was extended to age 80 from age 70. Unreduced rates were decreased at age 63.

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

(Continued)

- Pre- and post-retirement healthy mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table projected to 2010 (pre-retirement male rates were 65% of rates, and female rates were 50% of rates) to the 1994 GAM table, with a one year age setback, projected to 2015 (pre-retirement rates are adjusted by 55% for males and 40% for females).
- Disabled mortality was changed to the 1983 Railroad Retirement Board Disabled Annuitants Mortality setback one year from the 1983 Railroad Retirement Board Disabled Annuitants Mortality. The prior assumption was based on the same table with no setback.
- Termination rates are service based and were decreased from the prior valuation based on actual experience.
- Disability rates were decreased by 50% from the prior valuation.
- Price inflation assumption was lowered to 3.25% from 3.50%.
- Economic productivity assumption was lowered to 0.75% from 1.00%.

Judges Retirement Plan

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

- 2021: Legislative Bill (LB) 17 (2021) which was passed by the 2021 Nebraska Legislature, provided for an increase in the amount of court fees directed to fund the System, beginning in FY 2022 with further scheduled increases over a five-year period. The bill also authorized a payroll-related contribution from the State, beginning July 1, 2023, for the plan year ended June 30, 2023. The payroll-related contribution can be no greater than 5% of total annual compensation, based on the total member compensation reported in the most recent actuarial valuation. If the funded ratio is equal to or greater than 100% for two consecutive years, the actuary must assess whether the State contribution rate should be adjusted and make a recommendation to the Board in the annual actuarial valuation report. If the State contribution rate has been adjusted to less than 5% and the funded ratio is below 100% for two consecutive years, the actuary must assess whether the State contribution rate should be adjusted (not greater than 5%) and make a recommendation to the Board. LB 17 also changed the amortization period for the amortization bases established on or after July 1, 2021, from 30 to 25 years. If the unfunded actuarial accrued liability (UAAL) is less than or equal to zero, then all prior amortization bases are considered fully funded, and the UAAL is reinitialized and amortized over a 25-year period as of the actuarial valuation date.
- 2017: LB 415 (2017), which was passed by the 2017 Nebraska Legislature, made changes to the benefit structure for judges who become members on or after July 1, 2017, by granting the Public Employees Retirement Board (PERB) the authority to set the actuarial assumptions used to determine the benefit amounts payable under optional forms of payment.
- 2015: LB 468 (2015) made changes to the benefit structure for judges who become members on or after July 1, 2015, including the calculation of final average salary based on the highest five years rather than the highest three years of salary and a cost-of-living-adjustment (COLA) of 1% rather than 2.5%. The bill also provided for a supplemental COLA, to be granted at the Board's discretion, up to an additional 1.5% if the System is more than 100% funded. In addition, the member contribution rate for those hired on or after July 1, 2015, was increased to 10% of pay. LB 468 also increased the amount of court fees directed to fund the Judges Retirement System, with the increases phased in over two years. Ultimately, in fiscal year 2018, the additional funding is estimated to be \$1.3 million.

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

(Continued)

2013: LB 553 (2013) changed the amortization of the unfunded actuarial accrued liability from a level dollar payment to a level percent of payroll payment. The court fee designated for the Judges Retirement System was scheduled to decrease from \$6 to \$5 on July 1, 2014. LB 306 (2013) removed the language to decrease the court fees, so the court fee in future years remains at \$6. The passage of LB 414 (2009) increased the member contribution rate by 1%, but this increase was scheduled to be removed July 1, 2014. LB 306 (2013) removed the sunset provision on the increase in the member contribution rate, thereby retaining the higher contribution rates.

The following changes were made in the actuarial assumptions:

July 1, 2021, valuation:

- Price inflation decreased from 2.75% to 2.65%.
- Long-term investment return decreased from 7.50% to 7.30%.
- General wage growth decreased from 3.5% to 3.15%.
- Payroll growth decreased from 3.5% to 3.15%.
- Salary increases were lowered from a flat 3.5% to 3.4%.
- Interest on employee contribution balances decreased from 3.00% to 2.50%.
- COLA adjustment assumption decreased to 2.15% for Tier 1 members.
- An explicit assumption for administrative expenses was adopted as a component of the actuarial contribution rate and was set to 0.31% of pay.
- Mortality assumptions for non-disabled participants was changed to the Pub-2010 General Members (Above Median) Mortality Tables (100% of male rates, 95% female rates), set back one year, projected generationally using MP-2019 modified to 75% of ultimate rates.
- Mortality assumption for disabled participants was changed to the Pub-2010 Non-Safety Disabled Retiree Mortality Table (static).
- Retirement rates changed to better fit the observed experience.

July 1, 2020, valuation:

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

July 1, 2017, valuation:

- Price inflation decreased from 3.25% to 2.75%.
- Long-term investment return decreased from 8.00% to 7.50%.

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

(Continued)

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

July 1, 2012, valuation:

- The interest rate on employee contributions was lowered to 4.25% from 5.50%.
- Salary increases were lowered to 4.00% from 4.50%.
- Retirement rates were decreased for ages under 65 and age 66.
- Pre- and post-retirement healthy mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table projected to 2010 (pre-retirement male rates were 65% of rates, and female rates were 50% of rates) to the 1994 GAM table, with a one-year setback, projected to 2015.
- Deferred vested members were changed to assume they elected the greater of the present value of an annuity at age 63 or a refund of contributions.
- Consumer price inflation was lowered to 3.25% from 3.50%.
- Economic productivity was lowered to 0.75% from 1.00%.

State Patrol Retirement Plan

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

- 2021: Legislative Bill (LB) 17 (2021), which was passed by the 2021 Nebraska Legislature, changed the amortization period for amortization bases established on or after July 1, 2021, from 30 to 25 years. If the unfunded actuarial accrued liability (UAAL) is less than or equal to zero, then all prior amortization bases are considered fully funded, and the UAAL is reinitialized and amortized over a 25-year period as of the actuarial valuation date.
- 2017: The 2017 Legislature passed LB 415 (2017), which grants the Public Employees Retirement Board (PERB) the authority to set the actuarial assumptions used to determine the benefit amounts payable under optional forms of payment for members hired on or after July 1, 2017. Since these changes do not affect any members in the current valuation, the adopted changes have no impact on the valuation results.
- 2016: LB 467 (2016) created a new tier of State Patrol members who are employed on or after July 1, 2016. This new tier includes changes to benefits and contributions, as follows:

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

(Continued)

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

2013: LB 553 (2013) changed the amortization of the UAAL from a level dollar payment to a level percent of payroll payment. As scheduled in State statute, the employee and employer contribution rates both decreased from 19% of pay to 16%.

The following changes were made in the actuarial assumptions:

July 1, 2021, valuation:

- Price inflation decreased from 2.75% to 2.65%.
- Long-term investment return decreased from 7.50% to 7.30%.
- Covered Payroll growth assumption decreased from 3.5% to 3.15%.
- General wage inflation decreased from 3.5% to 3.15%.
- Salary merit increases were adjusted to better reflect observed experience.
- Interest on employee contribution balances decreased from 3.00% to 2.50%.
- COLA assumption decreased to 2.15% for Tier 1 members.
- An explicit assumption for administrative expenses was adopted as a component of the actuarial contribution rate and was set to 0.26% of pay.
- Mortality assumptions for non-disabled participants was changed to the Pub-2010 General Members (Above Median) Mortality Tables (100% of male rates, 95% female rates), set back one year, projected generationally using MP-2019 modified to 75% of ultimate rates.
- Mortality assumption for disabled participants was changed to the Pub-2010 Non-Safety Disabled Retiree Mortality Table (static).
- Retirement rates changed to better fit the observed experience.

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
(Concluded)

July 1, 2017, valuation:

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

July 1, 2012, valuation:

- The interest rate on employee contributions was lowered to 4.25% from 5.50%.
- Salary increases were changed to rates grading down from 9.50% for less than one year of service to 4.00% at 30 years of service. Prior valuation rates graded from 9.00% for less than one year to 4.50% at 25 years of service.
- Retirement rates are based on age and retirement eligibility. The rates were increased for early retirement (reduced benefits available at 50 years of age and 10 years of service) and decreased for normal retirement (unreduced benefits available at 55 years of age and 10 years of service).
- Pre- and post-retirement healthy mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table projected to 2010 (pre-retirement male rates were 65% of rates, and female rates were 50% of rates) to the 1994 GAM table, with a one-year setback, projected to 2015.
- The assumption to value deferred vested members was changed to assume they elect the greater of the present value of an annuity at earliest unreduced eligibility or a refund of contributions.
- Consumer price inflation was lowered from 3.50% to 3.25%.
- Economic productivity was lowered from 1.00% to 0.75%.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL EMPLOYEES, JUDGES, AND STATE PATROL RETIREMENT PLANS
SCHEDULE OF ADMINISTRATIVE EXPENSES
FISCAL YEAR ENDED JUNE 30, 2021

	<u>School Employees</u>	<u>Judges</u>	<u>State Patrol</u>	<u>Total</u>
Personnel				
Personal Services	\$ 2,105,209	\$ 39,608	\$ 68,362	\$ 2,213,179
Travel	4,513	35	134	4,682
Professional and Technical Services				
Professional	32,560	263	562	33,385
Actuary	60,675	54,003	43,500	158,178
Computer Support Services	578,095	10,749	22,211	611,055
Accounting and Auditing	432,544	6,542	13,085	452,171
Communications				
Printing	38,753	447	1,292	40,492
Other Expenses				
Postage	93,778	1,035	2,060	96,873
Supplies	17,610	327	632	18,569
Hardware & Software	18,700	506	796	20,002
Repairs	291	4	13	308
Rent	125,666	1,828	1,872	129,366
Miscellaneous	28,907	1,775	3,119	33,801
Total Administrative Expenses	<u>\$ 3,537,301</u>	<u>\$ 117,122</u>	<u>\$ 157,638</u>	<u>\$ 3,812,061</u>

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL EMPLOYEES, JUDGES, AND STATE PATROL RETIREMENT PLANS
SCHEDULE OF INVESTMENT-RELATED EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	School Employees	Judges	Patrol	Total
BlackRock Financial Management, Inc.	\$ 506,949	\$ 7,956	\$ 17,684	\$ 532,589
Dimensional Fund Advisors, Inc.	1,258,600	19,785	43,994	1,322,379
Total Domestic Equity	1,765,549	27,741	61,678	1,854,968
BlackRock Financial Management, Inc.	976,112	15,345	34,120	1,025,577
Franklin Templeton Investments	1,339,061	21,058	46,823	1,406,942
Loomis Sayles & Company, L.P.	2,083,114	32,763	72,841	2,188,718
Oaktree Capital Management	105,103	1,654	3,677	110,434
Neuberger Berman Investment Management	603,652	9,494	21,111	634,257
Pacific Investment Management Company, LLC	2,766,017	43,496	96,706	2,906,219
Wellington Management Company, LLP	1,256,476	19,762	43,940	1,320,178
Total Fixed Income	9,129,535	143,572	319,218	9,592,325
Arrowstreet Capital LP	3,816,146	59,999	133,412	4,009,557
Dodge & Cox	3,843,410	60,445	134,375	4,038,230
MFS Institutional Advisors, Inc.	3,458,956	54,387	120,933	3,634,276
Wellington Management Company, LLP	2,263,579	35,588	79,131	2,378,298
Total Global Equity	13,382,091	210,419	467,851	14,060,361
BlackRock Financial Management, Inc.	960,557	15,085	33,535	1,009,177
Total International Equity	960,557	15,085	33,535	1,009,177
Almanac Realty Investors, LLC	644,603	10,141	22,545	677,289
Angelo, Gordon & Company, L.P.	32,222	509	1,131	33,862
Clarion Partners	1,467,556	23,087	51,326	1,541,969
Kanye Anderson	20,056	314	698	21,068
Landmark Partners	612,084	9,631	21,411	643,126
Oaktree Real Estate Opportunities	395,798	6,209	13,801	415,808
PGIM Real Estate (formerly Prudential)	2,127,138	33,467	74,401	2,235,006
Rockpoint Group, L.L.C.	29,136	458	1,019	30,613
Rockwood Capital, LLC	900,179	14,163	31,485	945,827
Torchlight Investors	1,289,579	20,291	45,110	1,354,980
UBS Realty Investors, LLC	1,704,359	26,817	59,617	1,790,793
Total Real Estate	9,222,710	145,087	322,544	9,690,341
Abbott Capital Management, LLC	2,270	36	79	2,385
Accel-KKR Management Co, LLC	94,975	1,495	3,323	99,793
Ares Management, LLC	803,914	12,660	28,146	844,720
Beecken Petty O'Keefe & Company	159,510	2,514	5,589	167,613
Bridgepoint Advisers Limited	899,175	14,149	31,454	944,778
CVC Capital Partners	130,147	2,048	4,552	136,747
(The) Energy & Minerals Group	209,510	3,296	7,328	220,134
Francisco Partners	1,212,479	19,067	42,389	1,273,935
Genstar Capital Partners LLC	971,167	15,274	33,954	1,020,395

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL EMPLOYEES, JUDGES, AND STATE PATROL RETIREMENT PLANS
SCHEDULE OF INVESTMENT-RELATED EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	School Employees	Judges	Patrol	Total
Leonard Green & Partners, L.P.	253,126	3,978	8,842	265,946
HarbourVest Partners, LLC	1,271,895	20,005	44,473	1,336,373
Lightyear Capital LLC	44,352	699	1,553	46,604
Lincolnshire Management, Inc.	87,922	1,384	3,077	92,383
McCarthy Capital Corporation	1,458,524	22,938	50,994	1,532,456
Merit Capital Partners	76,342	1,201	2,671	80,214
New Enterprise Associates	721,899	11,358	25,251	758,508
New Mountain Capital, LLC	1,150,154	18,089	40,215	1,208,458
Pathway Capital Management	264,256	4,159	9,247	277,662
Pine Brook Partners	274,114	4,312	9,587	288,013
Presidio Partners (formerly CMEA Capital)	74,356	1,170	2,602	78,128
Quantum Energy Partners	987,172	15,532	34,528	1,037,232
Sun Capital Partners, Inc.	18,984	299	666	19,949
(The) Jordan Company	627,120	9,850	21,895	658,865
The Rohatyn Group Management, L.P.	81,538	1,284	2,854	85,676
Wayzata Investment Partners, LLC	63,853	1,005	2,234	67,092
Wynnchurch Capital	951,211	14,986	33,320	999,517
Total Private Equity	12,889,965	202,788	450,823	13,543,576
Nebraska Investment Council	1,194,304	18,888	41,829	1,255,021
Custody Expense	553,069	8,721	19,356	581,146
Foreign Income Taxes	1,050,657	16,580	36,765	1,104,002
Other Expenses	769	14	16,430	17,213
Total Other Investment Expenses	2,798,799	44,203	114,380	2,957,382
Total Investment Fees	\$ 50,149,206	\$ 788,895	\$ 1,770,029	\$ 52,708,130

(Concluded)



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Nebraska Public Employees Retirement Board
Lincoln, Nebraska

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Nebraska Public Employees Retirement Systems – School Employees, Judges, and State Patrol Retirement Plans, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Nebraska Public Employees Retirement Systems – School Employees, Judges, and State Patrol Retirement Plans' basic financial statements, and have issued our report thereon dated March 10, 2022. The report was modified to emphasize that the financial statements present only the funds of the Nebraska Public Employees Retirement Systems – School Employees, Judges, and State Patrol Retirement Plans.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Nebraska Public Employees Retirement Systems – School Employees, Judges, and State Patrol Retirement Plans' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Nebraska Public Employees Retirement Systems – School Employees, Judges, and State Patrol Retirement Plans' internal control. Accordingly, we do not express an opinion on the effectiveness of the Nebraska Public Employees Retirement Systems – School Employees, Judges, and State Patrol Retirement Plans' internal control.

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

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

Compliance and Other Matters

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

Additional Item

We also noted certain additional items that we reported to management of the Nebraska Public Employees Retirement Systems – School Employees, Judges, and State Patrol Retirement Plans in the management letter dated March 10, 2022.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, not to provide an opinion on the effectiveness of the Nebraska Public Employees Retirement Systems – School Employees, Judges, and State Patrol Retirement Plans’ internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Nebraska Public Employees Retirement Systems – School Employees, Judges, and State Patrol Retirement Plans’ internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

March 10, 2022



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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March 10, 2022

Nebraska Public Employees Retirement Board
Lincoln, Nebraska

Dear Board Members:

In planning and performing our audit of the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position of the Nebraska Public Employees Retirement Systems (NPERS) – School Employees, Judges, and State Patrol Retirement Plans, as of and for the year ended June 30, 2021, 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, we have issued our report thereon dated March 10, 2022. We considered NPERS' 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 NPERS' internal control. Accordingly, we do not express an opinion on the effectiveness of NPERS internal control.

In connection with our audit described above, we noted certain internal control or compliance matters related to the activities of the NPERS – School Employees, Judges, and State Patrol Retirement Plans or other operational matters that are presented below for your consideration. The comments and recommendations below, which have been discussed with the appropriate members of the NPERS management, are intended to improve internal control or result in other operating efficiencies.

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

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

1. **Death Overpayments**

NPERS lacked adequate procedures to ensure benefit payments ceased after the death of the member. During the audit, the Auditor of Public Accounts (APA) initially found one member who received significant payments after her death in 2014 until February 2021, as shown in the table below:

Member	Date of Death	Notification of Death	No. of Payments Since Death	Total Paid Since Death	No. of Payments in FY 21	Total Paid in FY21
Member #1	2/20/2014	2/3/2021	83	\$ 105,250	7	\$ 9,250

During our review of this member’s account, the APA found that NPERS processed two changes to the member’s banking information without adequate documentation from the member. The first was a change in the bank account number in June 2014. The second was a change in the bank routing number in February 2019. In both instances, NPERS received notification of the changes from the Department of Administrative Services; however, NPERS did not confirm the changes with the member prior to making the change in their system.

NPERS has not received a repayment of the amount overpaid on this account and forwarded the information to the Nebraska Attorney General. A law enforcement investigation is in progress on this case for potential fraud.

Prior to February 2021, NPERS had two procedures to aid in the determination of whether any members receiving benefit payments had died:

- 1) NPERS staff reviewed the obituaries in certain Nebraska newspapers to identify members who have died. The three newspapers cited by staff were the Omaha World Herald, Lincoln Journal Star, and Hastings Tribune – newspapers in three of the State’s largest cities.
- 2) NPERS contracted with a vendor to perform a “death audit” every other month. This procedure involved NPERS providing to the vendor a list of members who had received a benefit. The vendor was to match this list against its database of deaths, which was compiled only from publicly available sources. The vendor would provide a report to NPERS to identify any matches.

In the prior audit, the APA raised concerns about these procedures and whether they were adequate to identify all deaths in a timely manner. Neither process identified the overpayment to the member referenced above, even though an obituary was published only four days after the member’s death on February 24, 2014.

After receiving the APA’s recommendation, NPERS engaged the services of a different vendor to provide information regarding member deaths, designed to assist NPERS with their compliance obligations and fraud prevention. That new provider identified the member noted in the table above, as well as other members who had been receiving benefit payments after their death.

As a result, the APA performed additional testing procedures, using the benefit payment information from the State accounting system, and found three more individuals who had received benefit payments after death and who had not been previously identified by NPERS. Those members and their payments are shown below:

Member	Date of Death	Notification of Death	No. of Payments Since Death	Total Paid Since Death	No. of Payments in FY 21	Total Paid in FY21
Member #2	2/6/2020	N/A	21	\$ 592	12	\$ 336
Member #3	8/7/2020	N/A	15	\$ 10,079	10	\$ 6,665
Member #4	10/21/2018	N/A	37	\$ 28,498	12	\$ 9,271

Finally, from the additional testing, the APA identified the following members who had received a benefit payment for six months or more after their death. NPERS was aware of the individuals on this list.

Member	Date of Death	Notification of Death	No. of Payments Since Death	Total Paid Since Death	No. of Payments in FY 21	Total Paid in FY21
Member #5	11/24/2020	9/10/2021	7	\$ 1,648	7	\$ 1,648
Member #6	10/23/2019	2/6/2021	15	\$ 2,926	7	\$ 1,369
Member #7	11/27/2019	2/6/2021	14	\$ 40,375	7	\$ 20,238
Member #8	3/6/2017	2/6/2021	46	\$ 7,950	7	\$ 1,236
Member #9	4/25/2020	2/6/2021	9	\$ 2,243	7	\$ 1,747
Member #10	1/5/2012	2/6/2021	15	\$ 57,802	7	\$ 25,202
Member #11	4/6/2019	2/6/2021	21	\$ 20,492	7	\$ 6,863

In all, our testing found that NPERS made \$83,825 in benefit payments to the 11 deceased members identified above during fiscal year 2021.

Good internal control requires procedures to ensure that benefit payments to members cease at the time of their death.

Title 303 NAC 18-005, “Overpayment of Benefits,” states, in part, the following:

005.01 If NPERS determines that any member or beneficiary has received a retirement benefit that is in excess of the retirement benefit such member or beneficiary is entitled to receive under the governing statutory provisions In lieu of future offsets, the member or beneficiary shall repay the overpayment to NPERS, and such repayment may include interest charges. . . .

* * * *

005.03 Failure by a member or beneficiary to repay or offset an amount of overpayment and interest charges described in subsection 005.01, will result in NPERS referring the matter to the Nebraska Attorney General’s Office for collection or other enforcement action deemed appropriate by the Attorney General. . . .

Without procedures to detect member deaths in a timely manner, there is increased risk of not only noncompliance with regulations but also loss of Plan assets due to fraud.

We recommend NPERS strengthen its procedures to ensure that all member deaths are identified in a timely manner. NPERS should work with the Nebraska Department of Health and Human Services to obtain a list of death certificates filed with the State for comparison against its benefit payment records.

NPERS Response: As noted by the APA, NPERS engaged the services of an enhanced death audit vendor to improve fraud prevention and compliance obligations. NPERS overpayments protocols were engaged for all identified death overpayments. Upon the APA’s recommendation, NPERS will request support from the Nebraska Department of Health and Human Services to obtain a list of death certificates filed with the State for comparison to benefit payment records.

2. Controls over Financial Reporting and Disclosures

NPERS’ procedures for identifying refunds and benefits payables were inadequate to ensure accurate financial reporting.

Refunds Payable: NPERS recorded \$1,084,009 for the School Employees Plan refunds payable. NPERS reviewed each of the benefit payment registers from July to September to determine the refund payable amounts. The APA tested 24 transactions from the benefit payable registers and determined that 6 of the 24 tested contained errors in the determination of whether the transaction was properly classified as a refund payable. See the table below for the issues noted:

Ret Num	Register Date	Amount	APA Notes
82561	7/14/2021	\$ 8,468	Death Refund – death certificate was received on 5/27/2021. Affidavit for Claim after Death was received on 5/27/2021. Appears this amount was a refund payable, but it was not included as a payable.
212517	8/4/2021	\$ 2,836	Death Refund – death certificate was received on 5/10/2021. Affidavit for Claim after Death was received on 6/10/2021. Appears this amount was a refund payable, but it was not included as a payable.
136199	9/15/2021	\$ 46,245	Death Refund – death certificate was received on 6/11/2021. Affidavit for Claim after Death was received after June 30. Amount was included as a payable, but it should not have been.
189599	9/22/2021	\$ 4,743	Death Refund – death certificate was received on 6/14/2021. Affidavit for Claim after Death was received after June 30. Amount was included as a payable, but it should not have been.*
189599	9/22/2021	\$ 4,743	Death Refund – death certificate was received on 6/14/2021. Affidavit for Claim after Death was received after June 30. Amount was included as a payable, but it should not have been.*
56295	9/22/2021	\$ 7,285	Death Refund – death certificate was received on 12/16/2020. Affidavit for Claim after Death was received after June 30. Amount was included as a payable, but it should not have been.
Total		\$ 74,320	

*Two payments to different individuals on a member's account.

Benefits Payable: NPERS recorded \$1,923,052 for the School Employees Plan benefits payable. NPERS reviewed each of the benefit payment registers from July to September to determine the benefit payable amounts. The APA tested 15 transactions from the benefit payable registers and determined that 5 of the 15 tested contained errors in the determination of whether the transaction was properly classified as a benefit payable. See the table below for the issues noted:

Ret Num	Register Date	Amount	APA Notes
61979	7/26/2021	\$ 8,242	Death Refund – death certificate was received in May 2021. Affidavit for Claim after Death was received after June 30. Amount was included as a payable, but it should not have been.
45729	8/25/2021	\$ 2,106	Death Refund – death certificate was received in May 2021. Affidavit for Claim after Death was received after June 30. Amount was included as a payable, but it should not have been.
94180	8/25/2021	\$ 8,261	Death Refund – death certificate was received in November 2020. Affidavit for Claim after Death was received after June 30. Amount was included as a payable, but it should not have been.
41454	9/15/2021	\$ 17,241	Death Refund – death certificate was received in February 2021. Affidavit for Claim after Death was received after June 30. Amount was included as a payable, but it should not have been.
104065	9/24/2021	\$ 12,633	Death Refund – death certificate and Affidavit for Claim after Death were received after June 30. Amount was included as a payable, but it should not have been.
Total		\$ 48,483	

NPERS also accrued \$26,107 in school benefits payable from an internal list maintained by its benefits staff. The list contains members who NPERS has been made aware have an effective retirement date prior to June 30, but a benefit has not yet been calculated. The APA also found several issues with the individuals named on this list and determined that \$10,482 should not have been included as a benefit payable.

Patrol Plan Benefit Payable: The APA also noted that NPERS accrued \$11,288 as a benefit payable for the Patrol Plan, but no documentation could be provided to support the payable amount. It appears that the amount should not have been accrued.

Footnote Disclosure Issues: In addition to the errors in financial reporting noted above, NPERS also made significant errors in the required footnote disclosure for the foreign currency risk of its investments. The errors are identified below:

- The audit report contains a Footnote Number 4, “Investments,” which includes a number of required disclosures. One of those disclosures is related to foreign currency credit risk. The APA found that the initial NPERS footnote for foreign currency credit risk omitted the column for Asset Backed Securities, which included the foreign currency of Euro for \$9,982,257.
- The same footnote had an incorrect total for the Equity Securities column of the Polish Zloty, as the amount erroneously included \$2,537,485 in securities from the Philippine Peso. The correct amount for the Equity Securities of the Polish Zloty was \$1,827,262.

NPERS made the necessary corrections after the APA pointed out the errors.

Governmental Accounting Standards Board Statement No. 40, “Deposit and Investment Risk Disclosures,” paragraph 17, “Foreign Currency Risk,” requires the following footnote disclosure:

If a government’s deposits or investments are exposed to foreign currency risk, the government should disclose the U.S. dollar balances of such deposits or investments, organized by currency denomination and, if applicable, investment type.

Good internal control and sound accounting practices require procedures to ensure that the correct amount of benefits and refunds due to plan members is accrued at year end. Those same procedures should also ensure the accuracy of footnote disclosures, especially with regard to foreign currency credit risk.

Without such procedures, there is increased risk of incorrect benefits and refunds to plan members and inaccurate footnote disclosures.

We recommend NPERS implement procedures to ensure benefit and refund payable accruals are correct, and footnote disclosures are accurate and comply with requirements established by the Governmental Accounting Standards Board.

NPERS Response: Accounting Staff is strengthening procedures to make certain that benefit and refund payables are accurate. NPERS will make certain footnote disclosures are complete and accurate. The footnotes will comply with the requirements set forth by the Governmental Accounting Standards Board.

3. Death Benefit Payment Issues

The APA found the following issues with timeliness of death benefit payments:

Ret Num	Balance	Date Paid	Explanation
71775	\$ 56,470	7/8/2021	Member died in January 2020. Payments were to resume to the beneficiary, but the beneficiary died a month later before any new payments were processed. Therefore, the balance was due to the beneficiary’s estate. In April 2020, the personal representative filed paperwork and received an estimate of the account balance from NPERS. The amount was incorrect, so additional paperwork was required from the personal representative, which was filed in November 2020. In March 2021, an attorney for the personal representative contacted NPERS about the funds. Payment was made in July 2021.
56295	\$ 7,285	9/22/2021	Member died in November 2020. Payments to the beneficiary resumed in February 2021. The member had additional contributions in his account because he returned to employment after his initial retirement. Those funds were not paid out until September 22, 2021.
101817	\$ 5,899	N/A	Member died in September 2020. Payments to the beneficiary resumed in October 2020. However, the member had additional contributions in his account because he returned to employment after his initial retirement. NPERS was not aware of the balance due to the beneficiary until the APA questioned it in October 2021.

Neb. Rev. Stat. § 79-956(5) (Cum. Supp. 2020) states the following:

Benefits to which a surviving spouse, beneficiary, or estate of a member shall be entitled pursuant to this section shall commence immediately upon the death of such member.

The APA also found an overpayment to a deceased member that had not been identified or collected, as follows:

Ret Num	Balance	Date Paid	Explanation
52784	\$ 3,405	1/28/2021	Member died in November 2020. The last benefit issued by NPERS was in January 2021. The electronic funds transfer payment for December 2020 was returned by the bank because the account had been closed. NPERS then issued a check for the December 2020 payment, which was cancelled in February 2021. However, another check was issued in January 2021 that appears to have been cashed in March 2021. NPERS was not aware of this overpayment until the APA identified it.

Good internal controls require procedures to ensure that death benefits are distributed timely to a member's beneficiary or estate to ensure compliance with State law. Furthermore, procedures to reclaim any overpayments due to the death of a member should be initiated expeditiously.

Without such procedures, there is an increased risk for not only noncompliance with State law but also loss of Plan assets.

We recommend NPERS implement procedures to ensure member account balances are properly reviewed upon application for retirement or the death of the member. Additionally, we recommend NPERS ensure current procedures are adequate to identify overpayments upon death of a member.

NPERS Response: NPERS will review and strengthen procedures to verify member account balances are accurately reviewed upon application for retirement or the death of a member. NPERS will review current procedures to verify they are complete and adequate to identify overpayments upon the death of a member.

* * * * *

It should be noted this report is critical in nature, as it contains only our comments and recommendations on the areas noted for improvement and does not include our observations on any strengths of NPERS.

Draft copies of the audit report and management letter were furnished to NPERS to provide them with an opportunity to review and respond to the information. All formal responses received have been incorporated into this management letter. Responses have been objectively evaluated and recognized, as appropriate in the management letter. A response that indicates corrective action has been taken was not verified at this time, but it will be verified in the next audit.

This report is intended solely for the information and use of NPERS management, its Board, and others within NPERS, the appropriate Federal and regulatory agencies, and citizens of the State of Nebraska, and it is not suitable for any other purpose. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,



Zachary Wells, CPA, CISA
Assistant Deputy Auditor
Lincoln Nebraska