INVESTMENT REPORT

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS

CASH BALANCE

DEFERRED COMPENSATION PLAN (DCP)

DEFINED CONTRIBUTION

DEFERRED RETIREMENT OPTION PLAN (DROP)

FOR THE PLAN YEAR ENDING DECEMBER 31, 2015

DC, DCP & DROP

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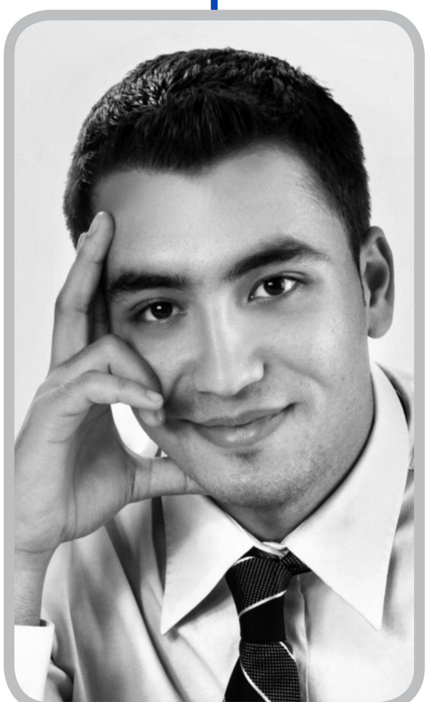
NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS

DEFERRED COMPENSATION PLAN (DCP)



DEFINED CONTRIBUTION

DEFERRED RETIREMENT OPTION PLAN (DROP)

FUND PROFILES

FUND PERFORMANCE

SUMMARY OF ASSETS

Defined Contribution

Prior to 2003, State and County employees were required to participate in a Defined Contribution (DC) retirement plan. In a DC plan, employee and employer contributions are paid into an individual account for each member. The contributions are then invested in a variety of investment choices selected by the member. The returns on the investment (which may be positive or negative) are credited to the individual's account.

The Cash Balance benefit was created by the Unicameral and implemented January 1, 2003. At that time, Defined Contribution participants were given the option to switch to Cash Balance and the Defined Contribution plan was closed to new membership. The Unicameral offered Defined Contribution participants a second and third opportunity to switch to Cash Balance in 2007 and 2012. Information on Cash Balance can be found in section two of this report.

State members contribute 4.8% of gross compensation and the employer matches these contributions at 156%. County members contribute 4.5% and the employer matches at 150%. All contributions are pre-tax. Vesting occurs after three years of plan participation, at which time members are eligible to receive both their contributions and the employer match upon ceasing employment.

Members of Defined Contribution make investment choices for both the employee and employer contributions, choosing from 13 investment options profiled in this report. There is no guaranteed benefit or rate of return. Account balances will increase or decrease based on the investments selected and market performance. Members may change investments as desired, subject to excessive trading rules.

The managers for each of the 13 investment funds are selected, monitored and terminated, when necessary, by the Nebraska Investment Council.

Members may take distribution of their account after ceasing employment. Other qualifying events for distribution are death or disability. Members who cease employment on or after age 55 are considered "retired." Members who cease employment prior to age 55 are considered "terminated." Distributions are subject to State and Federal income taxes and "Terminated" members may also incur additional early withdrawal penalties if they take distributions prior to age 59½. Distribution options include lump sum or systematic withdrawals, monthly annuities, or a combination of these choices. In addition, members may defer distributions up to age 70½ or rollover funds to another tax sheltered retirement plan.

DEFINED CONTRIBUTION OPTIONS

- **DEFERRAL** – up to age 70½. Account will increase or decrease based on investment choices and market performance.
- **ANNUITY** – monthly payments (generally for the lifetime of the member) with an optional 2.5% annual cost-of-living adjustment.
- **LUMP SUM** – payment issued directly to the member.
- **SYSTEMATIC WITHDRAWAL** – payments issued to the member at a set frequency and dollar amount.
- **ROLLOVER** – to a Traditional or Roth IRA, or another qualified retirement plan.
- **COMBINATION** – of the above options. Defined Contribution participants are not subject to the one-time distribution rules.

Deferred Compensation Plan (DCP)

There are currently two deferred compensation plans, the State of Nebraska Deferred Compensation Plan (DCP) and the Mass Mutual DCP. The State DCP is currently open to new members and contributions.

STATE DCP

The State DCP is a voluntary, supplemental retirement plan for State, Judges, and State Patrol employees. County employees may participate in the State plan if their county does not offer a deferred compensation plan.

Any individual employed on a permanent or temporary basis, full-time or part-time, may participate. Participants defer a pre-tax portion of their salaries and there are no employer matching contributions. Members may change contribution amounts or cease contributing at any time. Plan participants make their own investment choices from the same 13 funds offered in the State and County Defined Contribution plan. There is no guaranteed benefit or rate of return. Account balances will increase or decrease based on the investments selected and market performance.

Members may take distributions after ceasing employment. All distributions are subject to State and Federal income taxes. Distribution options include lump sum or systematic withdrawals, monthly annuities, or a combination of these choices. In addition, members may defer distributions up to age 70½, or rollover funds to another tax sheltered retirement plan, including a Traditional or ROTH IRA.

MASS MUTUAL DCP

The original State Deferred Compensation Plan was established in 1976 and provided by the Hartford Life Insurance Company. In 1997, DCP plan administration was assumed by NPERS and the Hartford plan was closed to new members and contributions. Individuals participating prior to this date could retain their existing Hartford accounts. In 2013, Massachusetts Mutual Life Insurance (Mass Mutual) acquired the Hartford's Retirement Plans Group. Individuals with Mass Mutual DCP accounts utilize the investment options provided by Mass Mutual. Investment information and performance for these accounts is also provided by Mass Mutual.

Deferred Retirement Option Plan (DROP)

The State Patrol Deferred Retirement Option Plan (DROP) was created with LB 324 by the 2007 Legislature, and was effective September 1, 2008. The DROP feature of the State Patrol Plan is voluntary and provides a way for members to receive a lump-sum amount at retirement in addition to their monthly retirement benefit.

To participate in DROP, members must be currently employed with at least 25 years of service, be age 50 up to age 60, and agree to cease employment within five years (or any time prior to five years) or upon turning age 60, whichever occurs first. Upon entering DROP, the retirement benefit is calculated and both the member and employer (State) monthly contributions to the State Patrol Plan cease. The member's monthly benefits are "frozen" and not adjusted for any future salary increases, benefit improvements passed by law, or cost-of-living (COLA) adjustments. Members may not "opt out" and return to "active" status.

During DROP, members continue to work and receive pay while monthly retirement benefits are deposited pre-tax into the DROP accounts. Members make their own investment choices using the 13 investment funds offered to State of Nebraska employees. As in the Defined Contribution option (DC) and the Deferred Compensation Plan (DCP), DROP members assume full responsibility for any market gains or losses.

DROP ends when the members cease employment and "retire in fact." Monthly benefits are then issued directly to members, who must choose either a lump sum distribution of the entire DROP account, a rollover distribution to an IRA or other qualified plan, or a combination of the two choices.

Excessive Trading Policy

Members of the Defined Contribution (DC), Deferred Compensation Plan (DCP), and Deferred Retirement Option Plan (DROP), are subject to the Excessive Trading Policy of the Public Employees Retirement Board (PERB). This policy limits the number of transfers permitted within a participant's account. Excessive trading by one or many participants can have a detrimental effect on other participants. In order to protect plan sponsors and participants, as well as meet regulatory guidelines and Mutual Fund Partner requirements, the PERB implemented this policy in January, 2011, to address this potential problem. This policy may change from time to time.

Only transactions that create the potential for market timing and excessive trading abuses will be subject to monitoring. Accordingly, only participant-initiated Exchange Purchases and Exchange Redemptions are monitored. This would include (but not be limited to) purchases and redemptions made as a result of a non-systematic reallocation or rebalancing transaction. This policy is not affected by regular allocations of contributions or withdrawals.

An Exchange Redemption executed within sixty (60) days of an Exchange Purchase will result in monitoring of the participant's transactions for the Monitoring Period. A rolling sixty-day period begins immediately following a Round Trip (an Exchange Purchase followed by an Exchange Redemption).

A written notice to the participant will be mailed after identifying an Exchange Purchase during the Monitoring Period. This notice will inform the participant that if the participant executes an Exchange Redemption during the remainder of the Monitoring Period, the participant will be subject to the trading restrictions.

Where a participant executes a Round Trip during the Monitoring Period, the participant will be prevented from initiating subsequent Exchange Purchases in that fund for a sixty-day period following the Exchange Redemption that violated the policy.

All exchanges in other funds during the Purchase Restriction Period must be done via the U.S. Mail. This would exclude the use of phone, voice response, fax, web/internet, and hand-delivered means of executing trades.

The participant will be notified in writing upon the imposition of these trading restrictions.

Participant trading privileges will be restored automatically upon the expiration of the Purchase Restrictions Period. Please note that our Mutual Fund Partners may have excessive trading policies that conflict with, or are more restrictive than, PERB's Excessive Trading Policy. In the event there is a violation of such Mutual Fund Partner policy, additional restrictions may apply, as directed by the Mutual Fund Partner.

Rate of Return

	Money Market Fund	Stable Value Fund	Bond Market Index Fund	S & P Stock Index Fund	Large Company Growth Stock Index Fund	Large Company Value Stock Index Fund
Quarter	0.03%	0.49%	-0.60%	7.05%	7.44%	5.69%
YTD	0.13%	1.56%	0.55%	1.45%	5.75%	-3.64%
2014	0.07%	1.54%	6.17%	13.74%	13.10%	13.49%
2013	0.09%	1.74%	-1.95%	32.45%	33.42%	32.50%
2012	0.19%	2.23%	4.26%	16.03%	15.36%	17.58%
2011	0.11%	2.81%	7.85%	2.22%	2.72%	0.48%
1 Year	0.13%	1.56%	0.55%	1.45%	5.75%	-3.64%
3 Year	0.10%	1.61%	1.53%	15.19%	16.86%	13.16%
5 Year	0.12%	1.98%	3.31%	12.63%	13.59%	11.35%
10 Year	1.39%	3.08%	4.58%	7.42%	8.64%	6.26%

	Small Company Stock Fund	International Stock Index Fund	AGE-BASED FUND (Refer to note 4)			Investor Select Fund
			Conservative Premixed Funds	Moderate Premixed Funds	Aggressive Premixed Fund	
Quarter	2.71%	2.60%	1.08%	2.44%	3.99%	3.40%
YTD	-3.29%	-5.80%	0.10%	-0.08%	-0.33%	-0.44%
2014	4.44%	-4.38%	5.92%	7.42%	8.01%	8.01%
2013	42.21%	14.52%	6.25%	13.95%	22.07%	17.92%
2012	18.39%	17.74%	6.79%	10.48%	13.72%	15.05%
2011	-3.15%	-13.53%	3.90%	2.71%	0.39%	-0.13%
1 Year	-3.29%	-5.80%	0.10%	-0.08%	-0.33%	-0.44%
3 Year	12.83%	1.04%	4.05%	6.94%	9.53%	8.24%
5 Year	10.49%	0.99%	4.56%	6.78%	8.45%	7.82%
10 Year	7.82%	3.05%	5.04%	6.19%	6.60%	6.50%

MAJOR INDICES:	S & P 500 (Large Co. Stock)	Russell 2000 (Small Co. Stock)	MSCI ACWI-EX US (Int'l. Stock)	Barclays Aggregate (Bonds)	90-Day Treasury Bill	CPI (Inflation)
Quarter	7.04%	3.59%	3.24%	-0.57%	0.03%	-0.60%
YTD	1.38%	-4.41%	-5.66%	0.55%	0.07%	0.73%
2014	13.69%	4.89%	-3.87%	5.97%	0.05%	0.76%
2013	32.39%	38.82%	15.29%	-2.02%	0.08%	1.50%
2012	16.00%	16.35%	16.83%	4.21%	0.12%	1.74%
2011	2.11%	-4.18%	-13.71%	7.84%	0.11%	2.96%
1 Year	1.38%	-4.41%	-5.66%	0.55%	0.07%	0.73%
3 Year	15.13%	11.65%	1.50%	1.44%	0.07%	1.00%
5 Year	12.57%	9.19%	1.06%	3.25%	0.09%	1.53%
10 Year	7.31%	6.80%	2.92%	4.52%	1.29%	1.86%

1. Returns are net of investment management fees.
2. The 1, 3, 5, and 10 - year rates of return are annualized rates of return of the funds through December 31, 2015.
3. Past performance is not indicative of future performance.
4. Members who selected the Age-Based Fund option should check performance in the following manner: Members through age 39 use the Aggressive Premixed Fund; Members at age 40 through 59 use the Moderate Premixed Fund; and Members at age 60 and over should use the Conservative Premixed Fund.

Rates of return are for the investment vehicle currently used. Following are the dates of NE fund participation: Stable Value Fund - 1996; Bond Market Index Fund, S & P 500 Stock Index Fund, Money Market Fund - 1997; Large Company Growth Stock Index Fund, Large Company Value Stock Index Fund, Conservative Premixed Fund, Moderate Premixed Fund, Aggressive Premixed Fund - 1999; Small Company Stock Fund - 2000; International Stock Index Fund and Investor Select Fund - 2005.

Money Market Fund

INVESTMENT OBJECTIVE:

The Money Market Fund seeks to maximize current income while preserving capital and liquidity through investing in a diversified portfolio of short-term securities. The Fund's yield reflects short-term interest rates. Contributions to the Fund are invested in the State Street Short-Term Investment Fund.

INVESTMENT STYLE:

Investments are managed conservatively by investing only in high quality, short-term instruments such as U.S. government and agency obligations, commercial paper, repurchase agreements, bankers acceptances, certificates of deposit, time deposits, and other fixed income investments.

PERFORMANCE THRU 12/31/15:

Years	Fund*	3-Month US Treasury Bills
One	0.1%	0.1%
Three	0.1%	0.1%
Five	0.1%	0.1%

*Time-weighted rates of return, net of investment fees.

QUALITY DIVERSIFICATION:

A1+/P1 .... 30.5%
A1/P1 .... 37.7
A2/P1 .... 0.3
Aa 9.1%
A 17.7
Other 4.7

SECTOR WEIGHTINGS:

Yankee CDs 36.5%
Commercial Paper 21.5
Repurchase Agreement 7.3
Time Deposit 7.0
U.S. Agency 6.2
U.S. Treasury 6.1%
CDs 5.4
Bank Notes 5.1
Euro CD 4.4
Corporate Obligations 0.5

CHARACTERISTICS:

Portfolio Assets .... $55 B
Average Quality A1/P1
Average Maturity .... 21 Days
Current Yield 0.35%

MANAGER:

State Street Global Advisors is a subsidiary of State Street Bank and Trust Company located in Boston, Massachusetts.

ANNUAL INVESTMENT FEE:

Approximately 0.11%

Stable Value Fund

INVESTMENT OBJECTIVE:

The investment objective of the Stable Value Fund is to preserve principal value and earn a competitive yield. The Fund accommodates participant withdrawals without penalty.

INVESTMENT STYLE:

The Stable Value Fund invests in Guaranteed Investment Contracts (GICs), Synthetic Investment Contracts (SICs), Separate Account Contracts (SACs) and other fixed income instruments. GICs are deposits with GIC issuers that feature repayment of deposits plus interest according to a predetermined schedule. SICs are portfolios of high quality fixed income instruments that are "wrapped" by issuers. SIC wraps are designed to accommodate qualified participant withdrawals. SAC is a contract under which the trust agrees to deposit cash and/or securities with an insurance company in order to create a fixed income portfolio.

PERFORMANCE THRU 12/31/15:

Years	Fund*	Hueler Index
One	1.6%	1.8%
Three	1.6%	1.8%
Five	2.0%	2.0%

* Time-weighted rates of return, net of investment fees.

COMPOSITION:

SICs.. 72.5%
SACs... 16.3
Cash Equivalents.................... 11.2

LARGEST HOLDINGS:

GICs and SICs Major Issuers
Metropolitan Life.................. 16.3%
Pacific Life................................ 14.9
State Street............................. 13.0
Prudential................................ 10.9
Transamerica.......................... 10.8

CHARACTERISTICS:

Portfolio Assets .... $12,980 M
Number of GIC/SIC Issuers.................... 10

MANAGER:

T. Rowe Price Stable Asset Management, Inc., is a subsidiary of T. Rowe Price Associates located in Baltimore, Maryland.

ANNUAL INVESTMENT FEE:

Approximately 0.14%

Bond Market Index Fund

INVESTMENT OBJECTIVE:

The Bond Market Index Fund seeks to replicate the returns and characteristics of the Barclays U.S. Aggregate Index. Contributions to the Fund are invested in the BlackRock, Inc. Bond Index Fund.

INVESTMENT STYLE:

The Fund employs a passive bond index strategy that is invested in a diversified portfolio and is representative of the broad U.S. bond market. Since complete replication of the Index is not economically practical, a stratified sampling approach is employed to build the Fund portfolio. The portfolio's characteristics closely resemble those of the Index.

PERFORMANCE THRU 12/31/15:

Years	Fund*	Barclays Aggregate Index
One	0.6%	0.5%
Three	1.5%	1.4%
Five	3.3%	3.2%

* Time-weighted rates of return, net of investment fees.

QUALITY DIVERSIFICATION:

AAA 73.0%
AA 4.0
A 11.0
BBB........ 13.0%
Below BBB 0.0

SECTOR WEIGHTING:

Government 34.9%
Corporate Bonds........ 27.3
Mortgage-Backed........ 25.2
Cash 12.0
Municipal........0.6

CHARACTERISTICS:

Portfolio Assets .... $22 B
Average Quality .... AA
Average Yield 2.6%
Effective Duration .... 5.32 years

MANAGER

BlackRock, Inc., is located in New York, New York.

ANNUAL INVESTMENT FEE

Approximately 0.05%

Conservative Premixed Fund

INVESTMENT OBJECTIVE:

Through a combination of 75% fixed income investments and 25% stocks, this Fund is designed to provide a diversified conservative strategy with emphasis placed on fixed income to obtain lower volatility and market risk.

INVESTMENT STYLE:

The Fund consists of a mixture of some of the other investment choices available in the Plans. The target allocation for this Fund is shown in the pie chart below.

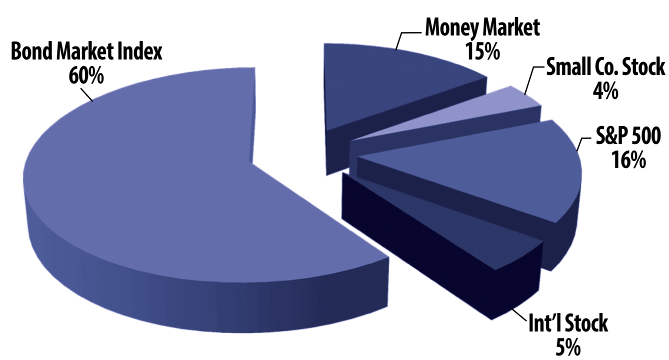
PERFORMANCE THRU 12/31/15:

Years	Fund*	Barclays Aggregate	S&P 500 Index	SSgA Money Market	Russell 2000 Stock Index	MSCI ACWI Ex-US
One	0.1%	0.5%	1.4%	0.1%	-4.4%	-5.7%
Three	4.1%	1.4%	15.1%	0.1%	11.7%	1.5%
Five	4.6%	3.2%	12.6%	0.1%	9.2%	1.1%

* Time-weighted rates of return, net of investment fees.

TARGET ALLOCATION:

	Targets	Holdings
S&P 500 Stock Index Fund	16.0%	18.4%
Small Company Stock Fund	4.0	4.5
International Stock Index Fund	5.0	4.9
Bond Market Index Fund	60.0	58.7
Money Market Fund	15.0	13.5



PORTFOLIO ANALYSIS:

Portfolio Assets.................... $33.3 M
For additional information, please refer to the fact sheets on the individual funds: S&P 500 Stock Index Fund, Small Company Stock Fund, International Stock Index Fund, Bond Market Index Fund, and Money Market Fund.

MANAGER:

S&P 500 Stock Index Fund, Bond Market Index Fund, and International Stock Index Fund are managed by BlackRock, Inc., Small Company Stock Fund by Dimensional Fund Advisors, and Money Market Fund by State Street Global Advisors.

ANNUAL INVESTMENT FEE:

Approximately 0.07%

Moderate Premixed Fund

INVESTMENT OBJECTIVE:

Through a combination of 50% fixed income investments and 50% stocks, this Fund is designed to provide a diversified balanced strategy with investments split evenly between equities with their higher expected rates of return and volatility and fixed income investments with their lower expected rates of return and volatility.

INVESTMENT STYLE:

The Fund consists of a mixture of some of the other investment choices available in the Plans. The target allocation for this Fund is shown in the pie chart below.

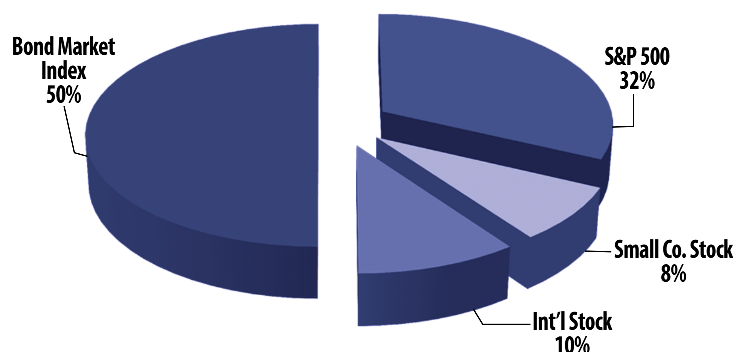
PERFORMANCE THRU 12/31/15:

Years	Fund*	Barclays Aggregate	S&P 500 Index	Russell 2000 Stock Index	MSCI ACWI Ex-US
One	-0.1%	0.5%	1.4%	-4.4%	-5.7%
Three	6.9%	1.4%	15.1%	11.7%	1.5%
Five	6.8%	3.2%	12.6%	9.2%	1.1%

* Time-weighted rates of return, net of investment fees.

TARGET ALLOCATION:

	Targets	Holdings
S&P 500 Stock Index Fund	32.0%	34.0%
Small Company Stock Fund	8.0	8.7
International Stock Index Fund	10.0	8.6
Bond Market Index Fund	50.0	48.7



PORTFOLIO ANALYSIS:

Portfolio Assets.................. $377.4 M

For additional information, please refer to the fact sheets on the individual funds: S&P 500 Stock Index Fund, Small Company Stock Fund, International Stock Index Fund, Bond Market Index Fund and Money Market Fund.

MANAGER:

S&P 500 Stock Index Fund, Bond Market Index Fund, and International Stock Index Fund managed by BlackRock, Inc.; Small Company Stock Fund by Dimensional Fund Advisors; and Money Market Fund by State Street Global Advisors.

ANNUAL INVESTMENT FEE:

Approximately 0.07%

Aggressive Premixed Fund

INVESTMENT OBJECTIVE:

Through a combination of 25% fixed income investments and 75% stocks, this Fund is designed to provide a diversified aggressive strategy with the emphasis placed on equities with their higher expected returns for participants assuming greater market volatility.

INVESTMENT STYLE:

The Fund consists of a mixture of some of the other investment choices available in the Plans. The target allocation for this Fund is shown in the pie chart below.

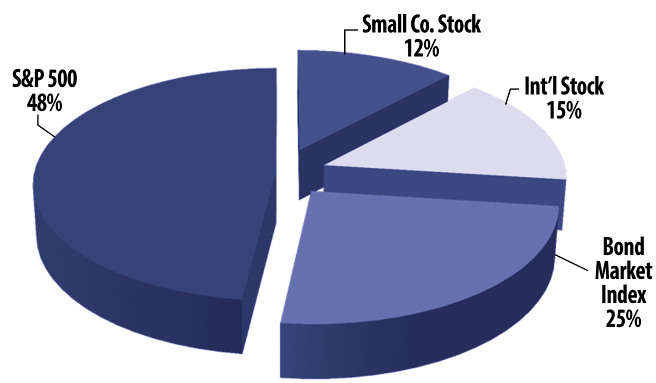
PERFORMANCE THRU 12/31/15:

Years	Fund*	Barclays Aggregate	S&P 500 Index	Russell 2000 Stock Index	MSCI ACWI Ex-US
One	-0.3%	0.5%	1.4%	-4.4%	-5.7%
Three	9.5%	1.4%	15.1%	11.7%	1.5%
Five	8.5%	3.2%	12.6%	9.2%	1.1%

* Time-weighted rates of return, net of investment fees.

TARGET ALLOCATION:

	Targets	Holdings
S&P 500 Stock Index Fund	48.0%	49.5%
Small Company Stock Fund	12.0	12.4
International Stock Index Fund	15.0	13.7
Bond Market Index Fund	25.0	24.4



PORTFOLIO ANALYSIS:

Portfolio Assets.................... $79.6 M
For additional information, please refer to the fact sheets on the individual funds: S&P 500 Stock Index Fund, Small Company Stock Fund, International Stock Index Fund and Bond Market Index Fund.

MANAGER:

S&P 500 Stock Index Fund, Bond Market Index Fund and International Stock Index Fund are managed by BlackRock, Inc., and Small Company Stock Fund by Dimensional Fund Advisors.

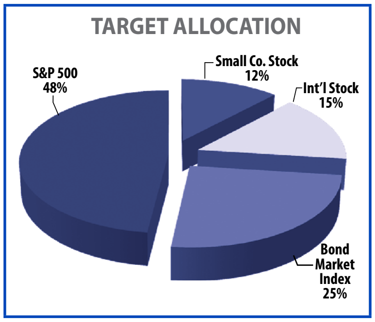
ANNUAL INVESTMENT FEE:

Approximately 0.08%

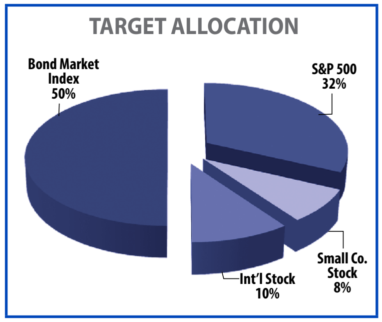
Age-Based Fund

The Age-Based Fund utilizes the existing Premixed Funds for your investment allocation between stocks, bonds and cash. The premixed funds function together as a "life cycle" fund, which means asset allocations automatically become more conservative as a member gets closer to retirement age.

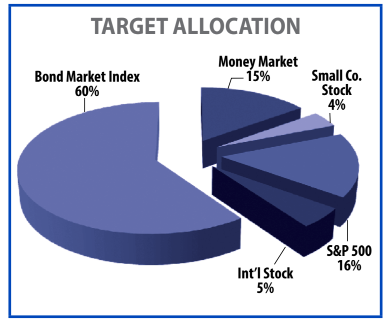
THROUGH AGE 39	AGES 40–59	AGES 60 AND OVER
Aggressive Premixed Fund	**Moderate Premixed Fund**	**Conservative Premixed Fund**



Focus on Long-Term Growth



Focus on Balanced Growth and Income



Focus on Stability and Income

Members **through age 39** who select this option will first have their assets invested in the **Aggressive Premixed Fund** (see the Aggressive Premixed Fund fact sheet for fund details). The use of the Aggressive Premixed Fund is for members with the longest time before retirement. As members reach age 40 their investment will automatically be changed to the Moderate Premixed Fund.

Members at age **40 through 59** who select this option will have their assets invested in the **Moderate Premixed Fund** (see the Moderate Premixed Fund fact sheet for fund details). The use of the Moderate Premixed Fund is for members at a mid-point in their lives and investment horizon. When members become age 60 their investment will be changed to the Conservative Premixed Fund.

Members at age **60 and over** who select this option will have their assets invested in the **Conservative Premixed Fund** (see the Conservative Premixed Fund fact sheet for fund details). The use of the Conservative Premixed Fund is for members as they draw closer to the end of their careers and have a shorter investment horizon.

By selecting the Age Based Fund, members have the ease of an automatic shift to more conservative investments and an automatic re-balance of their asset allocation with changes in the markets. Members always retain the option to transfer their account and future contributions into any of the 13 other funds.

S&P 500 Stock Index Fund

INVESTMENT OBJECTIVE:

The S&P 500 Stock Index Fund seeks to replicate the returns and characteristics of the S&P 500 Index. Contributions to the Fund are invested in the BlackRock, Inc. Equity Index Fund.

INVESTMENT STYLE:

The S&P 500 Index is a broad index comprised of 500 common stocks representing over 75% of the capitalization of the U.S. equity market. Common stocks are purchased in the same weighting as they appear in the S&P 500 Index.

PERFORMANCE THRU 12/31/15:

Years	Fund*	S&P 500 Index
One	1.4%	1.4%
Three	15.2%	15.1%
Five	12.6%	12.6%

* Time-weighted rates of return, net of investment fees.

COMPOSITION:

Common Stocks.................... 98.9%
Cash.. 1.1

MAJOR SECTORS:

Technology 18.7%
Financials 17.4
Health Care 15.4
Consumer Discretionary..... 11.3
Industrials 10.8
Consumer Staples.................10.0%
Energy 6.5
Communications......................4.2
Utilities 3.0
Materials......................................2.7

LARGEST HOLDINGS:

Apple..3.2%
Microsoft....................................2.5
Exxon Mobil 1.8
General Electric 1.6
Johnson & Johnson.................1.6
Amazon.......................................1.4
Wells Fargo 1.4
Berkshire Hathaway 1.4
JP Morgan Chase.......................1.3
Facebook.....................................1.3

PORTFOLIO ANALYSIS:

Portfolio Assets .... $41.7 B
Price-to-Earnings.................................... 22.4x
Number of Holdings 504
Price-to-Book... 2.6x
Avg. Capitalization................................. $39.0 B
Yield... 2.1%

MANAGER:

BlackRock, Inc., is located in New York, New York.

ANNUAL INVESTMENT FEE:

Approximately 0.01%

Large Company Growth Stock Index Fund

INVESTMENT OBJECTIVE:

The Large Company Growth Stock Index Fund seeks to replicate the returns and characteristics of the Russell 1000 Growth Index. Contributions to the Fund are invested in the BlackRock, Inc. Russell 1000 Growth Fund.

INVESTMENT STYLE:

The Russell 1000 Index represents the largest 1,000 U.S. stocks based on market capitalization. These stocks can further be classified as growth or value. The Russell 1000 Growth Index is a sub-category of the Russell 1000 Index with growth characteristics. Growth characteristics consist of higher expected earnings and revenue increases as well as higher price-to-earnings ratios and price-to-book values.

PERFORMANCE THRU 12/31/15:

Years	Fund*	Russell 1000 Growth Index
One	5.7%	5.7%
Three	16.9%	16.8%
Five	13.6%	13.5%

* Time-weighted rates of return, net of investment fees.

COMPOSITION:

Common Stocks.................... 98.5%
Cash..1.5%

MAJOR SECTORS:

Technology 23.9%
Consumer Discretionary..... 19.2
Health Care 17.5
Industrials............................... 12.4
Consumer Staples 10.9
Financials....................................7.3%
Communication........................5.1
Materials.................................... 3.1
Energy 0.5
Utilities 0.1

LARGEST HOLDINGS:

Apple...5.7%
Amazon 2.4
Microsoft....................................2.4
Facebook 2.1
Alphabet Class A......................2.1
Alphabet Class C.......................2.1%
Walt Disney............................... 1.7
Verizon 1.6
Home Depot 1.6
Coca-Cola....................................1.6

PORTFOLIO ANALYSIS:

Portfolio Assets .... $2.3 B
Price-to-Earnings.................................... 24.2x
Number of Holdings 643
Price-to-Book.. 5.1x
Avg. Capitalization..................................$24.7 B
Yield..1.5%

MANAGER:

BlackRock, Inc., is located in New York, New York.

ANNUAL INVESTMENT FEE:

Approximately 0.03%

Large Company Value Stock Index Fund

INVESTMENT OBJECTIVE: The Large Company Value Stock Index Fund seeks to replicate the returns and characteristics of the Russell 1000 Value Index. Contributions to the Fund are invested in the BlackRock, Inc. Russell 1000 Value Fund.

INVESTMENT STYLE: The Russell 1000 Index represents the largest 1,000 U.S. stocks based on market capitalization. These stocks can further be classified as growth or value. The Russell 1000 Value Index is a sub-category of the Russell 1000 Index with value characteristics. Value characteristics generally consist of lower price-to-earnings ratios and lower price-to-book values for stocks currently out of favor and/or stocks with lower forecasted growth rates.

PERFORMANCE THRU 12/31/15:

Years	Fund*	Russell 1000 Value Index
One	-3.6%	-3.8%
Three	13.2%	13.1%
Five	11.4%	11.3%

* Time-weighted rates of return, net of investment fees.

COMPOSITION:

Common Stocks.................... 97.7%
Cash..2.3%

MAJOR SECTORS:

Financials 29.9%
Energy...................................... 12.4
Health Care 11.7
Technology 11.7
Industrials 10.3
Consumer Staples.....................7.5%
Utilities 6.2
Consumer Discretionary.........4.8
Communication........................2.9
Materials.......................................2.6

LARGEST HOLDINGS:

Exxon...3.2%
General Electric 2.9
Wells Fargo................................2.5
Johnson & Johnson..................2.5
JP Morgan Chase 2.4
Berkshire Hathaway 2.3%
Procter & Gamble.....................2.1
Pfizer 2.0
Microsoft 1.9
AT&T 1.8

PORTFOLIO ANALYSIS:

Portfolio Assets .... $2.1 B
Price-to-Earnings 19.3x
Number of Holdings 690
Price-to-Book... 1.7x
Avg. Capitalization................................. $19.6 B
Yield.. 2.6%

MANAGER: BlackRock, Inc., is located in New York, New York.

ANNUAL INVESTMENT FEE: Approximately 0.03%

Small Company Stock Fund

INVESTMENT OBJECTIVE:

The Small Company Stock Fund's primary objective is capital appreciation through investment in U.S. common stocks with small capitalization. Contributions to the Fund are invested in the DFA Small Company Portfolio.

INVESTMENT STYLE:

This Fund is focused on capturing the returns and possible diversification benefits of a broad cross-section of small U.S. companies. The Fund holds securities with market capitalizations within the smallest 10% of the equity market or smaller than the 1,000th largest company in the U.S. The equity market is comprised of companies listed on the New York Stock Exchange, the NASDAQ National Market System and the American Stock Exchange.

PERFORMANCE THRU 12/31/15:

Years	Fund*	Russell 2000 Stock Index
One	-3.3%	-4.4%
Three	12.8%	11.7%
Five	10.5%	9.2%

* Time-weighted rates of return, net of investment fees.

COMPOSITION:

Common Stocks..................100%

MAJOR SECTORS:

Financials................................ 20.4%
Technology............................ 17.7
Consumer Discretionary..... 17.3
Industrials.............................. 16.9
Health Care............................ 10.3
Utilities.......................................4.6%
Consumer Staples..................4.4
Materials...................................4.4
Energy.. 3.1
Telecom Services....................0.9

LARGEST HOLDINGS:

Piedmont Natural Gas...........0.34%
Jet Blue......................................0.34
Manhattan Associates...........0.34
StanCorp Financial.................0.34
Health Net.................................0.31
Integrated Device..................0.31%
MarketAxess.............................0.30
Euronet......................................0.29
EPAM Systems..........................0.29
Heartland Payment...............0.29

PORTFOLIO ANALYSIS:

Portfolio Assets....................................... $10.6 B
Price-to-Earnings.................................... 18.0x
Number of Holdings.............................. 2,027
Price-to-Book... 1.8x
Avg. Capitalization................................. $1,973 M
Yield.. 1.4%

MANAGER:

Dimensional Fund Advisors is located in Austin, Texas.

ANNUAL INVESTMENT FEE:

Approximately 0.37%

International Stock Index Fund

INVESTMENT OBJECTIVE:

The International Stock Index Fund seeks to replicate the returns and characteristics of the Morgan Stanley Capital International (MSCI) All Country World ex-US Index (ACWI ex-US). Contributions to the Fund are invested in the BlackRock Inc. MSCI ACWI ex-US Index Fund.

INVESTMENT STYLE:

The MSCI ACWI ex-US represents approximately 60% of the total stock market capitalization outside of the United States. In addition to long-term capital appreciation, investing in foreign markets offers the opportunity of diversification benefits.

PERFORMANCE THRU 12/31/15:

Years	Fund*	MSCI ACWI Ex-US Index
One	-5.8%	-5.7%
Three	1.0%	1.5%
Five	1.0%	1.1%

* Time-weighted rates of return, net of investment fees.

COUNTRY DIVERSIFICATION:

Japan	17.2%	Canada	5.9%
UK	14.2	China	5.6
France	7.1	Australia	5.0
Switzerland	6.9	Korea	3.3
Germany	6.7	Taiwan	2.5

LARGEST HOLDINGS:

Nestle	1.4%	Samsung	0.7%
Novartis	1.2	Novo Nordisk	0.7
Roche	1.1	Taiwan Semiconductor	0.7
Toyota	1.0	Commonwealth Bank	0.6
HSBC	0.9	Bayer	0.6

PORTFOLIO ANALYSIS:

Portfolio Assets	$3.1 B
Price-to-Earnings	13.6x
Number of Holdings	1,875
Number of Countries	45
Avg. Capitalization	$9.16 B
Emerging Markets	20.9%

MANAGER:

BlackRock, Inc., is located in New York, New York.

ANNUAL INVESTMENT FEE:

Approximately 0.14%

Investor Select Fund

INVESTMENT OBJECTIVE:

The Fund is invested with an asset allocation and investment strategy substantially similar to the investment allocations made for the Defined Benefit Plans. Currently, the asset allocation for the Fund is 62.5% stocks, 30% fixed income and 7.5% real estate.

INVESTMENT STYLE:

The Fund consists of a mixture of some of the other investment choices available in the Plans as well as some additional investments. The target allocation for this Fund is shown in the pie chart below.

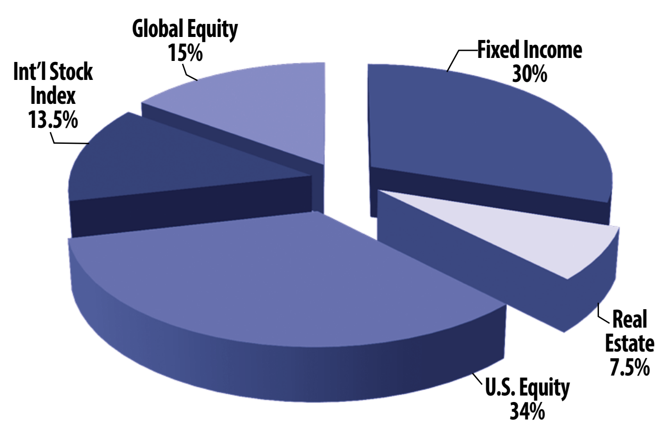
PERFORMANCE THRU 12/31/15:

Years	Fund*	Barclays Aggregate	Russell 1000 Index	Russell 2000 Index	MSCI ACWI Ex-US	DJ US Select Real Estate Securities Index
One	-0.4%	0.5%	0.9%	-4.4%	-5.7%	4.5%
Three	8.2%	1.4%	15.0%	10.7%	1.5%	11.7%
Five	7.8%	3.2%	12.4%	8.7%	1.1%	12.2%

* Time-weighted rates of return, net of investment fees.

TARGET ALLOCATION:

	Targets	Holdings
Russell 1000 Index Fund (US)	30.6%	32.1%
Small Company Stock Fund (US)	3.4	3.1
International Stock Index Fund	13.5	12.2
Real Estate Fund	7.5	7.7
Global Equity Fund	15.0	14.6
Bond Market Fund	9.9	10.1
Active Fixed Income funds	20.1	20.2



PORTFOLIO ANALYSIS:

Portfolio Assets.................... $17.2 M

MANAGER:

Russell 1000 Stock Index Fund, International Stock Index Fund, and Bond Market Index Fund are managed by BlackRock, Inc., Small Company Stock Fund by Dimensional Fund Advisors, Real Estate Fund by Goldman Sachs, Global Equity Fund by MFS and Active Fixed Income Funds by BlackRock, Inc., and PIMCO.

ANNUAL INVESTMENT FEE:

Approximately 0.38%

Nebraska State Employees Defined Contribution Plan

Fund Name	Balance 01/01/15	Deposits	Withdrawals	Net Transfers	Expenses	Net Earnings	Balance 12/31/15	% Total Balance
Stable Fund	$73,870,570	$1,910,529	($8,307,557)	$1,780,848	($26,214)	$1,820,270	$71,048,447	11.62%
Money Market	$3,898,294	$126,647	($614,850)	($61,971)	($1,530)	$3,063	$3,349,653	0.55%
S&P 500 Stock Index	$95,785,718	$2,408,486	($4,059,193)	($2,099,242)	($28,945)	$1,398,426	$93,405,250	15.27%
Small Co. Stock	$28,185,939	$838,739	($1,215,780)	($222,482)	($8,651)	($934,292)	$26,643,474	4.36%
International Stock	$15,139,460	$737,107	($993,194)	$808,083	($4,796)	($1,167,536)	$14,519,124	2.37%
Bond Market Index	$7,871,014	$292,987	($1,155,297)	$759,382	($2,638)	$47,243	$7,812,691	1.28%
Lg. Co. Growth Stock Index	$25,925,051	$801,723	($1,306,209)	$1,360,108	($8,191)	$1,525,740	$28,298,221	4.63%
Lg. Co. Value Stock Index	$25,422,873	$760,031	($1,287,527)	($2,808,085)	($6,705)	($817,645)	$21,262,943	3.48%
Conservative Premixed	$13,568,895	$484,857	($1,207,388)	$359,519	($5,063)	$11,879	$13,212,699	2.16%
Aggressive Premixed	$56,349,262	$1,985,201	($1,784,904)	($2,208,061)	($18,195)	($153,549)	$54,169,754	8.86%
Moderate Premixed	$278,340,911	$7,101,813	($15,888,969)	($4,128,962)	($88,509)	($17,981)	$265,318,303	43.38%
Investor Select	$6,581,488	$228,116	($767,411)	($91,592)	($1,842)	($33,652)	$5,915,108	0.97%
Age-Based Conservative	$3,907,378	$53,852	($895,975)	$139,332	($939)	$7,636	$3,211,285	0.52%
Age-Based Aggressive	$291,096	$24,412	$0	$37,061	($113)	($2,048)	$350,408	0.05%
Age-Based Moderate	$2,763,997	$82,173	($251,110)	$526,734	($1,025)	($372)	$3,120,397	0.50%
Total Fund	**$637,901,947**	**$17,836,673**	**($39,735,365)**	**($5,849,327)**	**($203,354)**	**$1,687,184**	**$611,637,757**	**100%**

Nebraska County Employees Defined Contribution Plan

Name	Balance 01/01/15	Deposits	Withdrawals	Net Transfers	Expenses	Net Earnings	Balance 12/31/15	% Total Balance
Stable Fund	$19,994,245	$699,259	($1,572,534)	$1,461,830	($17,010)	$517,755	$21,083,544	11.27%
Money Market	$837,469	$41,452	($225,671)	$69,362	($838)	$708	$722,482	0.39%
S&P 500 Stock Index	$27,297,270	$720,689	($1,334,690)	($908,663)	($20,418)	$358,396	$26,112,585	13.96%
Small Co. Stock	$7,505,767	$220,132	($309,470)	($341,000)	($5,567)	($244,497)	$6,825,365	3.65%
International Stock	$2,935,595	$152,799	($71,550)	$351,155	($2,444)	($227,068)	$3,138,486	1.68%
Bond Market Index	$1,360,065	$46,043	($74,873)	($34,098)	($1,096)	$7,707	$1,303,748	0.70%
Lg. Co. Growth Stock Index	$6,356,473	$227,670	($76,659)	$503,828	($4,942)	$366,848	$7,373,218	3.94%
Lg. Co. Value Stock Index	$4,798,094	$165,576	($41,663)	($643,145)	($3,202)	($163,111)	$4,112,548	2.20%
Conservative Premixed	$5,927,182	$260,468	($281,473)	$502,905	($4,942)	$3,172	$6,407,311	3.42%
Aggressive Premixed	$18,069,470	$696,835	($341,434)	($486,761)	($14,116)	($56,916)	$17,867,078	9.55%
Moderate Premixed	$93,897,423	$2,626,488	($5,448,022)	($1,726,685)	($72,883)	($18,069)	$89,258,253	47.70%
Investor Select	$1,531,582	$51,412	($248,108)	$331,812	($1,141)	($8,944)	$1,656,614	0.89%
Age-Based Conservative	$565,143	$18,117	($296)	$88,341	($418)	$562	$671,450	0.36%
Age-Based Aggressive	$72,323	$9,203	$0	$18,688	($86)	($220)	$99,908	0.05%
Age-Based Moderate	$463,804	$37,635	($4,628)	($12,657)	($397)	($1,157)	$482,600	0.26%
Total Fund	**$191,611,905**	**$5,973,779**	**($10,031,072)**	**($825,088)**	**($149,500)**	**$535,168**	**$187,115,191**	**100%**

Nebraska State Employees §457 Deferred Compensation Plan (DCP)

Fund Name	Balance 01/01/15	Deposits	Withdrawals	Net Transfers	Expenses	Net Earnings	Balance 12/31/15	% Total Balance
Stable Fund	$32,038,226	$2,781,002	($5,166,287)	$1,626,962	($31,224)	$793,577	$32,042,257	18.72%
Money Market	$2,492,423	$179,282	($882,686)	$100,538	($2,647)	$1,979	$1,888,889	1.10%
S&P 500 Stock Index	$39,806,922	$2,125,037	($2,848,364)	($1,579,436)	($33,900)	$637,048	$38,107,307	22.26%
Small Co. Stock	$16,694,966	$923,654	($1,596,902)	($605,294)	($14,156)	($489,355)	$14,912,913	8.71%
International Stock	$10,862,870	$960,524	($1,109,605)	$756,535	($9,911)	($689,210)	$10,771,203	6.29%
Bond Market Index	$6,145,620	$358,602	($468,370)	$420	($5,554)	$30,939	$6,061,657	3.54%
Lg. Co. Growth Stock Index	$11,265,120	$874,883	($1,223,969)	$430,609	($10,386)	$663,822	$12,000,079	7.01%
Lg. Co. Value Stock Index	$13,534,195	$812,337	($1,179,274)	($815,863)	($10,373)	($454,849)	$11,886,174	6.94%
Conservative Premixed	$5,090,717	$606,051	($754,966)	$272,341	($5,296)	$6,342	$5,215,189	3.05%
Aggressive Premixed	$6,930,702	$577,247	($627,628)	($166,653)	($8,024)	($23,341)	$6,682,303	3.90%
Moderate Premixed	$16,506,724	$1,821,585	($1,707,356)	($466,732)	($15,535)	($7,195)	$16,131,491	9.42%
Investor Select	$8,534,030	$1,188,711	($340,188)	($91,874)	($7,019)	($58,439)	$9,225,222	5.39%
Age-Based Conservative	$3,388,693	$660,129	($577,536)	$317,488	($3,866)	($2,923)	$3,781,985	2.21%
Age-Based Aggressive	$200,494	$85,108	($15,714)	$68,208	($1,226)	($1,208)	$335,661	0.20%
Age-Based Moderate	$1,704,028	$325,070	($17,711)	$152,751	($2,525)	($3,727)	$2,157,886	1.26%
Total Fund	**$175,195,729**	**$14,279,222**	**($18,516,554)**	**$0**	**($161,641)**	**$403,461**	**$171,200,217**	**100%**

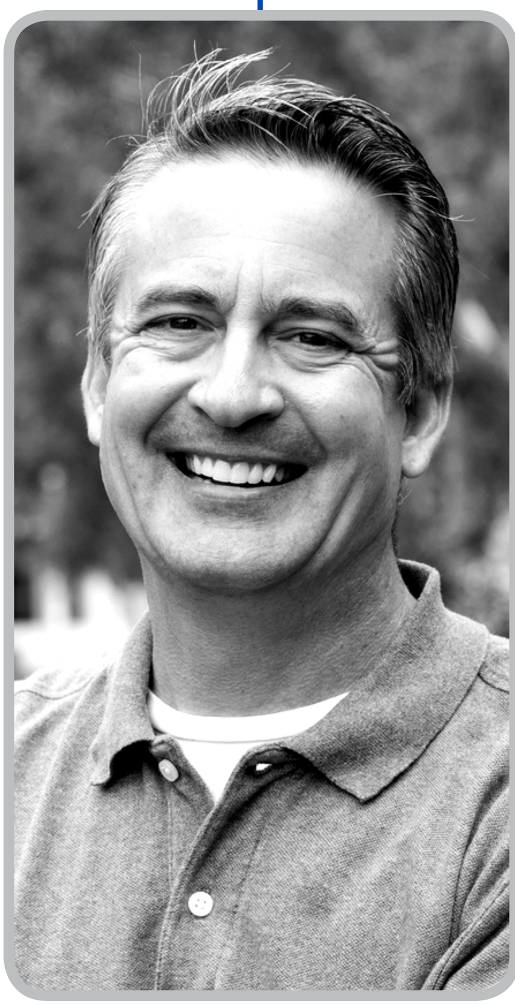
Nebraska State Patrol DROP Option

Fund Name	Balance 01/01/15	Deposits	Withdrawals	Net Transfers	Expenses	Net Earnings	Balance 12/31/15	% Total Balance
Stable	$1,280,396	$599,097	($95,954)	$174,212	($5,776)	$43,499	$1,995,475	22.15%
Money Market	$120,373	$47,451	($42,033)	$48,760	($385)	$94	$174,259	6.77%
S&P 500 Stock Index	$815,029	$386,043	($275,895)	($122,566)	($2,920)	$6,452	$806,144	8.67%
Small Co. Stock	$305,510	$197,884	($45,265)	($52,119)	($1,274)	($17,680)	$387,056	4.15%
International Stock	$133,484	$152,680	($25,703)	$45,867	($780)	($18,157)	$287,392	3.15%
Bond Market Index	$361,375	$145,060	($60,366)	$32,953	($1,420)	$1,584	$479,186	6.97%
Lg. Co. Growth Stock Index	$568,756	$326,210	($83,342)	($68,051)	($2,527)	$31,188	$772,235	5.46%
Lg. Co. Value Stock Index	$367,768	$248,643	($66,219)	($40,844)	($1,667)	($19,319)	$488,362	4.26%
Conservative Premixed	$666,552	$195,632	($156,038)	$173,892	($2,589)	$3,341	$880,790	23.74%
Aggressive Premixed	$183,680	$96,231	($43,874)	($31,001)	($631)	($2,234)	$202,171	1.39%
Moderate Premixed	$912,680	$396,720	($352,188)	($98,081)	($3,340)	($1,232)	$854,560	7.35%
Investor Select	$300,297	$181,378	$0	($9,630)	($1,360)	($2,717)	$467,969	5.42%
Age-Based Conservative	$0	$0	$0	$0	$0	$0	$0	0.00%
Age-Based Aggressive	$0	$0	$0	$0	$0	$0	$0	0.00%
Age-Based Moderate	$202,556	$82,931	$0	($53,392)	($680)	($1,226)	$230,190	0.52%
Total Fund	**$6,218,458**	**$3,055,962**	**($1,246,875)**	**$0**	**($25,349)**	**$23,592**	**$8,025,789**	**100%**

RETIREMENT PLANS

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS

CASH BALANCE



ANNUAL REPORT

SUMMARY OF ASSETS

Cash Balance Retirement Plan

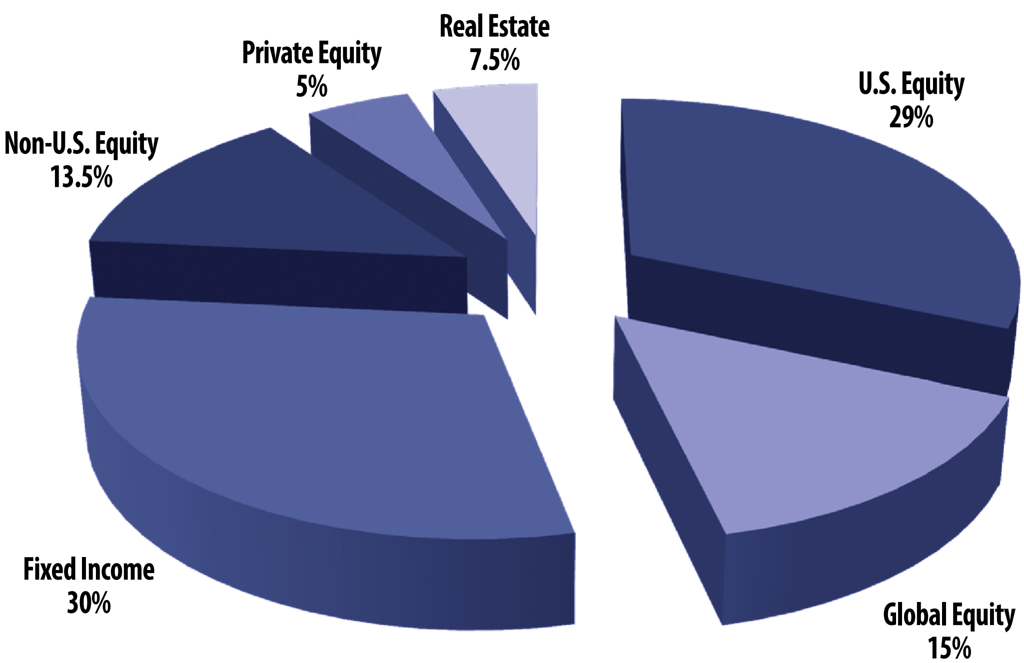
The Cash Balance benefit is the current option for members of the State Plan and the County Plan. All new plan members participate in Cash Balance upon hire. When Cash Balance was implemented in January 2003, members participating in Defined Contribution were given the choice to join Cash Balance or remain in Defined Contribution. The passage of LB665 in 2007 and LB916 in 2012 created a second and third election period for Defined Contribution members to convert to Cash Balance.

State Plan members contribute 4.8% of compensation each payroll period and the employer matches the employee contributions at 156%. County Plan members contribute 4.5% of compensation each payroll period and the county matches the employee contributions at the rate of 150%. Members vest after three years of plan participation.

Cash Balance members do not make their own investment choices. The assets are held in a trust fund which is managed by the Nebraska Investment Council. Cash Balance participants are guaranteed an annual interest credit rate which is defined in statute as the greater of 5% (the "floor" rate) or the federal mid-term rate plus 1.5%. The interest credit rate is determined each calendar quarter. The account balance for State and County Plan members consists of accumulated contributions plus the interest credit rate earned each quarter.

Asset Allocation

The Nebraska Investment Council has chosen the following investment strategy for the Cash Balance Benefit. This "strategy" is designed to mirror the investment strategy of the Defined Benefit plans administered by NPERS for the School Employees, Judges and State Patrol.



Portfolio Managers

The investments for the Cash Balance benefit are managed by the following managers. Their performance is monitored quarterly and they are subject to thorough reviews at least annually. A small portion of the assets are managed internally by the Nebraska Investment Council.

While the pie chart on the previous page shows the investment "strategy" for Cash Balance, the following shows the actual percentages at the end of 2015.

U.S. Equity 29%
- BlackRock Russell 1000 Index
- Dimensional Fund Advisors, Inc.

Fixed Income 30%
- BlackRock (Core Plus)
- BlackRock (Mortgage)
- BlackRock Aggregate Bond Index
- Cash Balance – Money Market
- Franklin Templeton
- Loomis Sayles
- Loomis Sayles Bank Loans
- Neuberger Berman Core Plus
- PIMCO (Core Plus)
- PIMCO Bravo II (Opportunistic)
- Oaktree (Opportunistic)
- Wellington Global

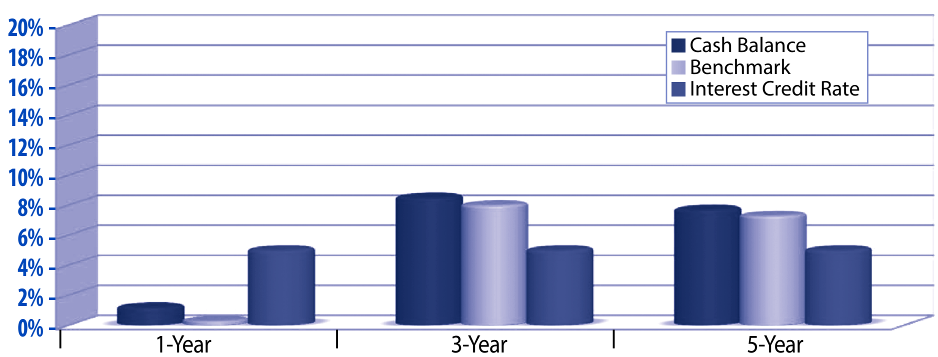
Global Equity 15%
- Acadian Asset Management, LLC
- BlackRock ACWI IMI Index
- Ironbridge
- MFS Institutional Advisors, Inc.
- Mondrian

Non-U.S. Equity 13.5%
- Baillie Gifford Overseas Ltd.
- BlackRock World ex-U.S. IMI Index
- Gryphon

Real Estate 7.5%
- AG Realty Fund VIII, L.P.
- Almanac Realty Securities Fund V, L.P.
- Almanac Realty VII
- Beacon Capital Strategic Partners V, L.P.
- CB Richard Ellis Strategic Partners U.S. Opportunity Fund V, L.P.
- Cornerstone Patriot Fund, L.P.
- Heitman Value partners Fund II, L.P.
- Landmark Real Estate Partners VI, L.P.
- Landmark VII
- Prudential Property Investment (2 investments)
- Rockpoint Real Estate Fund III, L.P.
- Rockwood Capital Real Estate Partners Fund IX, L.P.
- Rockwood Capital Real Estate Partners X
- UBS Trumbull Property Fund
- Torchlight Debt Opportunity Fund IV
- Torchlight Debt Opportunity Fund V
- UBS Trumbull Property Income Fund

Private Equity 5%
- Abbott Capital Private Equity Fund V, L.P.
- Accel-KKR Capital Partners III, L.P.
- Accel-KKR Capital Partners IV, L.P.
- Ares Corporate Opp. Fund III, L.P.
- Ares Corporate Opp. Fund IV, L.P.
- Ares Mezzanine Partners, L.P.
- Beecken Petty O'Keefe Fund IV, L.P.
- Bridgepoint Europe IV, L.P.
- Bridgepoint Europe V
- CVC Capital Partners VI, L.P.
- CVC European Equity Partners V, L.P.
- Dover Street III, L.P.
- EIF United States Power Fund IV, L.P.
- The EMG Fund III
- Francsisco Partners IV
- Fulcrum Growth Partners IV, L.P.
- Green Equity Investors VI, L.P.
- Lightyear Fund III, L.P.
- Lincolnshire Equity Fund IV, L.P.
- Longroad Capital Partners III, L.P.
- McCarthy Capital V, L.P.
- Merit Mezzanine Fund V, L.P.
- New Enterprise Associates 13, L.P.
- New Enterprise 14 Associates 14, L.P.
- New Mountain Partners III, L.P.
- Pathway Private Equity Fund XVIII, LLC
- Pine Brook II
- Presidio Partners 2007
- Quantum Energy Partners V, L.P.
- Quantum Energy Partners VI
- The Resolute Fund II, L.P.
- The Resolute III
- Sun Capital Partners V, L.P.
- TRG Growth II
- Wayzata Opportunities Fund II, L.P.
- New Mountain Partners IV, L.P.
- Wayzata Opportunities Fund III, L.P.
- Wynnchurch Capital Partners IV

Performance Summary



When investment performance results are above the interest credit rate plus the required reserve, the Public Employees Retirement Board (PERB) has the option to issue a dividend to plan members, or the Nebraska State Legislature may pass legislation to improve plan benefits.

Performance Summary

	1-YEAR	3-YEAR	5-YEAR
Cash Balance Benefit	1.2%	8.5%	7.7%
Benchmark	0.3%	8.0%	7.3%
Interest Credit Rate (Rate of Return)	**5.0%**	**5.0%**	**5.0%**

Cash Balance Credit Rate

	Q1	Q2	Q3	Q4	ANNUAL RATE
2015	5.00%	5.00%	5.00%	5.00%	5.00%
2014	5.00%	5.00%	5.00%	5.00%	5.00%
2013	5.00%	5.00%	5.00%	5.00%	5.00%
2012	5.00%	5.00%	5.00%	5.00%	5.00%
2011	5.00%	5.00%	5.00%	5.00%	5.00%
2010	5.00%	5.00%	5.00%	5.00%	5.00%
2009	5.00%	5.00%	5.00%	5.00%	5.00%
2008	5.08%	5.00%	5.00%	5.00%	5.02%
2007	6.08%	6.11%	6.45%	5.85%	6.12%
2006	5.98%	6.22%	6.55%	6.32%	6.27%
2005	5.26%	5.59%	5.36%	5.58%	5.45%

Cash Balance option pays a credit rate, which is the greater of 5% or the applicable federal mid-term rate, as published by the IRS as of the first day of the calendar quarter, plus 1.5%, compounded annually.

Cash Balance Dividend

	RATE	BALANCE AS OF:	EMPLOYED ON:	PAID ON:	AMOUNT PAID
2015 State	4.53%	12/31/2014	12/31/2014	08/14/2015	$48,241,290.44
2015 County	5.81%	12/31/2014	12/31/2014	08/14/2015	$19,697,165.11
2014 State	0.00%	n/a	n/a	n/a	$0
2014 County	0.29%	12/31/2013	12/31/2013	7/28/2014	$916,192.63
2013	0.00%	n/a	n/a	n/a	$0
2012	0.00%	n/a	n/a	n/a	$0
2011	0.00%	n/a	n/a	n/a	$0
2010	0.00%	n/a	n/a	n/a	$0
2009	0.00%	n/a	n/a	n/a	$0
2008 State	5.18%	12/31/2007	12/31/2007	10/3/2008	$21,630,438.25
2008 County	5.34%	12/31/2007	12/31/2007	10/3/2008	$6,943,643.11
2007	2.73%	12/31/2006	12/31/2006	9/27/2007	$13,531,875.14
2006 State	13.50%	12/31/2005	12/31/2005	10/27/2006	$41,505,456.02
2006 County	16.40%	12/31/2005	12/31/2005	10/27/2006	$14,801,902.56

Public Employees Retirement Board granted dividends in 2004, 2005, 2006, 2007, 2008, 2014 (County), and 2015 to members with the Cash Balance Option. The dividends were calculated based upon the account balances on the last day of the prior year. There were no dividends granted in 2009, 2010, 2011, 2012, or 2013 for either State or County Plans.

Nebraska State Employees Cash Balance Plan

Fund Name	Balance 01/01/15	Net Deposits	Withdrawals	Net Transfers	Expenses	Net Earnings*	Balance 12/31/15	% Total Balance
Cash Balance	$1,034,565,215	$70,735,248	($107,769,874)	$6,058,129	($980,627)	$96,548,300	$1,099,156,391	99.97%
Residual Accounts	$11,491	$170,865	($2,698,416)	($208,801)	($35,296)	$3,055,669	$295,511	0.03%
Total Fund	$1,034,576,706	$70,906,113	($110,468,290)	$5,849,327	($1,015,923)	$99,603,969	$1,099,451,902	100%

*Includes the Cash Balance Dividend paid to State Members.

Nebraska County Employees Cash Balance Plan

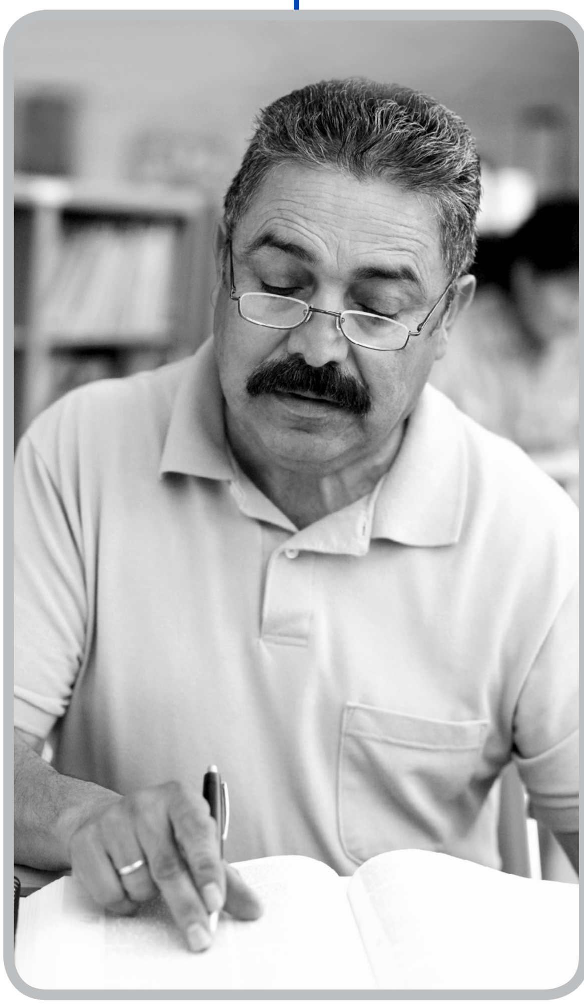
Fund Name	Balance 01/01/15	Net Deposits	Withdrawals	Net Transfers	Expenses	Net Earnings*	Balance 12/31/15	% Total Balance
Cash Balance	$329,257,869	$26,702,988	($27,732,294)	$916,983	($502,620)	$35,274,584	$363,917,509	100%
Residual Accounts	$3,739	$40,561	($897,648)	($91,895)	($16,759)	$1,108,763	$146,761	0%
Total Fund	$329,261,608	$26,743,549	($28,629,942)	$825,088	($519,380)	$36,383,346	$364,064,270	100%

*Includes the Cash Balance Dividend paid to County Members.

RESOURCES

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS

INFORMATION FOR PLAN MEMBERS



INVESTMENT INFORMATION

NEBRASKA DCP

NPERS RESOURCES

GLOSSARY OF TERMS

The Perils of Market Timing

The week of August 8-12, 2011, was another volatile week on Wall Street. A perfect storm of political wrangling over the debt, the Standard and Poor's downgrade, concerns over the European banking industry, and fears of a new recession resulted in four consecutive days of market fluctuations all in excess of 400 points.

A market this turbulent can unnerve even a seasoned investor but can also provide a real world example of the dangers of market timing. Using actual data from this week, let's examine how two different investors might have reacted to the market and the resulting impact to their retirement accounts.

Let's call them **Investor "A"** and **Investor "B."** To keep the math simple, let's assume both had $100,000 invested in the S&P 500 fund at the start of the week. This fund consists of stock of the 500 largest American companies traded on the NY Stock Exchange and is considered a good indicator of overall market performance. This fund is available in the Defined Contribution and Deferred Compensation plans. We can track the beginning and ending share prices for each day using the online account access. At the start of the week, the price per share for this fund was $1.632271, which translates into approximately 61,264 shares for a $100,000 investment.

CHECK OUT THE CHART ON THE NEXT PAGE TO SEE HOW OUR INVESTORS DID.

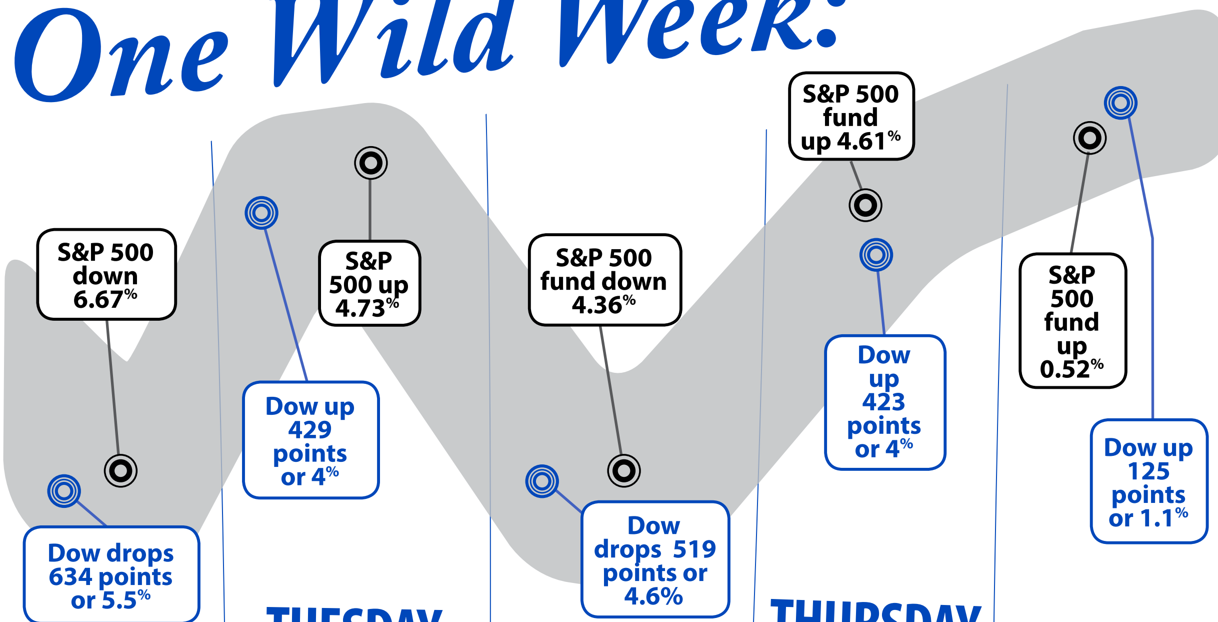
While our two investors are ***hypothetical***, the market data and S&P 500 share prices for this week are real. *Individuals who react to market fluctuations and try to time the market can drastically damage their retirement accounts.* Both of our investors saw a reduction in the value of their accounts at week's end, but Investor B still owned the same number of shares. When shares of the S&P 500 stock return to the start of the week price, Investor B's account value will return to $100,000. In contrast, Investor A's account will be valued at $90,798.

Historically there have always been fluctuations in the stock market and it's a fairly safe assumption there always will be. How this volatility impacts your bottom line depends on how you react to these up and down swings. Investing seems easy when the market is "soaring," but a falling market is where many amateur investors lose their way.

An *educated investor* will minimize risk from these fluctuations by gradually reducing the percentage of stock in their portfolio as they approach retirement. Those with many years to go before retiring will avoid selling and instead may purchase more stock when the price is low—when stock is "on sale."

Emotionally based investment decisions are part of the reason why the Public Employees Retirement Board recently implemented an excessive trading policy (see the April 2011 newsletter). NPERS encourages participants in the Defined Contribution and Deferred Compensation plans to create a personal *long-term* investment strategy and refrain from reacting to market fluctuations. For more investment assistance, please refer to our Annual Investment Report or the Investment Education video available on the NPERS website.

One Wild Week:



MONDAY

On Monday, the market "plunges" on the first trading day since the Standard and Poor's downgrade.

Investor "A"

Decides to sell their S&P 500 stocks and buy into a "safer" Money Market fund. The price per share for the S&P 500 has dropped to $1.523382 and the sale of 61,264 shares nets them $93,328 which is transferred into a Money Market fund.

Investor "B"

Mows the lawn and suffers through a romantic comedy.

TUESDAY

Tuesday, the market "soars" in what is attributed to a better than anticipated report on jobless claims, a pledge by the Federal Reserve to keep interest rates low for two more years, and positive news from the European market.

Investor "A"

Hoping the worst is over, Investor "A" decides to get back into the market. The end of day price for the S&P 500 is now $1.595415 and the $93,328 in the Money Market fund purchases 58,498 shares in the S&P 500.

Investor "B"

Takes the spouse out for a nice romantic dinner.

WEDNESDAY

Within minutes of Wednesday's opening bell the market "plummets." Today the drop is explained as the result of a "bleak economic landscape" and fears of European debt issues.

Investor "A"

Frustrated, Investor "A" decides to again get out of the market and back into the Money Market fund. The end of day price for the S&P 500 has now dropped to $1.525893, so the 58,498 shares net $89,261 to move into the Money Market fund.

Investor "B"

Investor "B" drives the kids to the park and stops for ice cream on the way home.

THURSDAY

On Thursday, you guessed it: the market is "sharply higher," with the Dow jumping as much as 559 points before ending the day up 423.

Investor "A"

This time Investor "A" vows not to make the same mistake again and opts to stay in the Money Market fund.

Investor "B"

Finally gets the gutters cleaned and the hedges trimmed.

FRIDAY

Friday's markets show "strong gains" and the news media is reporting "the worst is over."

Investor "A"

Decides to transfer back into the S&P 500. Their Money Market fund investment remains unchanged at $89,261. The end of day price for the S&P 500 is $1.604625 and they are able to purchase 55,627 shares.

Investor "B"

Picks up some 1½ inch thick ribeyes on the way home from work, grills them to medium rare, and falls asleep halfway through CSI: NY.

Investor "A"

Owns approximately 55,627 shares in the S&P 500 with a total value of $89,261.69.

Investor "A" spent the week glued to the news, closely following market returns. Bombarded with a daily flood of media hyperbole, they succumbed to fear and panic. Investor "B" simply did nothing with their account.

Investor "B"

Owns approximately 61,264 shares in the S&P 500 with a total value of $98,305.75.

Choosing the Right Mix for Your Investments

It's not enough just to invest. You need to choose the right mix of investments to meet your goals. Allocating your assets means deciding how to spread your money among the numerous options provided.

For both your member contributions and your employer matching contributions in Defined Contribution, you have 13 different fund choices which are selected, monitored, and terminated, when necessary, by the Nebraska Investment Council. State of Nebraska employees participating in the 457 Deferred Compensation Plan and Patrol members participating in DROP have the same 13 options. Counties have their own deferred compensation investment funds. Everyone should consider participating in a deferred compensation plan.

These are clichés, but asset allocation is all about "not putting all your eggs in one basket," "hedging your bets," "playing the field," and so on. Diversify. Diversify. Diversify. Approximately 95% of your return will come from that one decision.

DIVERSIFICATION OPTIONS
Stock Investments

- **Large Company Value Stock Index**
  Generally slower growing, often less volatile, hedge against inflation.
- **Large Company Growth Stock Index**
  Faster growing, hedge against inflation, but more volatile.
- **Small Company Stock**
  Fastest growing, more "cutting edge," hedge against inflation, but much more volatile.
- **S&P 500 Stock Index**
  500 largest companies, mix of growth and value, hedge against inflation, and often less volatile.
- **International Stock**
  Divergent returns from U.S. Markets, hedge against inflation with greater volatility.

DIVERSIFICATION OPTIONS
Fixed Income

- **Money Market**
  Lower rates of return (follows interest rate changes more quickly with little negative price volatility).
- **Stable Value**
  Higher interest rate and minimal volatility (return follows interest rate change gradually with little negative market volatility).
- **Bond Market Index**
  Variable returns both positive and negative, returns that balance stock returns with higher/lower returns, sometimes in the opposite direction. (Returns vary with interest rate changes and can be more volatile.)

Premixed/Age Based Funds

- **Premixed Funds —** Nebraska's stock and fixed income funds are premixed for you. For example, in the Employer Moderate Fund, 50% will be invested in the fixed income funds and 50% in the funds with stock investments. By selecting among the premixed choices, you have made an asset allocation. Within that asset allocation, each fund itself is diversified.

- **Age-Based Fund —** Similar to a "life cycle" fund, so that as you move closer to retirement, the asset allocation mix among bonds, stocks, and cash automatically changes from aggressive to moderate to conservative. The existing three premixed funds serve as the underlying investments for a participant who chooses Nebraska's Age-Based Fund.

Please refer to the ***Fund Descriptions*** section for more information on Premixed/Age Based Funds.

- **Investor Select Fund —** A premixed fund with an asset allocation that is a combination of actively managed portfolios and passive index funds. The allocation and investment strategy of Nebraska's Investor Select Fund is substantially similar to that of the Defined Benefit Plans for School, Judges and State Patrol employees, also administered by NPERS (although the fund is not "guaranteed" as are the Defined Benefit Plans). The Nebraska Investment Council oversees the investing of the combined monies in the Defined Benefit Plans. The Investor Select Fund was created to give participants the advantage of the Investment Council's collective professional investment knowledge.

	Asset Allocation		
FUNDS	FIXED INCOME	STOCKS	REAL ESTATE
Investor Select Fund	30%	62.5%	7.5%

The Bottom Line With Rebalancing

Nebraska's **Premixed** and **Investor Select** funds automatically *rebalance* to changing market conditions. This is a very powerful feature.

EXAMPLE: You selected the ***Aggressive Premixed Fund*** because you felt a greater exposure to stocks (75%), was right for you, but you still wanted some bonds (25%) in the mix. Over time, the stock market does very well—so well that your account now has a mix of 83% stocks and only 17% bonds. That's out of balance. The fund will respond by selling some of the stocks (thus selling high) and invest more in bonds (thus buying low).

If the market is down: You are down to a mix of 60% stock and 40% bonds. To rebalance, more stock will be purchased (thus buying low) and bonds sold to return the mix to 75% stock and 25% bonds. **All without having to think about it. It makes buying low and selling high a breeze!**

Details on these funds can be found on pages 11-14 of this report. For more information on the terms used in this article, see the Glossary.
A video explaining the funds is available on the NPERS website at **npers.ne.gov** under, "Publications/Videos."

Risk Related to Return

When selecting your investment allocations, you must examine your tolerance for risk and how that relates to investment returns.

- **Lower Risk Investing** (Conservative Investment Model) has less change up and down in value, less risk of capital losses during any given time period, more risk of under-performance over time, more loss of purchasing power over time, and historically lower rates of return.
- **Moderate Risk Investing** (Moderate Investing Model) has more change up and down in value, more risk of capital losses during difficult market periods, less risk of under-performance over time, less risk of loss of purchasing power, and historically higher rates of return.
- **Higher Risk Investing** (Aggressive Investing Model) has frequent changes up and down in value, some changes in value can be large, more risk of capital losses over shorter periods of time, less risk of under-performance over time, less risk of loss of purchasing power over time, and historically the highest rates of return over time.

CONSERVATIVE INVESTING MODEL

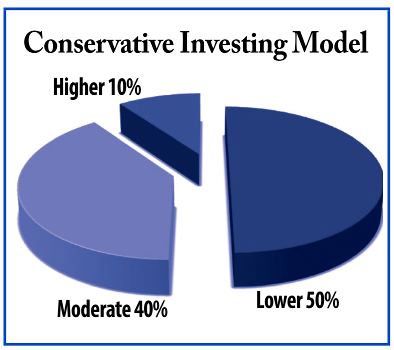
- **Emphasis:** Safety and Stability
- **Retirement Horizon:** 5-10 years
- **Goal:** Preservation of principal with competitive returns
- **Risk:** Lower

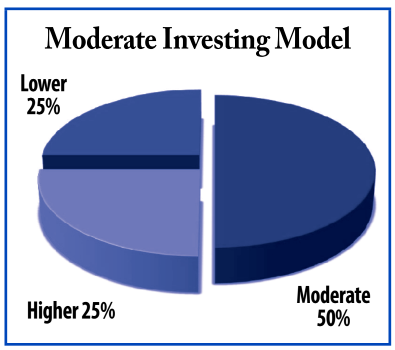
MODERATE INVESTING MODEL

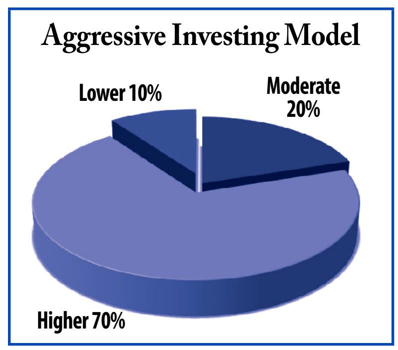
- **Emphasis:** More stability in an "up and down" market
- **Retirement Horizon:** 10-20 years
- **Goal:** Growth and current income
- **Risk:** Moderate

AGGRESSIVE INVESTING MODEL

- **Emphasis:** Build assets and protect against inflation
- **Retirement Horizon:** 20+ years
- **Goal:** Capital appreciation
- **Risk:** Higher







Examples of Nebraska's Lower Risk Investment Options

- Money Market
- Stable Value
- Conservative Premixed
- Age-Based for Age 60 and Over

Examples of Nebraska's Moderate Risk Investment Options

- Bond Market Index
- Moderate Premixed
- Investor Select
- Age-Based for Ages 40–59

Examples of Nebraska's Higher Risk Investment Options

- S&P Stock Index
- Large Co. Growth
- Large Company Value
- Aggressive Premixed
- International Stock
- Small Company Stock
- Age-Based for Ages Up To 39

Investment Rebalancing

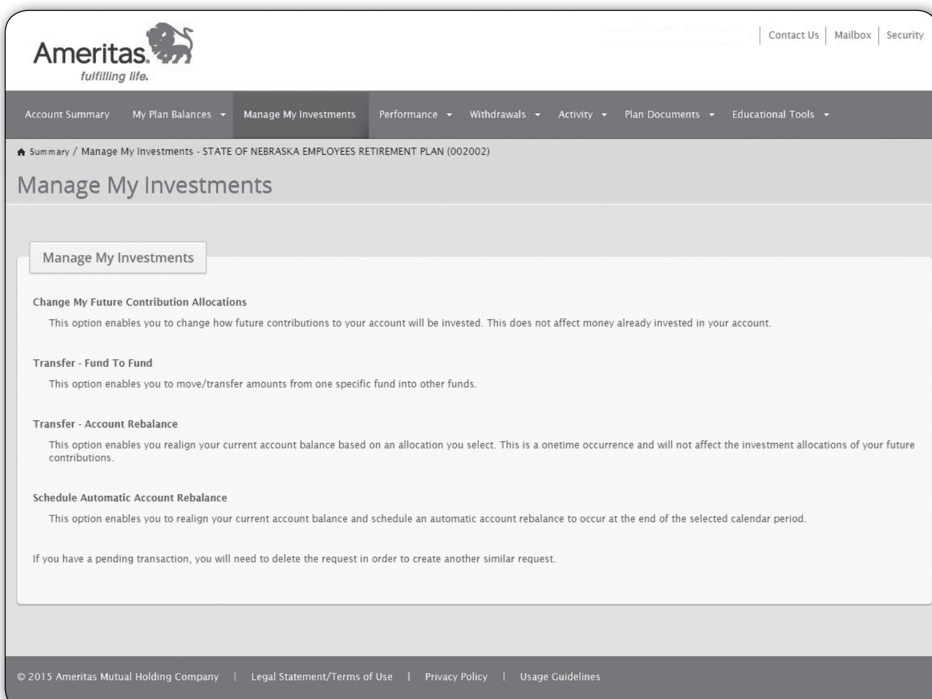
Successful investors will create an investment strategy based on their personal situation and goals. This strategy determines the percentages of stocks, bonds, or cash (asset allocation) the investor uses in their portfolio.

An investor who chooses an aggressive investment strategy may have a larger percentage of stocks, whereas a conservative investor may allocate a higher percentage of their portfolio to bonds or cash.

Over time, portfolios can grow out of balance. When one fund performs better than the others, it assumes a larger percentage of the portfolio. In order to maintain the desired balance, higher performing fund(s) should be sold and re-invested in lower performing fund(s). This activity, rebalancing, maintains the desired asset allocation and implements the "buy low and sell high" strategy.

The Conservative, Moderate and Aggressive Premixes and the Investor Select funds are rebalanced by the fund managers to maintain their established allocation percentages over time. Members using a combination of the individual funds, such as the Small Company or S&P 500, need to pay a bit more attention in order to maintain the desired allocation.

To simplify the task, the Ameritas/UNIFI online account access offers an automatic rebalancing tool. Members may select a quarterly, semi-annual, or annual time schedule starting from the current date or running on a calendar basis. The Automatic Rebalance Request page will display the current funds and percentages invested in each. The column to the right allows the member to input the asset allocation they wish to maintain. The member may change the asset mix or discontinue the automatic rebalancing with a return visit to the Automatic Rebalance Request page.



The online automatic rebalancing feature can be found by clicking on the "Manage My Investments" option on the online toolbar.

Saver's Tax Credit

Low and moderate income employees may be able to significantly reduce their taxes by qualifying for the Federal Saver's Tax Credit.

Contributions made to an employer sponsored retirement plan such as the voluntary Deferred Compensation Plan (DCP) or an individual retirement arrangement (IRA), *may* qualify for a tax credit of up to $1,000 per individual ($2,000 if filing jointly).

This credit only applies for contributions made to voluntary retirement accounts. Eligibility and the amount of the credit are determined by *filing status* and *adjusted gross income* (AGI).

FILING STATUS/ADJUSTED GROSS INCOME LIMITS FOR 2016

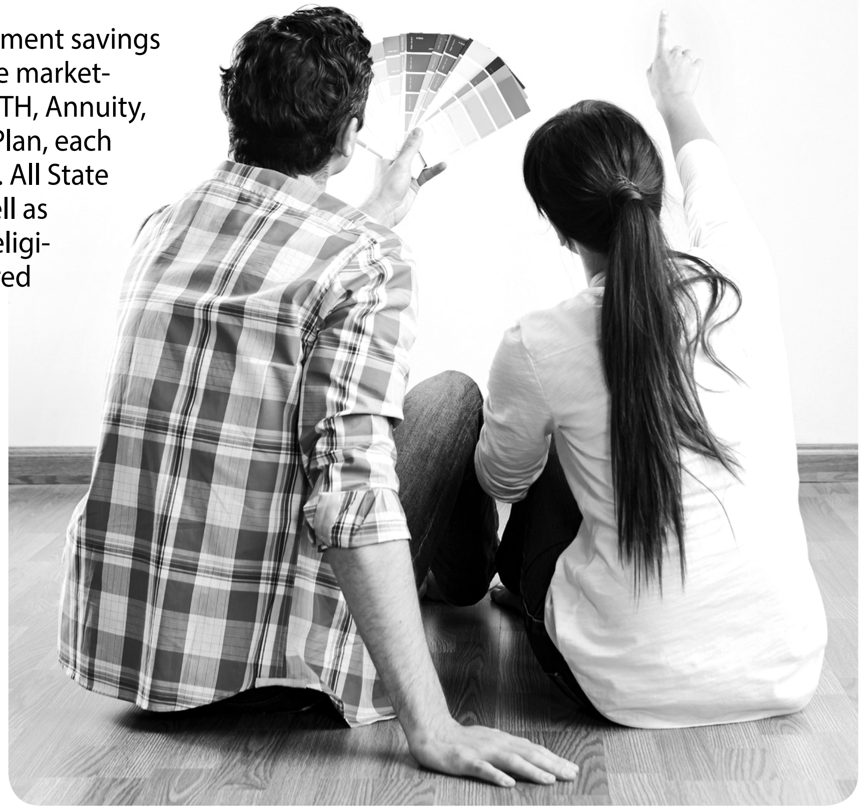
CREDIT RATE	JOINT	HEAD OF HOUSEHOLD	SINGLE
50% of $2,000	$0 to $37,000	$0 to $27,750	$0 to $18,500
20% of $2,000	$37,001 to $40,000	$27,751 to $30,000	$18,501 to $20,000
10% of $2,000	$40,001 to $61,500	$30,001 to $46,125	$20,001 to $30,750

For example, a couple filing a joint return with an AGI of $37,000 or less is eligible for the 50% rate. If both contributed $2,000 (or more) to a qualified plan, both would receive the maximum $1,000 Saver's Credit. If their AGI was a bit higher at $38,000, they move to the 20% bracket and both would receive a $400 credit.

Don't confuse tax "credits" with "deductions." A deduction reduces the amount of your taxable income and you pay taxes on the remaining income at a percentage based on the IRS tax brackets. A credit reduces the final amount of taxes you owe dollar for dollar and provides *significantly* better savings. In addition, contributions made to DCP reduce your AGI and may help you qualify for a higher Saver's Tax Credit.

Which Tax Deferred Program Fits You Best?

There are many kinds of retirement savings and investment vehicles in the marketplace. Whether it is an IRA, ROTH, Annuity, or a Deferred Compensation Plan, each has its own features and rules. All State of Nebraska employees, as well as some County employees are eligible for Nebraska's §457 Deferred Compensation Plan (DCP).



LOWER YOUR CURRENT TAXES

Saving and investing through the §457 Deferred Compensation Plan offers a few key advantages over most other vehicles. Some of these advantages are the tax benefits you receive when you contribute. Your contributions will be deducted automatically from your paycheck before you pay any taxes, thereby lowering the amount you pay in taxes. This is a great short-cut to your retirement destination. In the example to the right, you would have saved $200 and taken home $60 more than our "do it the hard way" tax saver.

Before Tax v. After Tax Savings	BEFORE TAX SAVINGS	AFTER TAX SAVINGS
Gross Pay	$3,000	$3,000
Before Tax Contribution to Retirement Plan	$200	$0
Taxable Pay	$2,800	$3,000
Est. Taxes withheld	$840	$900
Social Security/Medicare Taxes	$230	$230
After Tax Contribution to a Savings Account	$0	$200
Take Home Pay	$1,730	$1,670
Before Tax Advantage	$60	None

For illustrative purposes only. This example is based on a federal withholding tax of 25%, a hypothetical state tax of 5% and a Social Security/Medicare/FICA tax of 7.65%

DCP Contribution Limits for 2016	UNDER AGE 50	AGE 50 AND OVER
	$18,000	$24,000

Where Did Your Money Go?

For most individuals, the amount they spend has an inverse effect on the amount they save for retirement. Many spend too much and save too little. In order to free up additional funds and save more, it's important to understand "where the money goes" and set spending limits. The first step in this process involves creating a monthly budget listing all expenditures.

Most expenditures (or debt) fall into one of three categories:

FIXED DEBT | MONTHLY EXPENSES | FLEXIBLE EXPENSES

Fixed debt represents long-term, ongoing payments made to pay off loans (debt) for items such as mortgages, school loans, or car payments. These expenditures generally represent a stable percentage of total monthly expenses. Your remaining income after fixed debt should be enough to cover living expenses with some left over for retirement savings. It is also wise to have cash set aside to pay for any unexpected expenses or financial emergencies.

Acceptable levels of fixed debt can be measured by a "Debt to Income" ratio (DTI). This is determined by calculating the percentage of monthly income (take home) spent on fixed debt. Most financial institutions recommend a DTI ratio no higher than 36%. A DTI of 20% or below is considered excellent. A DTI ratio above 36% makes it difficult to set aside funds for retirement and individuals with DTI ratios at 50% or higher run the risk of missing or defaulting on payments, running up credit card debt, and damaging their credit ratings.

For most Americans, there are three items that account for the majority of fixed debt – **mortgages**, **car loans**, and **school loans**. Many individuals mistakenly assume lenders will not approve loans above and beyond what they can afford. This is not the case. Before signing on the dotted line, calculate the monthly payments for all fixed debts to ensure the DTI ratio remains at or under 36%.

How much of your DTI should these three items represent? Percentages vary based on the source of the data, but as a starting baseline…

Mortgage

Houses account for the largest percentage of fixed debt but also represent an investment that over the *long term* will usually grow in value. Plus, you get to live in them. How much house can you afford? Many lenders recommend total monthly housing expenses (mortgage payments

For most Americans, fixed debt will consume the majority of their lifetime income.

and maintenance) account for no more than 28% of income. When reviewing estimates, be sure they represent the total monthly cost and include items such as property taxes, insurance premiums, mortgage insurance, association dues, etc. Spending a bit more—say up to 33%—may not be a bad idea, but only if other areas of fixed debt can be reduced to keep the DTI ratio under 36%.

School Loans

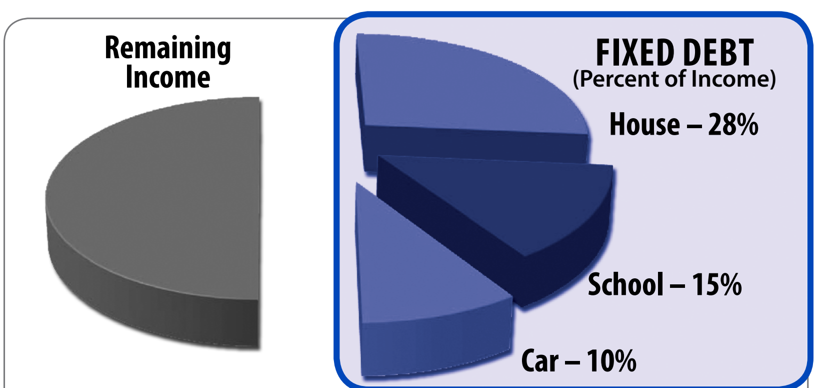
Money spent on higher education is generally a good investment. Earning a degree can enhance career prospects and increase earning potential, but piling on too much student loan debt can do more harm than good. As tuition continues to increase, it's becoming more expensive to earn a degree. As of 2012, the total estimated annual cost (includes in-state tuition, fees, room and board) to attend the University of Nebraska–Lincoln is $17,230 (source – *CNN Money*).

So how much is too much student loan debt? It's difficult to calculate a DTI ratio as monthly payments will vary depending on the terms of the loan and there is no way to accurately predict future earnings. A ballpark amount can be calculated assuming payments of 10% of gross income averaged over a ten year time span. In other words, an individual who assumes they will earn a total of $500,000 during the ten years following graduation should limit themselves to $50,000 in total student loans.

Again, it's difficult to calculate a DTI ratio for the above scenario but chances are good the monthly payments will consume at least 15% or more of take home pay. As wages increase over time this percentage will drop, but other fixed debt should be limited during the initial years following graduation to keep the total DTI ratio under 36%.

Car Loans

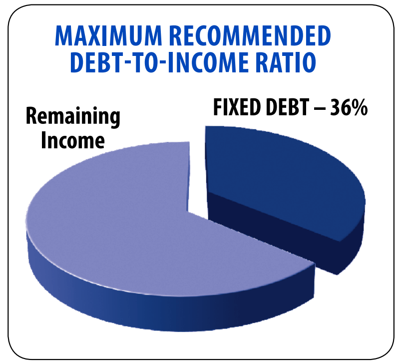
Cars are poor investments. Unlike a properly maintained home, the vast majority of cars will decrease in value over their lifetime. Americans love cars and we often spend more than we should on them. Many auto industry "experts" recommend car payments consume no more than 20% of monthly income. This is too much to allocate on an asset that will depreciate in value. To compound the issue, if mortgage payments are at 28% of income, adding another 20% of debt pushes the DTI ratio to 48%—and that doesn't include any school loan payments.



The recommended percentage of fixed debt is 36%. Home mortgages and car loans may need to be adjusted until school loans are paid off or salary increases in order to attain the goal of 36%.

To give another perspective, the total purchase price should not exceed one-third of gross annual income. An individual making $30,000 a year (pre-tax) should spend no more than $10,000. Monthly payments vary depending on terms of the loan but generally this will result in a 9% to 11% DTI ratio.

The Total DTI Ratio



Many individuals will carry mortgage, auto, and school loan debt at the same time. If they follow the above guidelines of 28% for the house, 15% for school loans, and 10% for car loans – this will put them at a DTI of 53%, well over the 36% limit. Generally the mortgage and auto are the two areas of fixed debt that can be adjusted until the school loan is paid off or the salary increases.

Of these three, the car should be the first target when attempting to reduce the percentage of DTI. Individuals with no mortgage payments or school loans (or other forms of fixed debt) may be tempted to spend more than the amount recommended above, but this is not a sound financial decision. Any extra income is much better spent creating a pool of money that can be used for a down payment on a future home purchase, paying for tuition, or saving more for retirement.

How Much Will You Need?

Ever wonder how much money you should have in your account to be "reasonably" prepared for retirement? The chart below may give you a general idea. ***REMEMBER,*** no two people are alike and no two retirements will be alike! It is a very big guessing game. Will you be married? Will you remarry a younger spouse? Will you be healthy enough to live independently? How about travel? In what state will you retire? Will you still have kids in college? Will you work at another job? Did you save extra dollars in the voluntary Deferred Compensation Plan to provide a financial cushion? These are just some of the questions that will have a profound impact on your financial life.

What will the economy be like during your retirement? High inflation? Low Inflation? In what tax bracket will you be? There are a tremendous number of assumptions and unanswered questions that go into each retirement needs calculation. Oh, we've left out the two big questions. How fast are you going to spend the money? And when will you die? Because there are so many variables affecting the final outcome, it is completely impossible to calculate a retirement nest egg amount that will be exactly right. **The chart below is a "ballpark" attempt to give you an idea of how much money you should have in your account at age 65 to maintain your same standard of living.**

HERE ARE THE ASSUMPTIONS:

1. You retire at age 65.
2. You are single.
3. Inflation averages 4% annually.
4. Social Security benefits are at current estimates.
5. Social Security cost adjustments are 1.6% annually.
6. Your retirement plan account balances earn 5% annually.

	Life Expectancy			
YOUR ENDING SALARY	AGE 85	AGE 90	AGE 95	AGE 100
$20,000	$234,000	$292,000	$349,000	$406,000
$30,000	$402,000	$496,000	$588,000	$679,000
$40,000	$534,000	$659,000	$782,000	$903,000
$50,000	$673,000	$830,000	$985,000	$1,137,000

How should you read this chart? Assuming you were earning about $40,000 your last years of employment and you expected to live to age 90, you would want at least $659,000 in your retirement accounts when you began retirement. This amount will gradually draw down your balances using both your principal and interest. If you were to die before your assumed life expectancy, there would be funds left in your account. If you lived longer, you would have depleted your account and would be dependent on social security and other sources of income.

Nest Egg Management AFTER Retirement

Managing retirement assets after ceasing employment is every bit as important as the process employed to accumulate a nest egg. Retirees need to ensure assets are available over the rest of their lifetimes, regardless of how long they may live.

***With more and more Americans living well into their 90s, many retirees run the risk of depleting their savings during retirement. In order to maintain these assets, most strategies focus on* asset distribution *and* asset allocation.**

Asset Distribution

A common mistake made by many new retirees is spending too much, too soon. Buying new toys and going on extravagant vacations certainly has its appeal, but retirees who expend too many assets at the start of retirement are jeopardizing their future financial security. The goal is to stretch these distributions out so they last over your lifetime.

As a general rule of thumb, many financial advisors currently recommend a 4% annual distribution rate from retirement assets. For example, a $100,000 nest egg would create $4,000 in annual income. Remember, this is not a fixed amount. If distributions and investment losses result in a $90,000 account balance at the end of the year, then next year's distribution needs to be limited to $3,600. Be aware that multiple years of poor returns, especially in the initial years of retirement, could require a re-evaluation and reduction in distributions.

Asset Allocation

Most retirees will need to generate some measure of return on their assets during retirement. The amount of return needed will vary, depending on the size of the accumulated nest egg, expenditures during retirement, and the expected longevity of the retiree.

Asset allocations range from aggressive to conservative. In order to obtain higher rates of return, an aggressive investor will expose a larger percentage of their assets to investments with greater volatility. On the other hand, a conservative investor will choose more stable allocation options. The conservative approach has less risk, but generates a lower rate of return over time. Retirees need to find an appropriate asset allocation, balancing risk vs. returns. Retirees with an overly aggressive allocation may have to sell stocks or bonds during a downturn in the market, essentially locking in losses. An overly conservative approach reduces risk, but the lower rate of return over time may create a loss of purchasing power due to inflation.

One way to minimize the damage from a market downturn is by creating an emergency fund of assets in cash or any other low risk and easily liquidated option. This fund should be kept separate from all other assets and contain enough capital to keep you "afloat" for a minimum of two years. During a market downturn you can access these assets to pay your expenses, avoiding the danger of having to sell when the market is low. Once the market has rebounded, be sure to replenish your emergency fund and only tap into these assets during market downturns.

Managing your assets during retirement is essential to maintaining financial security. This can be a complicated process, depending on your individual situation. Selecting an appropriate asset allocation and distribution strategy is a personal decision. Many factors need to be considered as part of the process. NPERS encourages retirees to take the steps necessary to educate themselves. There are several books, classes, and online resources that can help. Some retirees may need to seek help from a professional financial advisor. Some individuals charge for a financial plan and others may charge only for the investments made. Shop around and compare – there are a wide variety of financial services available.

Seminars

NPERS' full day seminars are presented across Nebraska for State and County employees and their guests. Eligible members may receive paid leave to attend up to two Financial Management and two Retirement Planning seminars. Registration brochures are mailed approximately four weeks prior to the seminars and may also be downloaded from the NPERS website.

FINANCIAL MANAGEMENT SEMINARS

(For members Under Age 50)

Tailored specifically for younger members, this program provides a basic overview of both the mandatory and voluntary retirement plans offered to State and County members, the 13 investment options used for Defined Contribution and DCP, and an hour-long presentation from an estate planning attorney. The bulk of the program is dedicated to "The Complete Financial Management Workshop," which is presented by a licensed financial planner. This workshop is a detailed program that provides a wealth of information designed to assist individuals in assessing their personal financial situation, set goals, and map out the proper course of action to achieve financial security.

The Complete Financial Management Workshop includes:

Risk Management	How to protect your assets.
Cash Management	Managing your income, budgeting, avoiding debt, improving credit scores.
Investment Concepts	Basic steps to smart investing.
Tax Management	Are you paying too much?
Retirement Planning	How much will you need and how to properly save for retirement.

RETIREMENT PLANNING SEMINARS

(For Members Age 50 and Older)

For members who are approaching retirement, this program covers the State and Country retirement plans with the focus on options at retirement.

The Retirement Seminar Includes:

Comprehensive information regarding the mandatory and voluntary retirement plans, and distribution options at retirement.
A one-hour Medicare presentation.
A one-hour Financial Planning presentation.
A one-hour Estate Planning presentation.
Condensed information on Social Security and health insurance.

Videos

NPERS currently offers two educational videos for plan members. Members may contact our office to request videos in DVD format, or they may watch/download them from our website.

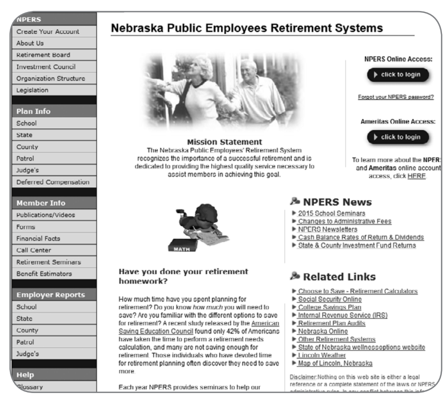
Investment Education

This video covers the 13 investment options offered to Defined Contribution and Deferred Compensation participants, and provides additional information on how to make informed investment decisions.

Retirement 101

The Retirement 101 video explains the basics of the State and County Defined Contribution and Cash Balance plans.

Website



Visitors to the NPERS website, npers.ne.gov, may access a wide variety of plan information including:

- Educational Videos
- Forms
- Financial Planning/Investment Information
- Member Handbooks and Newsletters
- NPERS Annuity Estimator

Online Account Access

There are two separate and distinct options for online account access, NPERS and Ameritas. Members who create an online account have various functionality depending on their account status, plan membership, and which online access they are utilizing. Some plan members may wish to create an NPERS and Ameritas account depending on their needs. NPERS and Ameritas online access links are available on the NPERS home page at **npers.ne.gov**.

NPERS ONLINE ACCESS

The NPERS online account access is available for members of ALL the plans administered in our office. Creating an NPERS online account allows members to access and update the membership data we maintain "inhouse."

Retired Members

Retired members may:

- Change tax withholding on annuity payments.
- View benefit information.
- View and print annual tax statements (1099R).
- Change their email address.
- Review beneficiary information (see note below).

Active Members

Active members (individuals who are still actively employed with a plan sponsor) may:

- Review beneficiary information (see note below).
- Change their email address.

Inactive Members

Inactive Members (individuals who have terminated employment with a plan sponsor but have not started receiving a benefit) may:

- Review beneficiary information (see note below).
- Change their physical mailing address.
- Change their email address.

NOTE: Beneficiary information may not display for individuals who have beneficiary forms on file that are more than ten years old. These forms are still valid but not yet entered into our computer system. If you wish to enable online review, please submit a new beneficiary form to our office.

AMERITAS ONLINE ACCESS

The Ameritas online account access is only for members of the State, County, Deferred Compensation, and State Patrol DROP plans. Creating an Ameritas online account allows access to the record-keeping data Ameritas maintains for these plans.

Members who create an account have the following functionality:

- Review account balances.
- Review or change investment elections and allocations (not available for Cash Balance).
- Review investment performance.
- Review and print copies of quarterly statements.
- Change their email address. This will not change the email address for an NPERS online account.

Voice Account Access

For account balance information only, you may also use Ameritas' automated voice response system at **800-449-2696** or **402-467-6925**.

Administrative Questions

For administrative questions, you may contact the NPERS office.

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Glossary of Terms

457 PLAN
A non-qualified, deferred compensation plan established by state and local governments into which eligible employees are allowed to make salary deferral contributions. Earnings grow on a tax-deferred basis and contributions are not taxed until the assets are distributed from the plan. The participant directs the investments in their account using the investment options provided.

ACCUMULATION GOAL
A goal that will require the use of your savings or investments. The purpose of the goal planning analysis is to determine if you have accumulated sufficient funds to meet your goals. If you do not have sufficient funds already set aside, the system will determine the necessary monthly amount that will need to be invested to meet the goal.

ANNUAL RETURN
The return earned by an investment during a one-year period.

ANNUALIZED RETURN
The total return earned by an investment over a multiple-year period and reported as the average annual return that would need to be earned each year of the period to attain the total performance of the investment.

ASSET
Any item of economic value. Examples are cash, stocks, bonds, U.S. Treasury notes, accounts receivable, inventory, office equipment, a house, a car, and other property.

ASSET ALLOCATION
The process of dividing investments among different kinds of assets, such as stocks, bonds, real estate, and cash, to optimize the risk/reward trade off based on an individual's specific situation and goals. Often more conservative investments (less volatility—lower returns) to balance more aggressive investments (more volatility—more returns.)

BALANCED FUND
A mutual fund that buys a combination of common stocks, preferred stocks, bonds, and short-term bonds, to provide both income and capital appreciation while avoiding excessive risk.

BEAR MARKET
A prolonged period of falling prices, usually by 20% or more, accompanied by widespread pessimism. It is called a "correction," it is short and is followed immediately by a period of rising inflation.

BENCHMARK
A standard, a reference point used for comparison. For example, many stock funds are compared to the performance of the S&P 500. Bond funds are compared to a bond index. A bench market is given for each investment option in your plan.

BONDS
A debt security issued for a period of more than one year with the purpose of raising money by borrowing. The Federal government, states, cities, corporations, and many other types of institutions sell bonds to raise money. A bond is a promise to repay the principal along with interest on a specified date (maturity).

BULL MARKET
A prolonged period of rising prices, usually by 20% or more accompanied by wide spread optimism.

CASH EQUIVALENT
A highly liquid, very safe investment which can be easily converted into cash, such as Treasury Bills and money market funds.

CERTIFICATE OF DEPOSIT (CD)
A short or medium term, interest-bearing, FDIC-insured investment offered by banks, savings and loans, and can be purchased through a brokerage firm. CDs offer higher rates of return than most liquid investments, in exchange for tying up invested money for the duration of the certificate's maturity. Money removed before maturity is subject to a penalty. CDs are low risk, low return investments, and are also known as "time deposits," because the account holder has agreed to keep the money in the account for a specified amount of time, anywhere from three months to six years.

CORPORATE BONDS
A bond issued by a corporation; a corporation borrowing money with the promise to pay back typically at a higher interest rate.

DIVERSIFIED
An investment is said to be "diversified" if it owns a number of different investments or asset classes, in order to spread risk.

DOLLAR COST AVERAGING
An investment strategy designed to reduce volatility in which securities, typically mutual funds, are purchased in fixed dollar amounts at regular

intervals, regardless of what direction the market is moving.

EQUITIES

Same as stock; indicates ownership, i.e., equity in your home or equity shares (stock) in a company.

FIDUCIARY

A person with the authority to make decisions regarding a plan's assets or important administrative matters. Fiduciaries are required to make decisions based solely on the best interests of plan participants.

FIXED INCOME

A security that pays a specific interest rate, such as a bond, money market instrument, or preferred stock.

GROWTH STOCK

Stock of a company which is growing earnings and/or revenue faster than its industry or the overall market. Such companies usually pay little or no dividends, preferring to use the income instead to finance further expansion.

GUARANTEED INVESTMENT CONTRACT (GIC)

Debt instrument issued by an insurance company, usually in a large denomination, and often bought for retirement plans. The interest rate paid is guaranteed, but the principal is not.

HISTORICAL RETURNS: UNPREDICTABILITY OF FUTURE PERFORMANCE

Risk of loss of principal must be considered along with other risks such as inflationary risk (loss of purchasing power due to an investment's return being lower than the rate of inflation), timing risk (selling at the wrong time), market risk (price fluctuations due to price volatility in overall market), credit risk (risk of default of bond issue), liquidity risk (inability to liquidate or readily sell a security), etc. An investor should evaluate the level of risk of each investment and his/her level of comfort with such risks. Each of these risks can be greatly reduced by utilizing the benefits of a well diversified portfolio, rebalancing and avoiding market timing.

HYPOTHETICAL RETURN

The return an investment is hypothetical to earn in the next year. It is generally reported as the average historical return over a multiple year period.

IRA

An Individual Retirement Account permitting individuals to make an annual contribution, with earnings tax-deferred until withdrawals begin at age 59½ (earlier with a 10% penalty) or later. Only those who do not participate in a pension plan at work or who do participate and meet certain income guidelines can make deductible contributions to an IRA. All others can make contributions to an IRA on a non-deductible basis. Annual distributions must start at age 70½.

INDEX PROXY

Each asset class is assigned a proxy market index (see Market Index) that is most representative of that particular asset class. This index proxy should exhibit underlying financial characteristics similar to those of the asset class. You will find the appropriate proxy for each of the options offered in the State Plan, County Plan, and Deferred Compensation Plan.

INTERNATIONAL MARKETS

International market investments involve additional risks including, but not limited to, currency fluctuations, differing financial accounting standards and possible political and economic instability.

INTEREST CREDIT RATE

Rate established in Nebraska statutes as the greater of 5%, or the applicable federal mid-term rate plus 1.5% for Cash Balance accounts.

LIFE CYCLE FUNDS

Funds that change their mix of stocks and bonds over time based on age or years to retirement.

LIQUIDITY

The ability of an investment asset to be converted into cash quickly.

LONGEVITY

Living longer than expected can be a problem if you are using assets to fund retirement. If your assets run out before you die, you may not be able to support yourself. Longevity planning should include an evaluation of how long your family members before you have lived. If you have a history of longevity in your family, you should plan for a long life expectancy.

MARKET INDEX

Any recognized economic or financial indicator used to evaluate and measure changes in value over the short-term and the long-term.

MARKET RISK

Risk which is common to an entire class of assets. Risk that cannot be eliminated by diversification.

MATCHING CONTRIBUTION

A contribution made by the State of Nebraska or the appropriate county to the account of the participant in a ratio determined by statue.

PLAN YEAR

The calendar, policy or fiscal year for which plan records are maintained.

QUALIFIED DOMESTIC RELATIONS ORDER (QDRO)

A judgment, decree or order that creates or recognizes an alternate payee's (such as former spouse, child, etc.) right to receive all or a portion of a participant's retirement plan benefits.

RETIREMENT IN FACT

When a member of the Deferred Retirement Option Plan (DROP) notifies the State Patrol Office that they have ceased employment and the State Patrol Office has submitted to NPERS a **State Patrol Notice of Termination Form for DROP Participants** the member is considered to have "retired in fact."

Upon "retirement in fact," monthly retirement benefits cease to be deposited pre-tax into the DROP account and are instead issued directly to the member. Accumulated DROP funds may be distributed as a lump sum distribution, a rollover into another qualified retirement plan, or a combination of the two. The entire account must be distributed and may not be deferred.

RETIREMENT NEEDS

Retirement needs consist of a basic (and any additional) spending goals. The basic spending goal is assumed to continue until death. For married couples, the basic spending goal continues beyond the first to die until the surviving partner's death, and then may be adjusted at the first death.

RETIREMENT PERIOD

The period that begins when an individual quits working (retires) and continues until death. In this analysis, a married couple's retirement period is assumed to begin when the first partner retires and continues until the longer of the partner's life expectancies.

RISK TOLERANCE

An investor's ability to handle declines in the value of his/her portfolio while waiting for them to increase.

ROLLOVER

The action of moving plan assets from one qualified plan to another or to an IRA within 60 days of distributions, while retaining the tax benefits of a qualified plan.

ROTH IRA

A form of IRA, established by the Taxpayer Relief Act of 1997, which allows taxpayers to grow their retirement savings tax-free. Contributions are made after taxes and withdrawals of principal and earnings, subject to certain rules, are tax-free.

SMALLER COMPANY STOCKS

Small company stocks generally involve greater risks than larger, more established companies.

SYNTHETIC INVESTMENT CONTRACT (SIC)

A variety of stable value products which substitute for GICs in defined contribution plans and offer book value participant withdrawals. The contract includes an asset ownership component and some form of book value "wrap," maintaining participant accounts at book value. The assets backing the contract, usually high-grade securities, are owned by the plan and held in a trust account or custody account for the plan. The plan sponsor relies on the credit of the wrap issuer to support the book value guarantee.

SOCIAL SECURITY

Social Security retirement benefits are paid to a qualifying individual every month after the benefits begin, until that person dies. Benefits may begin any time after a qualifying individual reaches age 62. However, benefits will be reduced if they begin before the individual reaches full benefit age.

TAX DEFERRED

Income whose taxes and earnings can be postponed until a later date. Examples include IRAs, 401(k)s, Keogh Plans, annuities, and Savings Bonds.

TIME HORIZON

The amount of time an investment is held. Asset allocation planning focuses on the long-term financial objectives of an investor. A growth-oriented asset allocation plan will produce years with losses. In the past, the acceptance of short-term risks has been rewarded with high long-term returns.

TOTAL RETURN

The total return measured by combining the total income received (yield) and all capital appreciation from an investment over the entire holding period of that investment.

VALUE STOCK

A stock that may represent an older company, with steadier growth of earning. Often these companies do not need to reinvest all of the earnings back into the company so the shareholders are paid a cash dividend. Value stocks typically sell at lower prices in relation to earnings than do growth stocks.

YIELD

The income return (through interest or dividends) on an investment. Usually expressed annually as a percentage based on the investment's cost, its current market value or its face value.

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