

**NEBRASKA PUBLIC EMPLOYEES
RETIREMENT SYSTEM
STATE EQUAL RETIREMENT
BENEFIT FUND**



**ACTUARIAL VALUATION
REPORT AS OF
JANUARY 1, 2026**

SUBMITTED: MAY 11, 2026



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May 11, 2026

Public Employees Retirement Board
Nebraska Public Employees Retirement Systems
1526 "K" Street
Suite 400
Lincoln, NE 68509-4816

**RE: Certification of Actuarial Valuation
State Equal Retirement Benefit Fund**

Members of the Board:

At your request, we have prepared an actuarial valuation of the State Equal Retirement Benefit Fund as of January 1, 2026 for the purpose of determining the funded status of the Plan and any required contribution for the plan year. Funding required from each participating State agency for current plan members, as approved by the Retirement Board, is equal to an amount necessary to fully fund the benefit obligation, or alternatively, an annual payment which would amortize the unfunded liability over a period of twenty years commencing January 1, 1999. The initial twenty-year amortization period has lapsed, so the current valuation reflects a one-year amortization period.

There were no changes to the plan provisions or actuarial methods from the prior valuation. The annuity conversion interest rate for members retiring from the Defined Contribution Plan is updated annually as required in statute. Additionally, at their meeting on March 17, 2025, the PERB adopted a plan to phase-in the change to the investment return assumption over a four-year period, beginning with the January 1, 2025 valuation and ending with the January 1, 2028 valuation. The scheduled change to the investment return assumption also impacts the assumed investment earnings on accumulated contribution balances for the Defined Contribution Plan. Further details are provided in the Executive Summary of this report. The net impact of the assumption changes was a small increase in the Projected Benefit Cost.

The actuarial valuation is based on unaudited financial data provided by the System and member data provided by Ameritas, the record keeper for the Plan. We found this information to be reasonably consistent and comparable with the information used in the prior report. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete, our results may be different and our calculations may need to be revised. The benefits considered are those delineated in the Nebraska State statutes as of January 1, 2026.



We further certify that all costs, liabilities, rates of interest and other factors for the State Equal Retirement Benefit Fund have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer the best estimate of anticipated experience affecting the System. Nevertheless, the emerging costs will vary from those presented in this report to the extent actual experience differs from that projected by the actuarial assumptions. The Public Employees Retirement Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in Appendix B.

In order to prepare the results in this report, we have utilized actuarial models that were developed to measure liabilities and determine actuarial costs. These models include tools that we have produced and tested, along with commercially available valuation software that we have reviewed to confirm the appropriateness and accuracy of the output. In utilizing these models, we develop and use input parameters and assumptions about future contingent events along with recognized actuarial approaches to develop the needed results. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

The consultants who worked on this assignment are pension actuaries. CavMac's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein. We are available to answer any questions on the material contained in the report or to provide explanations or further details as may be appropriate.

We respectfully submit the following report and look forward to discussing it with you.

Respectfully submitted,

Patrice Beckham, FSA, FCA, EA, MAAA
Consulting Actuary

Brent Banister, PhD, FSA, FCA, EA, MAAA
Chief Actuary



EXECUTIVE SUMMARY

The State Equal Retirement Benefit Fund provides a benefit for members who had account balances on January 1, 1984 and elect to convert those balances to monthly income (annuity) at retirement. The Fund was established to protect members who might be negatively affected by the legal requirement to change from sex-distinct annuity factors to unisex annuity factors. As such, the characteristics of the liability of the Fund and the funding requirements are different from the other traditional defined benefit plans managed by the Nebraska Public Employees Retirement System (NPERS). This report determines the contribution requirements for the State as well as providing statistical information that may provide insight into the Fund's longer term financial health. The initial amortization period, which was set at 20 years on January 1, 1999, has lapsed so a one-year period was used in this valuation.

There were no changes to the benefit provisions or actuarial methods since last year's report. However, at their March 17, 2025 meeting, the PERB adopted a plan to phase-in the change to the investment return assumption to 6.75% over four years beginning with the January 1, 2025 valuation. This change also impacts the assumed investment earnings on account balances in the Defined Contribution Plan. The investment return assumption and investment earnings on accumulated contribution balances for the Defined Contribution Plan were lowered from 6.95% to 6.90% in this valuation. The change in actuarial assumptions increased the projected benefit cost (Plan liability) as of January 1, 2026 by \$30, but ultimately had no impact on the contribution amount.

There was an actuarial gain of \$39,000 on Plan assets due to the actual return of 16.15% for 2025, compared to the expected return of 6.95% for the 2025 plan year. There was also an actuarial gain on liabilities of \$21,000. While there is insufficient data to quantify the sources of liability experience, the annual change to the ERISA 4044 yield curve plus 0.75% to annuitize account balances for members of the Defined Contribution Plan resulted in an actuarial loss. A possible source of gain arises when the annuities elected from these funds are less than expected as a result of fewer retirements, more lump sum elections, or both. Note that if a member elects a full lump sum distribution or installment payments of their account balance, it eliminates any liability under this Plan and a liability gain occurs. As noted above, changes to the assumptions also resulted in a small increase in liabilities. As a result of all these factors, the surplus of \$205,817 as of January 1, 2025 is now a surplus of \$280,056 as of January 1, 2026. The assets exceed the liabilities of the Fund, so the minimum required contribution amount for 2026 is \$0. If an Unfunded Liability existed, it would be paid off the following year under the current amortization policy.

There are several risk factors that are key to the Fund's financial status over time. One of the most significant of these factors is the proportion of retirees that elect to take an annuity rather than a lump sum. An individual member's choice is based on their own personal situation and may consider different factors compared to other individuals who are also making this choice. The funding assumption is that 40% of the account balances of retiring members, in aggregate, will be converted to monthly income (an annuity). While we believe this assumption is reasonable, there are other assumptions that could also be considered reasonable that would result in a





EXECUTIVE SUMMARY

different funded status and contribution amount. In particular, if a greater portion of account balances are annuitized at retirement, the liability of the Fund would be higher than estimated in this report. The potential volatility in the amount of liability should be considered and evaluated. To assist with this analysis, we have included an exhibit in the report that shows the impact of a higher annuity election by retiring members (Exhibit 2). Liability results are shown assuming 60% or 80% of the aggregate account balances are annuitized rather than the 40% assumed in the basic valuation calculations. Although these alternative assumptions may or may not be reasonable in the aggregate, the alternative results provide some measure of the possible downside risk to the Plan's funding.

Other factors and assumptions affecting the results include the following:

- Account growth – the account balances for cash balance and defined contribution members are assumed to increase annually at 6.00% and 6.90%, respectively. To the extent actual investment returns (or interest credits and dividends in the cash balance accounts) are lower, the benefits assumed to be paid from the Fund are lower and, therefore, the liabilities are lower.
- Annuity factor interest rate – the defined contribution balances are assumed to be annuitized at the current applicable interest rate (ERISA 4044 yield curve as of December 31, 2025, plus 0.75%). If interest rates decrease in the future, the difference in the liability of a benefit determined using a unisex annuity factor and the benefit determined using a male annuity factor increases, so the liabilities of the Fund would also increase. Conversely, an increase in interest rates would lead to a decrease in liabilities.
- Funding policy – the current amortization period of one year results in any net unfavorable experience being immediately funded in the following year. With significant numbers of retirements expected in the next few years, there could be more volatility in the actual versus expected experience, leading to more volatility in the contribution amount. However, the liability in this fund is inconsequential when compared to the State's overall budget. As a result, we believe this policy produces a reasonable required contribution as defined under ASOP 4.
- General economic conditions – there are connections between the growth in the members' account balances, the interest rate environment (affecting the annuity factor interest rate), the investment return on the assets of the Fund, and the way in which potential retirees view the financial ramifications of retiring and electing an annuity. The exact interplay of these variables is extremely complex, but the fact that there is a connection means that the possible variability of the Fund's financial situation is potentially greater than it might otherwise appear. Consequently, we urge caution in concluding that the current strong financial health of the Fund is guaranteed.

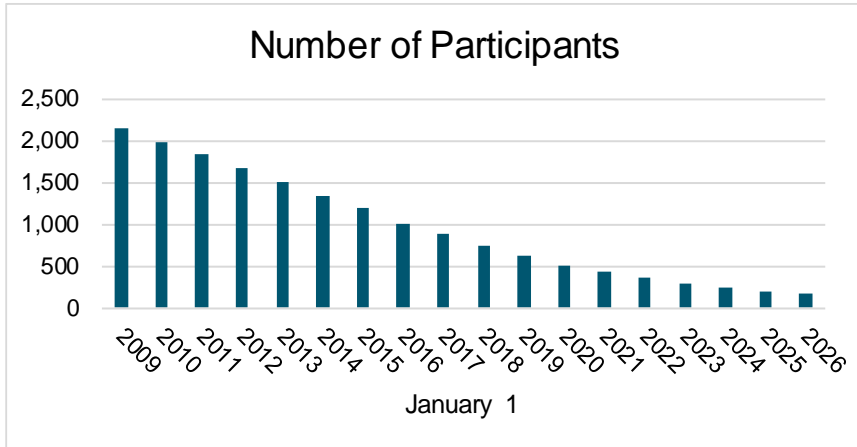
It is important to note that an unfunded liability is not, by itself, an indication of whether or not the Fund has sufficient assets to meet future liabilities. Further, the presence of an unfunded liability is not an indication of what future contributions may be required to fund the benefits.



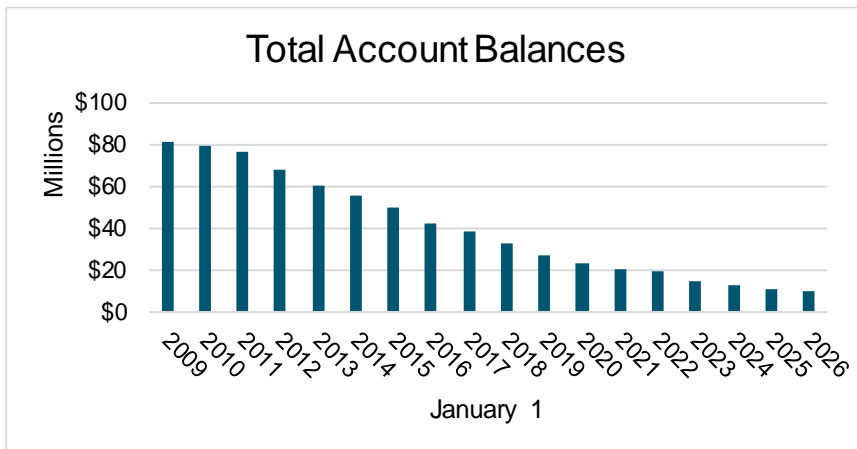


EXECUTIVE SUMMARY

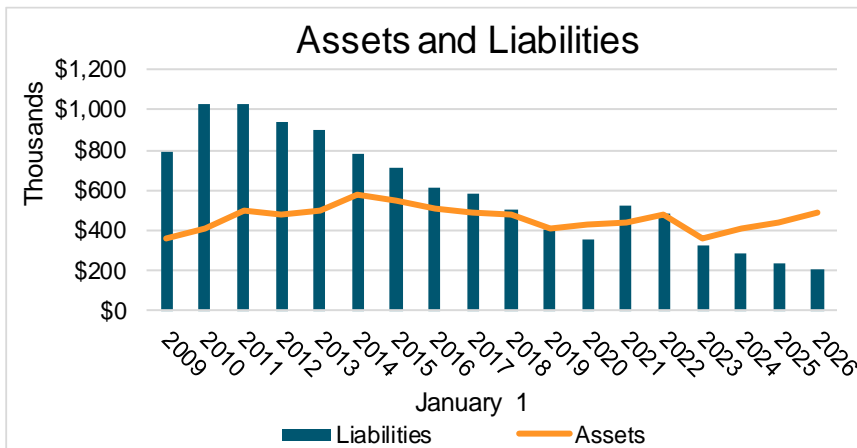
The following graphs show trends in the Fund over recent years:



Because there are no new members in the Fund, the number of participants has declined in past years and is expected to continue to decline in future years. Eventually, there will be no participants remaining.



When comparing the total account balances in the current and past years, the growth in account balances due to investment earnings partially offsets the impact of a declining membership.



The Fund's liabilities are currently lower than the assets. This graph shows that in recent years, the assets have at times been both greater and lower than the liabilities.

Under the revised Actuarial Standards of Practice (ASOP) No. 4, effective for valuations after February 15, 2023, we are required to include a low-default-risk obligation measure of the System's liability in our funding valuation report. This is an informational disclosure as described below and would not be appropriate for assessing the funding progress or financial health of the





EXECUTIVE SUMMARY

plan. This measure reflects all the assumptions and provisions of the funding valuation except the discount rate is derived from considering low-default-risk fixed income securities. We considered the FTSE Pension Discount Curve based on market bond rates published by the Society of Actuaries as of December 31, 2025 with the 30-year spot rate used for all durations beyond 30. Using these assumptions, we calculate a liability of approximately \$213,000. This amount approximates the termination liability if the plan (or all covered employment) ended on the valuation date and all of the accrued benefits had to be paid with cash-flow matched bonds. This assurance of funded status and benefit security is typically more relevant for corporate plans than for governmental plans since governments rarely have the need or option to completely terminate a plan. However, this informational disclosure is required for all plans whether corporate or governmental and care should be taken to ensure the one size fits all metric is not misconstrued.





EXHIBIT 1 – SUMMARY OF ACTUARIAL RESULTS

Below is a comparison of results of the current and prior year's actuarial valuations.

| Results | Actuarial Valuation as of January 1 | |
|--|--|--------------|
| | 2026 | 2025 |
| Number of Members | | |
| Cash Balance | 47 | 75 |
| Defined Contribution | 112 | 125 |
| Total | 159 | 200 |
| Pre-1984 Account Balance Beginning of Year | | |
| Cash Balance | \$2,845,649 | \$3,786,992 |
| Defined Contribution | 6,921,699 | 7,117,188 |
| Total | \$9,767,348 | \$10,904,180 |
| Projected Benefit Cost* | | |
| a. Amount | \$207,088 | \$233,528 |
| b. As a percent of the account balance | 2.120% | 2.142% |
| c. Annuity Factor Interest Rate – Cash Balance | 7.75% | 7.75% |
| d. Annuity Factor Interest Rate – Defined Contribution | ** | ** |
| Market Value of Assets | | |
| a. Asset Value as of prior year's valuation | \$439,345 | \$405,573 |
| b. Deposits during the year | 0 | 0 |
| c. Withdrawals during the year | 21,417 | 16,666 |
| d. Investment Return or (Loss) | 69,216 | 50,438 |
| e. Market Value of Assets as of Valuation Date [a.+ b.- c.+ d.] | \$487,144 | \$439,345 |
| Unfunded Liability/(Surplus) | (\$280,056) | (\$205,817) |
| Contribution as of July 1, | \$0 | \$0 |

*Cost is based on the assumption that 60% of members will elect a lump sum or installment payments instead of an annuity. To the extent that actual experience in the future deviates from this assumption, the costs in future years could vary as well, at times significantly.

** Effective August 1, 2024, the assumption is provided as a yield curve with spot rates over the next 30 years. See Appendix B for the ERISA 4044 yield curve, plus 0.75%, used for the annuity factor interest rate for members of the Defined Contribution Plan.





EXHIBIT 2 – RISK MEASURES

This exhibit compares the Projected Benefit Cost (liability) assuming 40% of the account balances of retiring members are converted to an annuity (the funding assumption) with alternative assumptions of 60% and 80%. As the table below indicates, greater utilization of the annuity option by members could increase the liability of the plan and, therefore, the unfunded liability and contribution amount. With a one-year amortization period, the entire unfunded liability is the required contribution amount. We will continue to monitor the percentage of account balances that are annuitized in future years and make adjustments to this assumption as necessary in the quadrennial experience study.

| | Percentage of Members Taking an Annuity | | |
|---------------------------------|--|----------------------|----------------------|
| | 40% Annuitize | 60% Annuitize | 80% Annuitize |
| Projected Benefit Cost | \$207,088 | \$310,632 | \$414,176 |
| Market Value of Assets | <u>487,144</u> | <u>487,144</u> | <u>487,144</u> |
| Unfunded Liability | (\$280,056) | (\$176,512) | (\$72,968) |
| Contribution as of July 1, 2026 | \$0 | \$0 | \$0 |





EXHIBIT 3 – SUMMARY OF MEMBER DATA

| Age Range | Data | Gender | | Total |
|--------------------------|--------------------------|--------------|--------------|--------------|
| | | Male | Female | |
| Less Than 65 | Count of Members | 2 | 2 | 4 |
| | Average of Total Balance | \$ 73,361 | \$ 6,758 | \$ 40,059 |
| | Sum of Total Balance | \$ 146,721 | \$ 13,515 | \$ 160,236 |
| 65-69 | Count of Members | 6 | 11 | 17 |
| | Average of Total Balance | \$ 3,617 | \$ 8,350 | \$ 6,679 |
| | Sum of Total Balance | \$ 21,700 | \$ 91,849 | \$ 113,549 |
| 70-74 | Count of Members | 29 | 24 | 53 |
| | Average of Total Balance | \$ 18,600 | \$ 20,210 | \$ 19,329 |
| | Sum of Total Balance | \$ 539,401 | \$ 485,050 | \$ 1,024,451 |
| 75 and Above | Count of Members | 49 | 36 | 85 |
| | Average of Total Balance | \$ 132,918 | \$ 54,337 | \$ 99,637 |
| | Sum of Total Balance | \$ 6,512,983 | \$ 1,956,129 | \$ 8,469,112 |
| Total Members | | 86 | 73 | 159 |
| Average of Total Balance | | \$ 83,963 | \$ 34,884 | \$ 61,430 |
| Grand Total Balance | | \$ 7,220,805 | \$ 2,546,543 | \$ 9,767,348 |





APPENDIX A – SUMMARY OF BENEFIT PROVISIONS

| | |
|---|--|
| Member | Any person employed by a State agency participating in either the Defined Contribution or Cash Balance Benefit under the State Employees Retirement System who has an accumulated account balance based on contributions which were made prior to January 1, 1984. |
| Contributions | Each participating State agency shall make contributions to the Fund on an actuarial basis as approved by the Retirement Board. |
| Eligibility for Benefits | Any member who retires or terminates service and elects to convert to an annuity using their accumulated account balance, with interest, commencing on or after age 55, is eligible to receive a benefit from the Fund. |
| Benefit Amount | <p>The Fund shall provide the actuarially equivalent amount required to purchase the additional monthly annuity, if any, which is equal to:</p> <ul style="list-style-type: none">a. the income provided by the Member's accumulated contributions made prior to January 1, 1984 with interest, based on male annuity conversion factors in effect on the annuity starting date, <p style="text-align: center;">Less</p> <ul style="list-style-type: none">b. the income provided by the Member's accumulated contributions made prior to January 1, 1984 with interest, which are based on 50% male / 50% female annuity conversion factors in effect on the annuity starting date. |
| Cash Balance Conversion | Any member who elected to transfer his or her account balance to the Nebraska State Cash Balance Plan as of January 1, 2003 or as of January 2, 2013 will have his or her Benefit Amount determined using the annuity conversion interest rate applicable to the State Employees Retirement System (Cash Balance Benefit), which is 7.75%. Any other member will have his or her Benefit Amount determined using the annuity conversion interest rate applicable to the State Employees Retirement System (Defined Contribution Benefit), which for 2026 follows the December 31, 2025 ERISA 4044 yield curve, plus 0.75%. |
| Cost of Living Adjustment (COLA) | Any member who elects an annuity has the option of purchasing a 2.50% COLA, compounded annually. |





APPENDIX A – SUMMARY OF BENEFIT PROVISIONS

Changes in Benefit Provisions Since the Prior Year

There were no changes in the benefit provisions since the last valuation.





APPENDIX B – SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

Economic Assumptions

- 1. Investment Return 6.90% per annum, compounded annually, net of expenses.
The assumption will decrease each year until reaching the ultimate rate of 6.75% in the 2028 valuation.

- 2. Price Inflation 2.35% per annum, compounded annually.

- 3. Investment earnings on accumulated contribution balances for the Defined Contribution Plan (contributions made before January 1, 1984) 6.90% per annum, compounded annually.
The assumption will decrease each year until reaching the ultimate rate of 6.75% in the 2028 valuation.

- 4. Interest on accumulated contribution balances for the Cash Balance Plan (contributions made before January 1, 1984) 6.00% per annum, compounded annually.

- 5. Annuity Conversion Interest Rates 7.75% for annuities from the Cash Balance Plan.

The December 31, 2025 ERISA 4044 yield curve, plus 0.75% for annuities from the Defined Contribution Plan.

| Duration | Rate | Duration | Rate |
|----------|-------|----------|-------|
| 0.5 | 4.96% | 16.5 | 6.30% |
| 1.5 | 4.98% | 17.5 | 6.34% |
| 2.5 | 5.05% | 18.5 | 6.38% |
| 3.5 | 5.13% | 19.5 | 6.41% |
| 4.5 | 5.24% | 20.5 | 6.43% |
| 5.5 | 5.35% | 21.5 | 6.44% |
| 6.5 | 5.47% | 22.5 | 6.45% |
| 7.5 | 5.59% | 23.5 | 6.45% |
| 8.5 | 5.70% | 24.5 | 6.45% |
| 9.5 | 5.80% | 25.5 | 6.45% |
| 10.5 | 5.89% | 26.5 | 6.46% |
| 11.5 | 5.97% | 27.5 | 6.46% |
| 12.5 | 6.05% | 28.5 | 6.46% |
| 13.5 | 6.13% | 29.5 | 6.48% |
| 14.5 | 6.18% | 30.0+ | 6.49% |
| 15.5 | 6.25% | | |





APPENDIX B – SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

Demographic Assumptions

1. Mortality
 - a. Pre-retirement None.
 - b. Post-retirement 1994 Group Annuity Mortality (based on Actuarial Equivalence definition in Statute).
2. Withdrawal None.
3. Disability None.
4. Retirement Rates vary by age as follows:

| Age | State Annual Rates |
|-------|--------------------|
| 55-58 | 5.5% |
| 59 | 7.0% |
| 60-61 | 6.0% |
| 62 | 10.0% |
| 63-64 | 11.0% |
| 65 | 25.0% |
| 66-79 | 30.0% |
| 80 | 100.0% |

Other Assumptions

1. Payment election 60% of the account balances of retiring members are assumed to be paid as a lump sum distribution or installment payment, and 40% of the account balances of retiring members are assumed to be paid as an annuity form of distribution.
2. Form of Annuity Payment Of members electing an annuity, 80% of those members were assumed to elect a 5-year certain and life annuity without COLA, and 20% of those members were assumed to elect a 5-year certain and life annuity with a 2.5% annual COLA.





APPENDIX B – SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial Methods

1. Funding Method
The present value of future benefits or Projected Benefit Cost, less the Market Value of Assets, equals the Unfunded Liability or Surplus. The minimum recommended contribution is equal to an annual amount necessary to amortize the Unfunded Liability over a closed twenty-year period commencing January 1, 1999, but not less than one year.
2. Asset Valuation Method
Fair market value of assets.

Changes in Assumptions Since the Prior Valuation

The assumed interest rate used for Defined Contribution annuity calculations is equal to the lesser of (i) the Pension Benefit Guaranty Corporation (PBGC) published yield curve for ERISA 4044 purposes as of the beginning of the year during which payment begins, plus 0.75% or (ii) the interest rate used in the actuarial valuation as recommended by the actuary and approved by the Board. The rate was updated to the PBGC published ERISA 4044 yield curve, plus 0.75% as of the beginning of 2026 in the current valuation.

At their meeting on March 17, 2025, the Public Employees Retirement Board adopted a new set of actuarial assumptions, based on the recommendations in the quadrennial experience study completed in early 2025. The change to the investment return assumption is phased in over four years, beginning with the January 1, 2025 valuation and ending with the January 1, 2028 valuation. The investment return assumption and investment earnings on accumulated contribution balances for the Defined Contribution Plan were lowered from 6.95% to 6.90% in this valuation.

