

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS

**2026**

**INVESTMENT  
REPORT**

CASH BALANCE | DEFINED CONTRIBUTION | DCP | DROP

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# ***RETIREMENT PLANS***

DEFINED CONTRIBUTION (DC)

DEFERRED COMPENSATION PLAN (DCP)

DEFERRED RETIREMENT OPTION PLAN (DROP)

***FUND PROFILES • FUND PERFORMANCE • SUMMARY OF ASSETS***

## Defined Contribution (DC)

Prior to 2003, State and County employees were required to participate in a Defined Contribution (DC) retirement plan. In a DC plan, member 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 member's account.

The Cash Balance (CB) benefit was created by the Unicameral and implemented January 1, 2003. At that time, DC participants were given the option to switch to the CB plan and the DC plan was closed to new membership. The Unicameral offered DC participants a second and third opportunity to switch to CB in 2007 and 2012. Information on the CB plan 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 (3 years of service and 36 months of contributions) at which time members are eligible to

receive both their contributions and the employer match upon ceasing employment.

Members of the DC plan make investment choices for both the member and employer contributions, choosing from 17 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 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 termination due to 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. The DC distribution options are listed in the figure below.

### DEFINED CONTRIBUTION (DC) OPTIONS

#### Deferral

Members may defer taking a distribution from their account up to the Required Minimum Distribution (RMD) age. The account will increase or decrease based on investment choices and market performance.

#### Annuity

Annuities provide monthly payments (generally for the lifetime of the member) with an optional 2.5% annual cost-of-living adjustment.

#### Lump Sum

With a lump sum withdrawal, all or part of a member's account is issued directly to the member.

#### Systematic Withdrawal

With the Systematic Withdrawal Option (SWO), payments are issued to the member at a set frequency and dollar amount.

#### Rollover

All or part of a member's account may be rolled over to a Traditional or Roth IRA, or another qualified retirement plan.

#### Combination

Members may choose a combination of the above options. DC participants are not subject to the one-time distribution rules.

## Deferred Compensation Plan (DCP)

There are currently two deferred compensation plans (DCP), the State of Nebraska DCP and the Empower 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 employees, Judges, and State Patrol sworn officers. County employees may participate in the State DCP plan if their county does not offer a DCP and has been accepted into the State DCP.

Any qualified individual employed on a permanent or temporary basis, full-time or part-time, may participate. Members defer a pre-tax portion of their compensation and there are no employer matching contributions. Members may change contribution amounts or cease contributing at any time. Plan members make their own investment choices from the same 17 funds offered in the State and County DC 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 systematic withdrawals, deferral of distribution up to RMD age, rolling funds over to another tax-sheltered retirement plan (including a Traditional or ROTH IRA) or a combination of these choices.

For more information, please refer to the Deferred Compensation pages in the resources section of this report.

### EMPOWER DCP (FORMERLY MASS MUTUAL)

The original Nebraska DCP was established in 1976, provided by the Hartford Life Insurance Company. In 1997, the DCP administration was assumed by NPERS and the Hartford plan was closed. Individuals participating in the Hartford DCP prior to NPERS assuming administration could retain their existing Hartford accounts. In 2013, Mass Mutual acquired the Hartford's Retirement Plans Group and, in 2021, Empower acquired the retirement business of MassMutual. Individuals with Empower DCP accounts utilize the investment options provided by Empower. In March of 2022, the Nebraska Investment Council and NPERS expressed the intent to terminate the Empower Investment options but continue to offer the Empower Group Annuity Contract to Empower Plan participants. This transition was completed in September 2022. In October of 2022, Empower exercised their contractual option to end the Group Annuity Contract. The discontinuance process will take place over the course of five years. Empower will make six payments into the State DCP administered at Ameritas, the first of which took place On October 28, 2022.

## Deferred Retirement Option Plan (DROP)

The State Patrol Deferred Retirement Option Plan (DROP) was created by the 2007 Legislature as part of LB 324 and was effective September 1, 2008. The DROP feature of the State Patrol Plan is voluntary and provides a way for eligible 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 eligible for retirement under the State Patrol Retirement Act, and agree to cease employment within five years or upon reaching the applicable mandatory retirement age, as provided under the State Patrol Retirement Act (currently 65), 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 17 investment funds offered to State of Nebraska employees. As in the DC plan and the 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 roll-over 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.

When 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 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

## FUNDS ADDED 2021

	U.S. Total Stock Market Index*	Int'l. Stock Index* (revised)	Global Equity	U.S. Core Plus Bond	LIFEPATH INDEX FUNDS		
					LifePath 2070	LifePath 2065	LifePath 2060
<b>1 Year</b>	17.0%	32.6%	14.9%	9.3%	-	21.9%	21.9%

\* Gross of investment management fees

	LIFEPATH INDEX FUNDS						
	LifePath 2055	LifePath 2050	LifePath 2045	LifePath 2040	LifePath 2035	LifePath 2030	LifePath Retirement
<b>1 Year</b>	21.8%	21.0%	19.3%	17.7%	16.1%	14.3%	12.5%

## PRE-2021 RETAINED FUNDS

	Stable Value	U.S. Bond Index	Investor Select
<b>1 Year</b>	2.9%	7.2%	16.4%
<b>3 Year</b>	2.8%	4.7%	15.8%
<b>5 Year</b>	2.4%	-0.3%	8.3%
<b>10 Year</b>	2.3%	2.0%	9.2%

- Returns are net of investment management fees.
- The 1-, 3-, 5-, and 10-year rates of return are annualized rates of return of the funds through December 31, 2022.
- Past performance is not indicative of future performance.
- Rates of return are for the investment vehicle currently used. Following are the dates of NE fund participation:

Stable Value Fund - 1996	US Total Stock Market Index Fund - 2021
US Bond Index Fund - 1997	International Stock Index Fund - 2021
Investor Select Fund - 2005	US Core Plus Bond Fund - 2021
Global Equity Fund - 2021	Life Path Index Funds - 2021

## MAJOR INDICES

	Dow Jones U.S. Total Stock Market Index	MSCI AC World ex USA IMI (Net)	MSCI AC World Index (Net)	Blmbg. U.S. Aggregate	90-Day Treasury Bill	MSCI AC World ex USA Index (Net)	Consumer Price Index
Benchmark for:	U.S. Total Stock Mkt. Index Fund	Int'l. Stock Index Fund	Global Equity Fund	U.S. Core Plus Bond Fund	Stable Value Fund	Overall Comparative Performance	Overall Comparative Performance
<b>1 Year</b>	17.1%	32.0%	22.3%	7.3%	4.2%	32.4%	2.7%
<b>3 Year</b>	22.3%	17.1%	20.7%	4.7%	4.8%	17.3%	3.0%
<b>5 Year</b>	13.1%	7.8%	11.2%	-0.4%	3.2%	7.9%	4.5%
<b>10 Year</b>	14.2%	8.4%	11.7%	2.0%	2.2%	8.4%	3.2%

## INVESTOR SELECT BENCHMARK

	Investor Select Performance Benchmark
<b>1 Year</b>	16.0%
<b>3 Year</b>	15.3%
<b>5 Year</b>	7.9%
<b>10 Year</b>	9.1%

## BLACKROCK CUSTOM BENCHMARKS

	LifePath 2070	LifePath 2065	LifePath 2060	LifePath 2055	LifePath 2050	LifePath 2045	LifePath 2040	LifePath 2035	LifePath 2030	LifePath Retirement
<b>1 Year</b>	-	21.7%	21.7%	21.6%	20.7%	19.1%	17.5%	16.0%	14.2%	12.5%

# 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 12/31/2025:**

Years	Fund*	90 Day T Bill
One	2.9%	4.2%
Three	2.8%	4.8%
Five	2.4%	3.2%

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

**COMPOSITION:**  
SICs ..... 97.6%  
Cash Equivalents ..... 2.4%

**ASSET DIVERSIFICATION:**

Corporate, Foreign & Gov’t Entities	43.3%
Mortgage Backed Securities	20.7%
U.S. Treasuries, Agencies & Other	18.0%
Asset-Backed Securities	14.2%
Reserves	2.4%
Guaranteed Investment Contracts	1.2%
Other	0.2%

**CHARACTERISTICS:** Portfolio Assets ..... \$18.1 Billion

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

**ANNUAL INVESTMENT FEE:** Approximately 0.18 %

# 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.

**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 chart below.

**PERFORMANCE THRU 12/31/2025:**

Years	Fund*	Performance Benchmark
One	16.4%	16.0%
Three	15.8%	15.3%
Five	8.3%	7.9%

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

**TARGET ALLOCATION:**

	<u>Target</u>	<u>Actual</u>
Russell 3000 Index Fund (US)	29.0%	30.9%
International Stock Index Fund	11.5%	12.3%
Real Estate Fund	7.5%	6.3%
Global Equity Index Fund	22.0%	23.5%
Bond Market Index Fund	5.0%	4.3%
Active Fixed Income Funds	25.0%	22.9%

**CHARACTERISTICS:** Portfolio Assets .....\$34.1 Million

**MANAGER:** Russell 3000 Stock Index Fund, International Stock Index Fund, Bond Market Index Fund, and Global Equity Index Fund are managed by BlackRock, Inc.; Real Estate Fund by Goldman Sachs; Active Fixed Income Funds by BlackRock, Inc., and PIMCO.

**ANNUAL INVESTMENT FEE:** Approximately 0.22 %

# US BOND INDEX FUND

**INVESTMENT OBJECTIVE:** The US Bond 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 12/31/2025:**

Years	Fund*	Bloomberg Barclays U.S. Aggregate Index
One	7.2%	7.3%
Three	4.7%	4.7%
Five	-0.3%	-0.4%

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

**QUALITY DIVERSIFICATION:**

AAA.....	3.0%	BBB.....	11.0%
AA.....	74.0%	NR.....	0.0%
A.....	11.0%		

**SECTOR WEIGHTING:**

Government.....	49.0%
Corporate Bonds.....	23.6%
Securitized.....	23.6%
Municipal.....	0.4%
Cash.....	3.4%

**CHARACTERISTICS:**

Portfolio Assets.....	\$35.8 Billion
Current Yield.....	3.9%
Effective Duration.....	5.77
Credit Quality.....	A

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

**ANNUAL INVESTMENT FEE** Approximately 0.01 %

# 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 IMI Index (ACWI ex-US IMI). Contributions to the Fund are invested in the BlackRock Inc. MSCI ACWI ex-US IMI Index Fund.

**INVESTMENT STYLE:** The MSCI ACWI ex-US IMI Index represents approximately 99% of the global equity opportunity set outside of the United States. In addition to long-term capital appreciation, investing in foreign markets offers the opportunity of diversification benefits.

**PERFORMANCE  
THRU 12/31/2025:**

Years	Fund*	MSCI ACWI Ex-US IMI Index
One	32.6%	32.0%
Three	17.2%	17.1%
Five	7.9%	7.8%

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

**COUNTRY DIVERSIFICATION:  
(TOP 5)**

Japan .....	14.7%
UK .....	8.6%
Canada.....	8.3%
China.....	7.7%
France.....	6.2%

**LARGEST HOLDINGS:**

Taiwan Semiconductor .....	3.2%	Roche Holding AG .....	0.8%
Tencent Holdings Ltd .....	1.3%	AstraZeneca PLC.....	0.7%
ASML Holding NV.....	1.1%	HSBC Holdings PLC .....	0.7%
Samsung Electronics Co Ltd ...	1.0%	Novartis AG Reg. Shares .....	0.7%
Alibaba Group Holding Ltd ...	0.8%	Nestle SA .....	0.7%

**PORTFOLIO ANALYSIS:**

Portfolio Assets.....	\$36.9 Billion
Number of Holdings .....	8,371
Price to Earnings.....	16.4
Price to Book .....	2.0
Avg. Capitalization .....	\$28.3 Billion
Yield.....	2.5%
Emerging Markets.....	30.4%

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

**ANNUAL INVESTMENT FEE:** Approximately 0.04 %

# US CORE PLUS BOND FUND (PTTRX)

**INVESTMENT OBJECTIVE:** The US Core Plus Bond Fund investment option invests in a diversified portfolio of bonds invested across a global opportunity set. The fund is actively managed with a risk-focused approach to preserve capital while seeking to deliver attractive total returns.

**INVESTMENT STYLE:** The fund emphasizes investment in higher-quality bonds that are selected across sectors and geographies in order to avoid concentration risk. Contributions to the US Core Plus Bond Fund investment option are invested in the PIMCO Total Return Fund.

**PERFORMANCE  
THRU 12/31/2025:**

Year	Fund*	Bloomberg Barclays U.S. Aggregate Index
One	9.3%	7.3%
Three	6.0%	4.7%
Five	0.3%	-0.4%

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

**QUALITY DIVERSIFICATION:**

AAA .....	10.9%	B .....	1.3%
AA .....	63.2%	Below B .....	1.5%
A .....	7.4%	A1/P1 .....	0.2%
BBB .....	10.2%	Below A1/P1 .....	0.4%
BB .....	4.9%		

**SECTOR WEIGHTINGS:**

Government .....	16.1%
Corporate Bonds.....	18.4%
Mortgage-Backed .....	48.4%
Other .....	17.1%
Municipal.....	0.0%

**CHARACTERISTICS:**

Portfolio Assets.....	\$46.8 Billion
Average Quality .....	AA
Average Yield .....	4.5%
Effective Duration .....	6.5

**MANAGER:** PIMCO is located in Newport Beach, CA

**ANNUAL INVESTMENT FEE:** Approximately 0.46%

# GLOBAL EQUITY FUND (RGGIX)

**INVESTMENT OBJECTIVE:** The Global Equity fund seeks long-term growth of capital through investments primarily in the common stocks of large-cap companies throughout the world, including the U.S.

**INVESTMENT STYLE:** The Fund takes a growth approach to investing, seeking opportunities that have potential for above-average earnings. Investing in at least five different countries, including the U.S., the Fund targets blue chip companies.

**PERFORMANCE  
THRU 12/31/2025:**

Year	Fund*	MSCI All Country World Index
One	14.9%	22.3%
Three	17.8%	20.7%
Five	5.1%	11.2%

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

**COUNTRY DIVERSIFICATION:**

Country	Fund	Index
North America	64.0%	66.8%
Pacific Ex Japan	16.3%	11.1%
Europe	11.7%	15.1%
Latin America	4.0%	1.0%
Japan	2.6%	4.9%
Middle East & Africa	1.3%	1.3%

**LARGEST HOLDINGS:**

NVIDIA .....	5.4%	Broadcom .....	2.2%
Microsoft .....	4.1%	Taiwan Semiconductor .....	2.1%
Alphabet .....	4.1%	Meta Platforms.....	1.5%
Apple .....	3.9%	Alibaba Group Holding .....	1.0%
Amazon.com.....	2.5%	Samsung Electronics.....	1.0%

**PORTFOLIO ANALYSIS:**

Portfolio Assets.....	\$1.02 Billion
Number of Holdings .....	238
Price to Earnings .....	25.2
Price to Book .....	7.5
Avg. Capitalization .....	\$1.01 Trillion
Yield .....	1.0%
Emerging Markets.....	20.3%

**MANAGER:** T. Rowe Price is located in Baltimore, Maryland

**ANNUAL INVESTMENT FEE:** Approximately 0.70%

# US TOTAL STOCK MARKET INDEX FUND

**INVESTMENT OBJECTIVE:** The US Total Stock Market Index Fund is invested primarily in equity securities with the objective of approximating as closely as practicable the capitalization weighted total rate of return of the entire U.S. market for publicly traded equity securities.

**INVESTMENT STYLE:** The criterion for selection of investments is the Dow Jones U.S. Total Stock Market Index. BlackRock uses a “passive” or indexing approach to try to achieve the Fund’s investment objective. Unlike many funds, the Fund does not try to outperform the index it seeks to track and does not seek temporary defensive positions when markets decline or appear overvalued.

**PERFORMANCE  
THRU 12/31/2025:**

Year	Fund*	Dow Jones U.S. Total Stock Market Index
One	17.0%	17.1%
Three	22.3%	22.3%
Five	13.1%	13.1%

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

**COMPOSITION:** Common Stocks ..... 99.7%  
Cash ..... 0.3%

**MAJOR SECTORS:**

Technology.....	33.4%	Industrials.....	8.7%
Financial Services.....	13.4%	Consumer Defensive .....	4.5%
Consumer Cyclical.....	10.6%	Energy .....	2.9%
Healthcare .....	10.1%	Real Estate.....	2.3%
Communication Services....	10.1%	Utilities .....	2.2%

**LARGEST HOLDINGS:**

NVIDIA Corp .....	6.8%	Broadcom Inc .....	2.5%
Apple Inc.....	6.1%	Alphabet Inc Class C.....	2.2%
Microsoft Corp.....	5.4%	Meta Platforms Class A .....	2.2%
Amazon.com Inc .....	3.4%	Tesla Inc.....	1.9%
Alphabet Inc Class A .....	2.7%	Berkshire Hathaway B .....	1.4%

**PORTFOLIO ANALYSIS:**

Portfolio Assets.....	\$20.5 Billion
Number of Holdings .....	2,966
Price-to-Earnings .....	23.8
Price to Book .....	4.5
Avg. Capitalization .....	\$52.1 Billion
Yield.....	1.1%

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

**ANNUAL INVESTMENT FEE:** Approximately 0.01%

# LIFEPATH INDEX 2070 FUND

**INVESTMENT OBJECTIVE:** The investment objective of LifePath Index 2070 Fund, is to seek to provide for retirement outcomes based on quantitatively measured risk. In pursuit of this objective, LifePath Index 2070 will be broadly diversified across global asset classes, with asset allocations becoming more conservative over time.

**INVESTMENT STYLE:** Rather than choosing specific securities within each asset class, Blackrock selects among indices representing segments of the global equity and debt markets and invests in securities that comprise the chosen index.

**PERFORMANCE THRU 12/31/2025:**

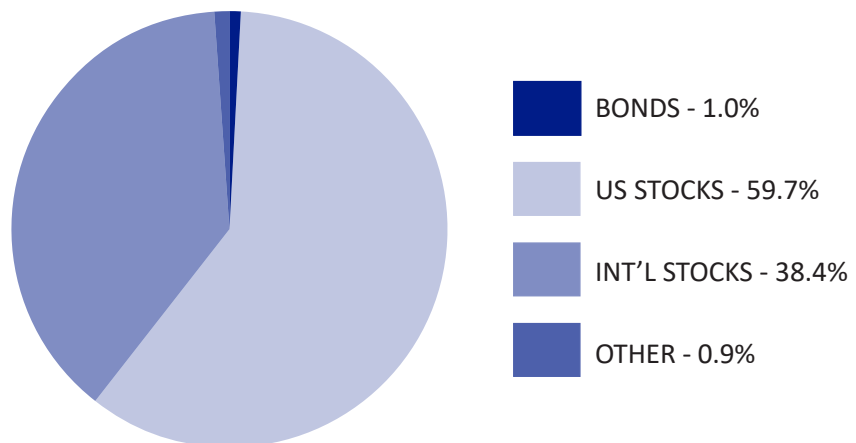
Year	Fund*	BlackRock LifePath Index 2070 Custom Benchmark
One	-	-
Three	-	-
Five	-	-

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

**TOP 5 HOLDINGS:**

Russell 1000 Index Fund .....	55.9%	Long Term Credit Bond Index Fund.....	1.0%
BlackRock MSCI ACWI ex-U.S. IMI Idx F .....	38.3%	FTSE NAREIT All Equity REITs Index Fd F .....	0.9%
Russell 2000 Index Fund .....	3.8%		

**ASSET ALLOCATION:**



Portfolio Assets..... \$32.24 M

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

**ANNUAL INVESTMENT FEE:** Approximately 0.05%

# LIFEPATH INDEX 2065 FUND

**INVESTMENT OBJECTIVE:** The investment objective of LifePath Index 2065 Fund, is to seek to provide for retirement outcomes based on quantitatively measured risk. In pursuit of this objective, LifePath Index 2065 will be broadly diversified across global asset classes, with asset allocations becoming more conservative over time.

**INVESTMENT STYLE:** Rather than choosing specific securities within each asset class, Blackrock selects among indices representing segments of the global equity and debt markets and invests in securities that comprise the chosen index.

**PERFORMANCE THRU 12/31/2025:**

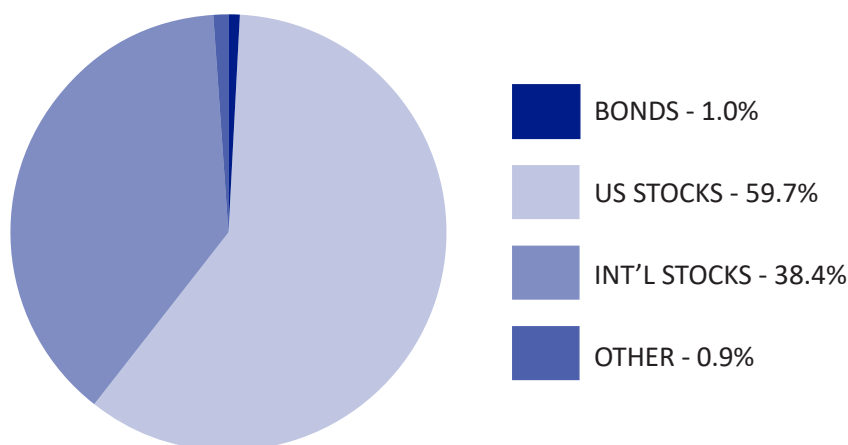
Year	Fund*	BlackRock LifePath Index 2065 Custom Benchmark
One	21.9%	21.7%
Three	20.0%	19.9%
Five	10.9%	10.8%

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

**TOP 5 HOLDINGS:**

Russell 1000 Index Fund .....	55.9%	Long Term Credit Bond Index Fund.....	1.0%
BlackRock MSCI ACWI Ex-US IMI Index Fund E.....	38.3%	FTSE NAREIT All Equity REITs Index Fund F .....	0.9%
Russell 2000 Index Fund .....	3.8%		

**ASSET ALLOCATION:**



Portfolio Assets..... \$569.41 M

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

**ANNUAL INVESTMENT FEE:** Approximately 0.05%

# LIFEPATH INDEX 2060 FUND

**INVESTMENT OBJECTIVE:** The investment objective of LifePath Index 2060 Fund, is to seek to provide for retirement outcomes based on quantitatively measured risk. In pursuit of this objective, LifePath Index 2060 will be broadly diversified across global asset classes, with asset allocations becoming more conservative over time.

**INVESTMENT STYLE:** Rather than choosing specific securities within each asset class, Blackrock selects among indices representing segments of the global equity and debt markets and invests in securities that comprise the chosen index.

**PERFORMANCE THRU 12/31/2025:**

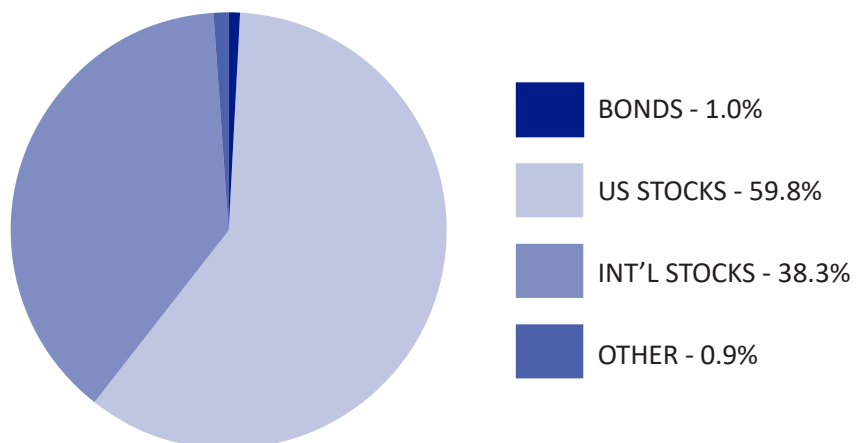
Year	Fund*	BlackRock LifePath Index 2060 Custom Benchmark
One	21.9%	21.7%
Three	20.0%	19.9%
Five	10.9%	10.8%

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

**TOP 5 HOLDINGS:**

Russell 1000 Index Fund .....	55.9%	Long Term Credit Bond Index Fund .....	1.0%
BlackRock MSCI ACWI Ex-US IMI Index Fd E .....	38.3%	FTSE NAREIT All Equity REITs Index Fund F .....	0.9%
Russell 2000 Index Fund .....	3.8%		

**ASSET ALLOCATION:**



Portfolio Assets..... \$1,646.06 M

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

**ANNUAL INVESTMENT FEE:** Approximately 0.05%

# LIFEPATH INDEX 2055 FUND

**INVESTMENT OBJECTIVE:** The investment objective of LifePath Index 2055 Fund, is to seek to provide for retirement outcomes based on quantitatively measured risk. In pursuit of this objective, LifePath Index 2055 will be broadly diversified across global asset classes, with asset allocations becoming more conservative over time.

**INVESTMENT STYLE:** Rather than choosing specific securities within each asset class, Blackrock selects among indices representing segments of the global equity and debt markets and invests in securities that comprise the chosen index.

**PERFORMANCE THRU 12/31/2025:**

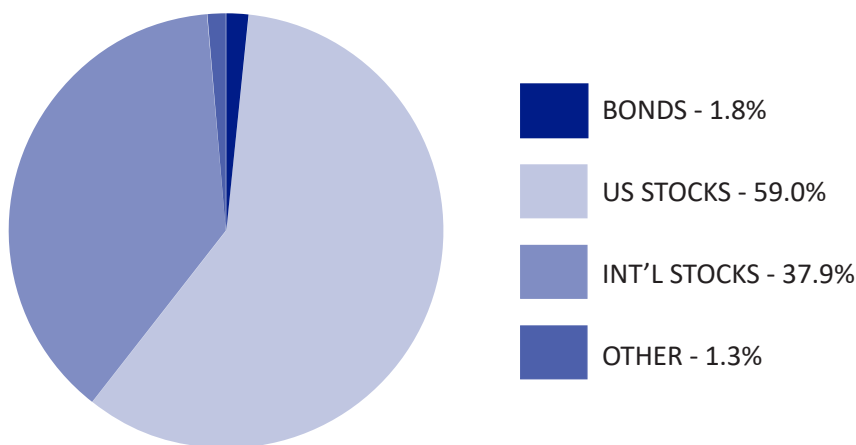
Year	Fund*	BlackRock LifePath Index 2055 Custom Benchmark
One	21.8%	21.6%
Three	19.9%	19.8%
Five	10.9%	10.8%

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

**TOP 5 HOLDINGS:**

Russell 1000 Index Fund .....	55.3%	Long Term Credit Bond Index Fund.....	1.8%
BlackRock MSCI ACWI Ex-US IMI Index Fund E.....	37.9%	FTSE NAREIT All Equity REITS Index Fund F .....	1.3%
Russell 2000 Index Fund .....	3.8%		

**ASSET ALLOCATION:**



Portfolio Assets..... \$2,920.60 M

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

**ANNUAL INVESTMENT FEE:** Approximately 0.05%

# LIFEPATH INDEX 2050 FUND

**INVESTMENT OBJECTIVE:** The investment objective of LifePath Index 2050 Fund, is to seek to provide for retirement outcomes based on quantitatively measured risk. In pursuit of this objective, LifePath Index 2050 will be broadly diversified across global asset classes, with asset allocations becoming more conservative over time.

**INVESTMENT STYLE:** Rather than choosing specific securities within each asset class, Blackrock selects among indices representing segments of the global equity and debt markets and invests in securities that comprise the chosen index.

**PERFORMANCE THRU 12/31/2025:**

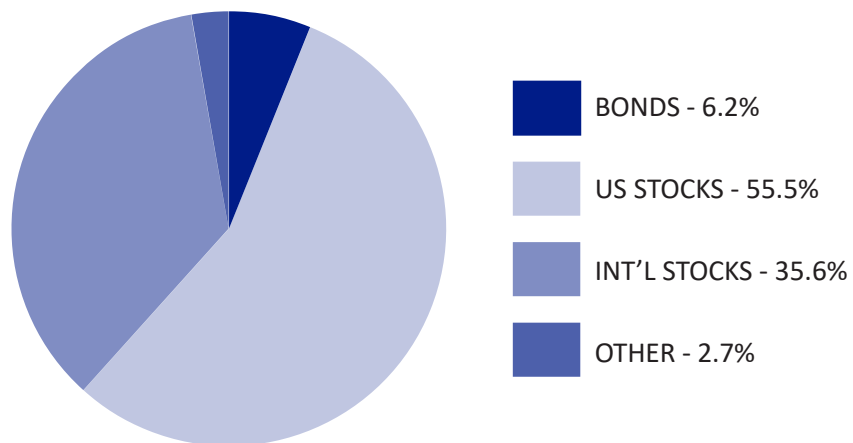
Year	Fund*	BlackRock LifePath Index 2050 Custom Benchmark
One	21.0%	20.7%
Three	19.3%	19.2%
Five	10.5%	10.4%

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

**TOP 5 HOLDINGS:**

Russell 1000 Index Fund .....	52.1%	Russell 2000 Index Fund .....	3.3%
BlackRock MSCI ACWI Ex-US IMI Index Fund E.....	35.7%	FTSE NAREIT All Equity REITS Index Fund F.....	2.7%
Long Term Credit Bond Index Fund .....	3.8%		

**ASSET ALLOCATION:**



Portfolio Assets..... \$3,666.46 M

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

**ANNUAL INVESTMENT FEE:** Approximately 0.05%

# LIFEPATH INDEX 2045 FUND

**INVESTMENT OBJECTIVE:** The investment objective of LifePath Index 2045 Fund, is to seek to provide for retirement outcomes based on quantitatively measured risk. In pursuit of this objective, LifePath Index 2045 will be broadly diversified across global asset classes, with asset allocations becoming more conservative over time.

**INVESTMENT STYLE:** Rather than choosing specific securities within each asset class, Blackrock selects among indices representing segments of the global equity and debt markets and invests in securities that comprise the chosen index.

**PERFORMANCE THRU 12/31/2025:**

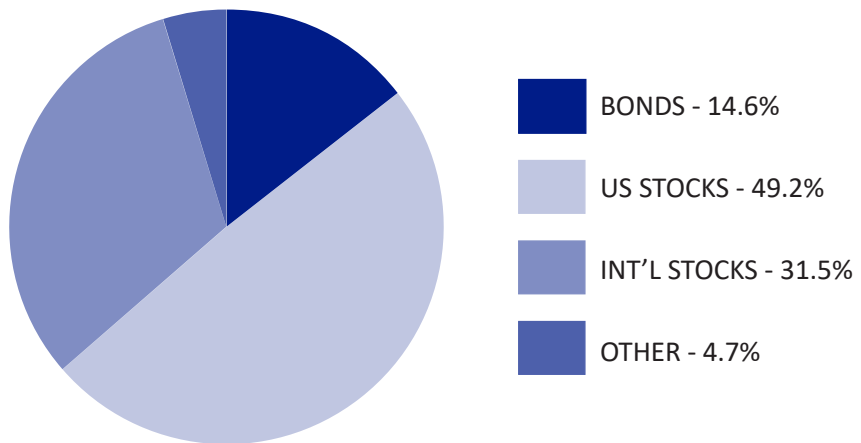
Year	Fund*	BlackRock LifePath Index 2045 Custom Benchmark
One	19.3%	19.1%
Three	17.9%	17.8%
Five	9.7%	9.6%

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

**TOP 5 HOLDINGS:**

Russell 1000 Index Fund .....	46.5%	US Securitized Index Fund E.....	3.8%
BlackRock MSCI ACWI Ex-US IMI Index Fund E.....	31.4%	Intermediate Government Bond Index Fund .....	3.6%
FTSE NAREIT All Equity REITs Index Fund F .....	4.0%		

**ASSET ALLOCATION:**



Portfolio Assets..... \$3,766.82 M

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

**ANNUAL INVESTMENT FEE:** Approximately 0.05%

# LIFEPATH INDEX 2040 FUND

**INVESTMENT OBJECTIVE:** The investment objective of LifePath Index 2040 Fund, is to seek to provide for retirement outcomes based on quantitatively measured risk. In pursuit of this objective, LifePath Index 2040 will be broadly diversified across global asset classes, with asset allocations becoming more conservative over time.

**INVESTMENT STYLE:** Rather than choosing specific securities within each asset class, Blackrock selects among indices representing segments of the global equity and debt markets and invests in securities that comprise the chosen index.

**PERFORMANCE THRU 12/31/2025:**

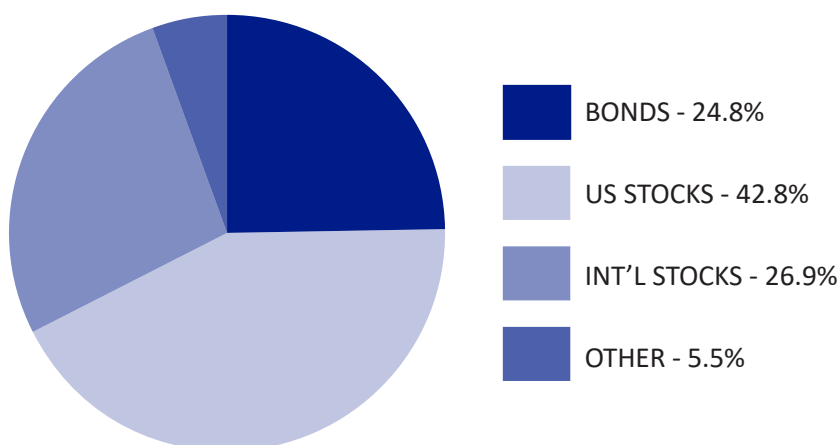
Year	Fund*	BlackRock LifePath Index 2040 Custom Benchmark
One	17.7%	17.5%
Three	16.2%	16.1%
Five	8.5%	8.5%

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

**TOP 5 HOLDINGS:**

Russell 1000 Index Fund .....	40.9%	US Securitized Index Fund E .....	6.5%
BlackRock MSCI ACWI Ex-US IMI Index Fund E.....	26.9%	Intermediate Term Credit Bond Index Fund .....	4.4%
Intermediate Government Bond Index Fund.....	7.4%		

**ASSET ALLOCATION:**



Portfolio Assets..... \$4,388.05 M

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

**ANNUAL INVESTMENT FEE:** Approximately 0.05%

# LIFEPATH INDEX 2035 FUND

**INVESTMENT OBJECTIVE:** The investment objective of LifePath Index 2035 Fund, is to seek to provide for retirement outcomes based on quantitatively measured risk. In pursuit of this objective, LifePath Index 2035 will be broadly diversified across global asset classes, with asset allocations becoming more conservative over time.

**INVESTMENT STYLE:** Rather than choosing specific securities within each asset class, Blackrock selects among indices representing segments of the global equity and debt markets and invests in securities that comprise the chosen index.

**PERFORMANCE  
THRU 12/31/2025:**

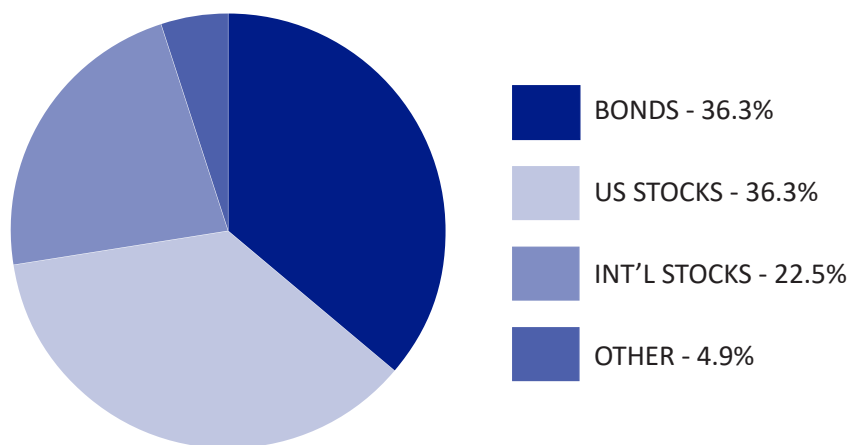
Year	Fund*	BlackRock LifePath Index 2035 Custom Benchmark
One	16.1%	16.0%
Three	14.4%	14.3%
Five	7.3%	7.2%

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

**TOP 5 HOLDINGS:**

Russell 1000 Index Fund .....	35.1%	US Securitized Index Fund E.....	9.5%
BlackRock MSCI ACWI Ex-US IMI Index Fund E.....	22.4%	Intermediate Term Credit Bond Index Fund.....	7.5%
Intermediate Government Bond Index Fund.....	11.9%		

**ASSET ALLOCATION:**



Portfolio Assets..... \$4,244.75 M

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

**ANNUAL INVESTMENT FEE:** Approximately 0.05%

# LIFEPATH INDEX 2030 FUND

**INVESTMENT OBJECTIVE:** The investment objective of LifePath Index 2030 Fund, is to seek to provide for retirement outcomes based on quantitatively measured risk. In pursuit of this objective, LifePath Index 2030 will be broadly diversified across global asset classes, with asset allocations becoming more conservative over time.

**INVESTMENT STYLE:** Rather than choosing specific securities within each asset class, Blackrock selects among indices representing segments of the global equity and debt markets and invests in securities that comprise the chosen index.

**PERFORMANCE  
THRU 12/31/2025:**

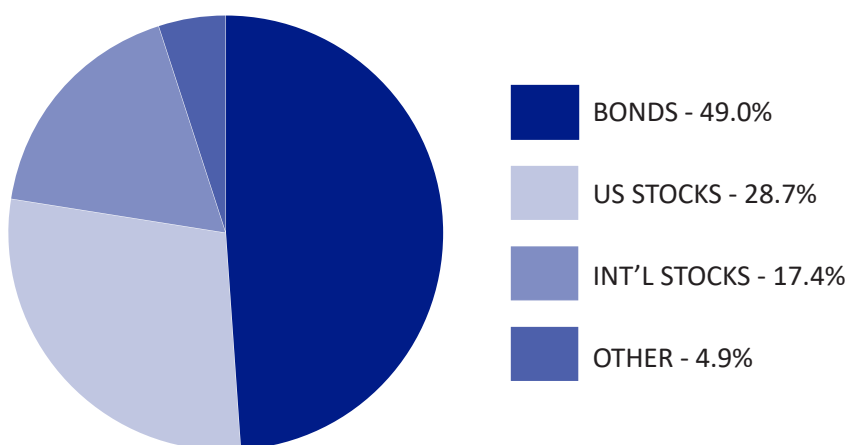
Year	Fund*	BlackRock LifePath Index 2030 Custom Benchmark
One	14.3%	14.2%
Three	12.6%	12.5%
Five	6.0%	5.9%

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

**TOP 5 HOLDINGS:**

Russell 1000 Index Fund .....	28.7%	US Securitized Index Fund E.....	10.7%
BlackRock MSCI ACWI Ex-US IMI Index Fund E.....	17.4%	US TIPS Fund E .....	7.9%
Intermediate Government Bond Index Fund.....	14.2%		

**ASSET ALLOCATION:**



Portfolio Assets..... \$4,474.73 M

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

**ANNUAL INVESTMENT FEE:** Approximately 0.05%

# LIFEPATH INDEX RETIREMENT FUND

**INVESTMENT OBJECTIVE:** The investment objective of LifePath Index Retirement Fund, is to seek to provide for retirement outcomes based on quantitatively measured risk. In pursuit of this objective, LifePath Index Retirement Fund will be broadly diversified across global asset classes.

**INVESTMENT STYLE:** Rather than choosing specific securities within each asset class, Blackrock selects among indices representing segments of the global equity and debt markets and invests in securities that comprise the chosen index.

**PERFORMANCE  
THRU 12/31/2025:**

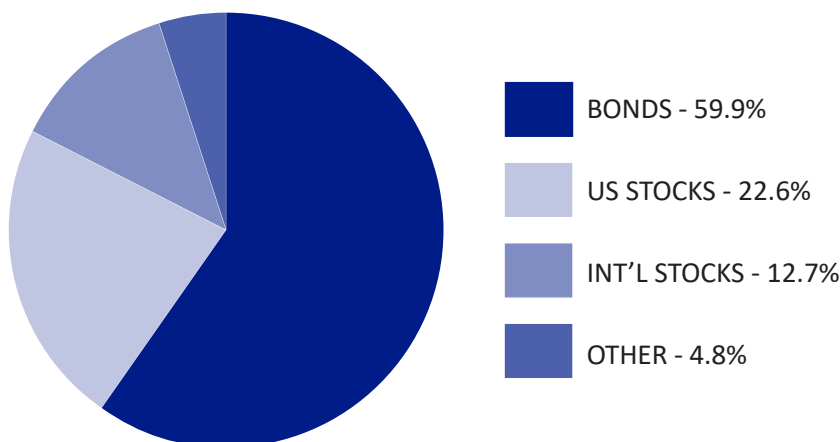
Year	Fund*	BlackRock LifePath Index Custom Benchmark
One	12.5%	12.5%
Three	10.3%	10.2%
Five	4.2%	4.1%

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

**TOP 5 HOLDINGS:**

Russell 1000 Index Fund .....	22.6%	BlackRock MSCI ACWI Ex-US IMI Index Fund E ....	12.7%
Intermediate Government Bond Index Fund.....	21.1%	0-5 Yr US TIPS Fd F.....	9.6%
US Securitized Index Fund E .....	13.1%		

**ASSET ALLOCATION:**

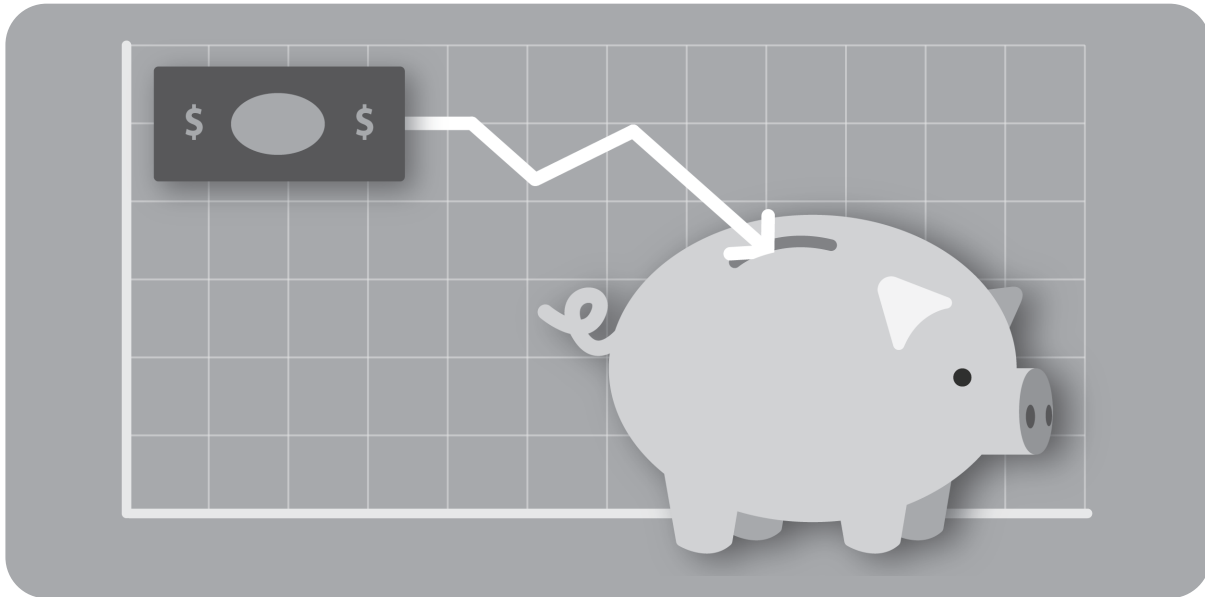


Portfolio Assets..... \$5,482.67 M

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

**ANNUAL INVESTMENT FEE:** Approximately 0.05%

# Administrative Fees Update in 2026



Effective April 1st, 2026  
administrative fees will be:

## **State Defined Contribution Plan**

Increased from 1.5 to 2.0 basis points

## **County Defined Contribution Plan**

Will remain 3.0 basis points

## **Deferred Compensation Plan**

Decreased from 1.5 to 1.0 basis points  
+ \$2.00 flat monthly fee

***Observing and understanding how fees are assessed on your account can help you avoid participating in plans that charge excessively high or unnecessary fees. Not being aware of a financial tool's fee structure may result in the loss of valuable savings without realizing it.***

NPERS works to keep fees low and provides clear, transparent explanations of what fees are assessed and why—so you can feel confident your retirement is safe and sound.

These fees cover a portion of NPERS' operating expenses. Plan costs are regularly evaluated by the Public Employees Retirement Board (PERB), which makes every effort to keep fees low and reasonable for members.

Lower fees mean more of your money stays in your account to help it grow—keeping more funds in your pocket at retirement.

To review the specific fees assessed on your account, check the "Fee Detail" section of your quarterly statement.

We keep fees low to keep hopes high!



# ***RETIREMENT PLANS***

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CASH BALANCE (CB)

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*ANNUAL CASH BALANCE REPORTS • SUMMARY OF ASSETS*

# Cash Balance (CB) Plan

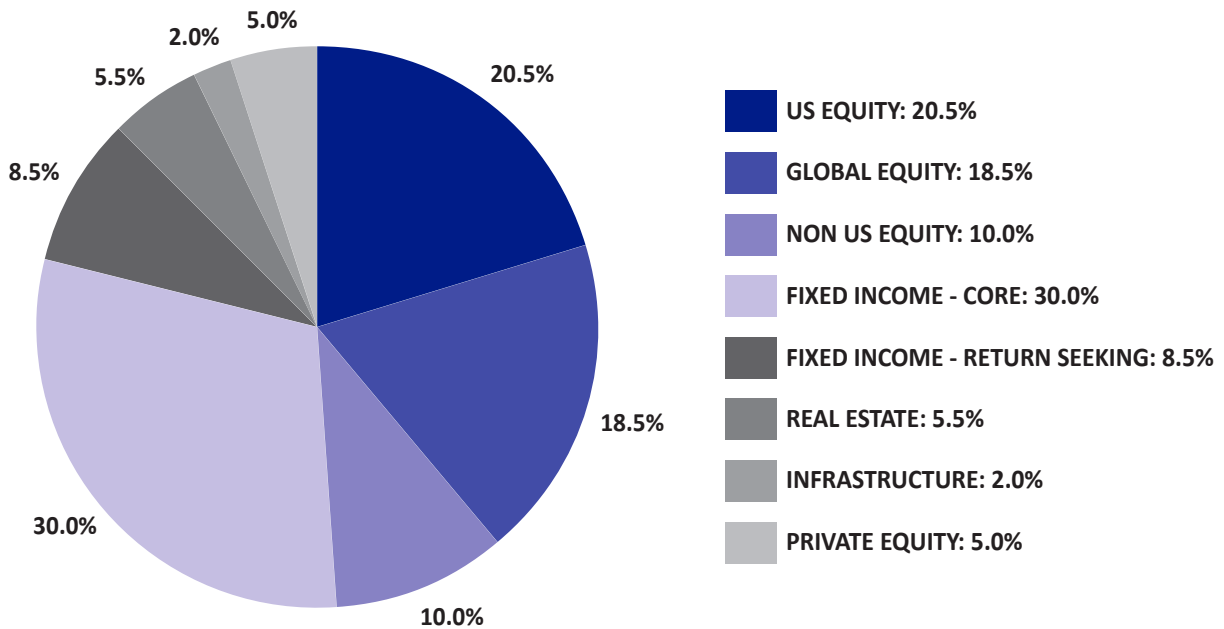
The CB benefit is the current plan for members of the State Plan and the County Plan. All new eligible plan members participate in the CB plan upon hire. When CB was implemented in January 2003, members participating in DC were given the choice to join CB or remain in DC. The passage of LB665 in 2007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

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 (3 years of service and 36 full months of contributions).

CB plan members do not make their own investment choices. The assets are held in a trust fund which is managed by the Nebraska Investment Council. CB plan members 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.

While the pie chart on the previous page shows the investment “strategy” for Cash Balance, the following shows the actual percentages as of December 2025.

## U.S. Equity 21.8%

BlackRock Russell 3000 Index  
NTAM Russell 3000

## Fixed Income 38.5%

BlackRock Aggregate Bond Index  
BlackRock Core Plus Universal  
PIMCO  
Baird  
Opportunistic Cash and Int Rec  
CBB GICS and Money Market  
Loomis Sayles  
PIMCO DIV INC  
Barings  
Franklin Templeton  
Opportunistic Fixed Income - PIMCO Bravo II

## Global Equity 18.6%

Arrowstreet  
Wellington Equity  
Dodge & Cox  
GQG Global Equity

## Non-U.S. Equity 10.3%

BlackRock ACWI ex-U.S. IMI Index

## Real Estate 4.9%

CB Richard Ellis Strategic  
Prudential PRISA I  
UBS Real Estate  
Rockwood Capital Real Estate Fund IX  
Prudential PRISA II  
RockPoint Fund III  
Landmark Real Estate VII  
AG Realty Fund VIII  
UBS Trumbull Property Income  
Almanac Realty Securities VII  
Torchlight IV  
Torchlight V  
Rockwood Capital Real Estate Fund X  
Landmark Real Estate VIII  
Torchlight VI  
Almanac Realty Securities VIII  
Clarion Lion Properties Fund  
Torchlight Debt Opportunity  
Kayne Anderson RE VI  
Prime Property Fund LLC  
Real Estate Cash

## Private Equity 5.9%

Pathway  
Sun Capital

Dover Street VIII  
CMEA Ventures VII  
New Mountain Partners III  
New Mountain Partners IV  
New Mountain Partners, V  
Citigroup Venture Capital International  
BridgePoint Europe IV  
Quantum Energy Partners V  
Quantum Energy Partners VI  
CVC European Equity Partners  
CVC European Equity Partners V  
Fulcrum Growth Partners IV  
Ares Corporate Opportunities Fund IV  
New Enterprise Associates 13  
New Enterprise Associates 14  
Lincolnshire Equity Partners IV  
Merit Mezzanine Fund V  
Ares Mezzanine Fund Partners  
EIF U.S. Power Fund IV  
McCarthy Capital Fund V  
Green Equity Investors VI  
Wayzata Opp Fund III  
Beecken Petty O’Keefe & Co. IV  
Pine Brook Capital Partners II  
EMG III LP  
Francisco Partners IV

Wynnchurch Capital Partners IV  
BridgePoint Europe V  
McCarthy Capital Fund VI  
Dover Street IX  
Green Equity Investors VII  
Quantum Energy Partners VII  
Ares Corporate Opp Fund V  
Genstar Cap Ptr VIII L.P.  
Francisco Partners V  
Resolute Fund IV  
BridgePoint Europe VI  
Genstar Cap Ptr IX LP  
New Enterprise Associates 17  
Dover Street X  
Wynnchurch Capital Partners V  
New Mountain Partners VI  
Resolute Fund V  
Genstar X  
New Enterprise Associates 18  
Dover Street XI  
Francisco Partners VII  
Resolute Fund VI  
Bridgepoint Europe VII  
McCarthy Capital Fund VIII  
Private Equity Cash

# Performance Summary

THRU 12/31/2025

	1-YEAR	3-YEAR	5-YEAR
<b>Cash Balance Benefit</b>	15.5%	13.8%	8.6%
<b>Benchmark</b>	16.0%	14.3%	7.7%
<b>Interest Credit Rate</b> (Min. Gauranteed Rate)	<b>5.0%</b>	<b>5.0%</b>	<b>5.0%</b>

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.

## Cash Balance Credit Rate

	Q1	Q2	Q3	Q4	ANNUAL RATE
<b>2025</b>	5.74%	5.71%	5.69%	5.37%	5.62%
<b>2024</b>	5.87%	5.80%	5.99%	5.20%	5.72%
<b>2023</b>	5.77%	5.65%	5.35%	5.93%	5.68%
<b>2022</b>	5.00%	5.00%	5.00%	5.00%	5.00%
<b>2021</b>	5.00%	5.00%	5.00%	5.00%	5.00%
<b>2020</b>	5.00%	5.00%	5.00%	5.00%	5.00%
<b>2019</b>	5.00%	5.00%	5.00%	5.00%	5.00%
<b>2018</b>	5.00%	5.00%	5.00%	5.00%	5.00%
<b>2017</b>	5.00%	5.00%	5.00%	5.00%	5.00%
<b>2016</b>	5.00%	5.00%	5.00%	5.00%	5.00%
<b>2015</b>	5.00%	5.00%	5.00%	5.00%	5.00%

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	PAID ON	AMOUNT PAID
<b>2025 State</b>	0.95%	12/31/2024	8/1/2025	\$16,599,444
<b>2025 County</b>	0.84%	12/31/2024	8/1/2025	\$5,545,516
<b>2024 State</b>	2.48%	12/31/2023	8/2/2024	\$41,640,582
<b>2024 County</b>	1.20%	12/31/2023	8/2/2024	\$7,517,591
<b>2023 State &amp; County</b>	0.00%	n/a	n/a	\$0
<b>2022 State</b>	7.5%	12/31/2021	7/29/2022	\$110,739,464
<b>2022 County</b>	6.5%	12/31/2021	7/29/2022	\$36,169,907
<b>2021 State</b>	5.25%	12/31/2020	7/30/2021	\$71,805,051
<b>2021 County</b>	2.5%	12/31/2020	7/30/2021	\$13,142,231
<b>2020 State &amp; County</b>	3.00%	12/31/2019	7/31/2020	\$53,508,123
<b>2019 State &amp; County</b>	0.00%	n/a	n/a	\$0
<b>2018 State</b>	5.46%	12/31/2017	7/20/2018	\$65,973,682
<b>2018 County</b>	8.42%	12/31/2017	7/20/2018	\$35,180,846
<b>2017 State</b>	3.07%	12/31/2016	8/11/2017	\$35,633,783
<b>2017 County</b>	0.51%	12/31/2016	8/11/2017	\$2,003,560
<b>2016 State &amp; County</b>	0.00%	n/a	n/a	\$0
<b>2015 State</b>	4.53%	12/31/2014	8/14/2015	\$48,241,290
<b>2015 County</b>	5.81%	12/31/2014	8/14/2015	\$19,697,165

Dividends are calculated based upon the recommendations from the plan actuary using the members' account balances on the last day of the prior calendar year.



# ***RESOURCES***

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INFORMATION FOR PLAN MEMBERS

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***INVESTMENTS • 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 DC plan and the DCP. 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**

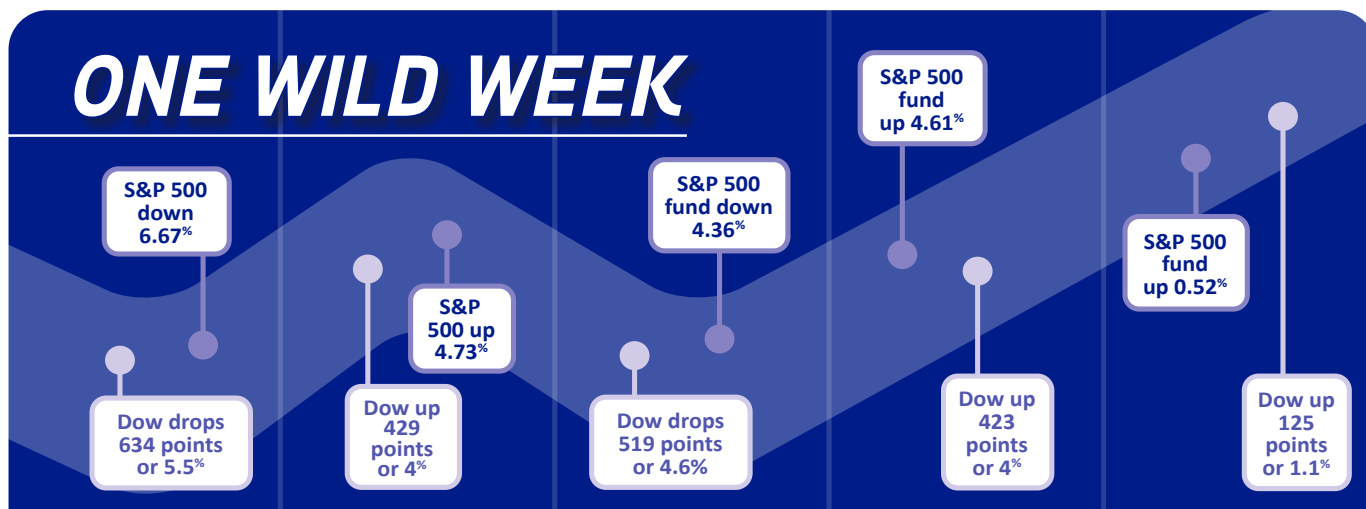
While our two investors are *hypothetical*, the market data and S&P 500 share prices for this week are real. Individuals who react to market fluctuations and try to time the market can drastically damage their retirement accounts. Both of our investors saw a reduction in the value of their accounts at 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. NPERS encourages participants in the DCP and DC plan 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	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
<p>On Monday, the market “plunges” on the first trading day since the Standard and Poor’s downgrade.</p> <p><b>INVESTOR “A”</b></p> <p>Decides to sell their S&amp;P 500 stocks and buy into a “safer” Money Market fund. The price per share for the S&amp;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.</p> <p><b>INVESTOR “B”</b></p> <p>Mows the lawn and suffers through a romantic comedy.</p>	<p>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.</p> <p><b>INVESTOR “A”</b></p> <p>Hoping the worst is over, Investor “A” decides to get back into the market. The end of day price for the S&amp;P 500 is now \$1.595415 and the \$93,328 in the Money Market fund purchases 58,498 shares in the S&amp;P 500.</p> <p><b>INVESTOR “B”</b></p> <p>Takes the spouse out for a nice romantic dinner.</p>	<p>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.</p> <p><b>INVESTOR “A”</b></p> <p>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&amp;P 500 has now dropped to \$1.525893, so the 58,498 shares net \$89,261 to move into the Money Market fund.</p> <p><b>INVESTOR “B”</b></p> <p>Investor “B” drives the kids to the park and stops for ice cream on the way home.</p>	<p>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.</p> <p><b>INVESTOR “A”</b></p> <p>This time Investor “A” vows not to make the same mistake again and opts to stay in the Money Market fund.</p> <p><b>INVESTOR “B”</b></p> <p>Finally gets the gutters cleaned and the hedges trimmed.</p>	<p>Friday’s markets show “strong gains” and the news media is reporting “the worst is over.”</p> <p><b>INVESTOR “A”</b></p> <p>Decides to transfer back into the S&amp;P 500. Their Money Market fund investment remains unchanged at \$89,261. The end of day price for the S&amp;P 500 is \$1.604625 and they are able to purchase 55,627 shares.</p> <p><b>INVESTOR “B”</b></p> <p>Picks up some 1 ½ inch thick ribeyes on the way home from work, grills them to medium rare, and falls asleep halfway through CSI: NY.</p>

## 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 DC, you have 17 different fund choices which are selected, monitored, and terminated, when necessary, by the Nebraska Investment Council.

State of Nebraska employees participating in the 457 DCP and Patrol members participating in DROP have the same 17 options. Counties have their own deferred compensation investment funds. Currently we have

several Counties and Health Districts that participate in the State's 457 plan- they are Dodge, Gage, Greeley, Hall, Johnson, Keith, Lincoln, McPherson, Richardson, York, Elkhorn Logan Valley Public Health Department, Northeast Nebraska Public Health Department, and Southwest Nebraska Public Health Department. 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***

- Global Equity Fund (RGGIX)
- US Total Stock Market Index
- International Stock

## DIVERSIFICATION OPTIONS

### ***Fixed Income***

- Stable Value
- Bond Market Index
- US Core Plus Bond Fund (PTTRX)

*See Fund Fact sheets for more detailed information on each fund*

## LifePath Index Funds & Investor Select Fund

- **LifePath Index Funds** — The new target date funds, named LifePath Funds, are designed so that as you move closer to retirement, the asset allocation mix among stocks, bonds, and other investments gradually becomes more conservative. Essentially, if you wanted to select only one fund for investment and have minimal investment involvement, you can simply leave it in the LifePath Index Fund which represents your expected retirement date.
- **Investor Select Fund** — This investment option has an asset allocation that is a combination of actively managed portfolios and passive index funds. The allocation and investment strategy of the 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 Investor Select Fund was created to give participants the advantage of the Investment Council's collective professional investment knowledge.

# 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 Investing 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.

<b>CONSERVATIVE INVESTING MODEL</b>	<b>MODERATE INVESTING MODEL</b>	<b>AGGRESSIVE INVESTING MODEL</b>
<ul style="list-style-type: none"> <li>● <b>Emphasis:</b> Safety and Stability</li> <li>● <b>Retirement Horizon:</b> 5-10 years</li> <li>● <b>Goal:</b> Preservation of principal with competitive returns</li> <li>● <b>Risk:</b> Lower</li> </ul>	<ul style="list-style-type: none"> <li>● <b>Emphasis:</b> More stability in an “up and down” market</li> <li>● <b>Retirement Horizon:</b> 10-20 years</li> <li>● <b>Goal:</b> Growth and current income</li> <li>● <b>Risk:</b> Moderate</li> </ul>	<ul style="list-style-type: none"> <li>● <b>Emphasis:</b> Build assets and protect against inflation</li> <li>● <b>Retirement Horizon:</b> 20+ years</li> <li>● <b>Goal:</b> Capital appreciation</li> <li>● <b>Risk:</b> Higher</li> </ul>

<i>Examples of Nebraska's</i> <b>LOWER RISK INVESTMENT OPTIONS</b>	<i>Examples of Nebraska's</i> <b>MODERATE RISK INVESTMENT OPTIONS</b>	<i>Examples of Nebraska's</i> <b>HIGHER RISK INVESTMENT OPTIONS</b>
<ul style="list-style-type: none"> <li>● Stable Value Fund</li> </ul>	<ul style="list-style-type: none"> <li>● Investor Select</li> <li>● US Core Plus Bond Market</li> <li>● Bond Market Index</li> </ul>	<ul style="list-style-type: none"> <li>● US Total Stock Market Index Fund</li> <li>● Global Equity Fund</li> <li>● International Stock Index Fund</li> </ul>

# THE Time TO Plan IS Now

Have you ever asked yourself, “How much will I need for retirement, and what amount should I save each month to achieve this goal?” Taking a bit of time to ponder your future financial needs is monumental, yet many of us will devote more time planning a vacation than planning for retirement.

**“He who fails to plan, is planning to fail.”** –Winston Churchill

The very first step is determining “how much?” Unfortunately, there is simply no way to answer that question! Individual variables such as longevity and health expenses will create significant fluctuations. What about investment elections, market returns, and inflation? It’s essentially impossible to determine a retirement nest egg amount that will be exactly right. So what now?

There are multiple methods that can provide a “ballpark” number

to help you consider your nest egg goal. This article will cover two methods that may help you set your nest egg goal and give some tips on how to meet that goal.

The first method is explained in the “How Big Should Your Nest Egg Be?” handout found on page 42 of this report. This calculation looks at an individual retiring at age 65 and their gross salary (income) at that time. Then factoring in various assumptions, an estimated amount required to maintain that

same level of income is calculated out to four different ages.

How should you read this chart? Assuming a gross salary of \$30,000; if you expect to live to age 90, you would want to have accumulated approximately \$496,000 when you terminate employment at age 65. If ALL the assumed variables are correct... and dare I say they won’t be, this amount will allow you to maintain your \$30,000 a year level of income up to age 90.

**Here are the assumptions:**

- You retire at age 65
- You are single
- Inflation averages 4% annually
- Your Social Security is calculated using current rates
- Social Security COLA’s will average 1.6% annually
- Your retirement plan account balances earn 5% annually during retirement

Salary At Age 65	Life Expectancy/Nest Egg Amount*			
	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
\$60,000	\$808,000	\$996,000	\$1,182,000	\$1,364,000
\$70,000	\$942,000	\$1,162,000	\$1,379,000	\$1,592,000
\$80,000	\$1,083,300	\$1,332,459	\$1,585,626	\$1,823,470
\$90,000	\$1,234,962	\$1,519,003	\$1,807,614	\$2,078,756
\$100,000	\$1,395,507	\$1,716,474	\$2,042,604	\$2,348,994

The second method employs the asset distribution process outlined in the NPERS “Nest Egg Management After Retirement” handout. As a general rule of thumb, many financial advisors currently recommend a 4% annual distribution rate from retirement assets. A rough estimate of your nest egg can then be calculated using this rate of distribution. If you anticipate needing \$30,000 of annual income during retirement, then you will need a nest egg of approximately \$750,000 to provide those funds.

$\$750,000 \times .04 = \$30,000$

Why are the numbers so different from method one to method two? There are several reasons.

The first method is significantly more complicated and includes Social Security benefits plus the effect of inflation, the second method does not. They also differ in the preservation of your nest egg. Under the first method, your account is depleted upon reaching the age selected for life expectancy. If you die prior to that age there would be funds left. If you lived longer, you would have depleted your nest egg at that age. The second method, in theory, provides an income of \$30,000 per year and retains the initial balance of \$750,000 regardless of how long you live.

Which method is “best?” That is a tough question. Under the first, your life expectancy is a critical and unknown factor. Under the second, inflation could create issues later in retirement. Poor investment returns or higher distribution amounts can have a drastic effect on both methods. The mission is not to determine an exact amount, but to determine an initial ballpark figure.

Once you have set your ballpark nest egg goal, now you need to take the steps required to achieve it. Again, there are variables that will come into play.

How long do you have to save? The sooner you start, the easier

it will be to reach your goal. Individuals who fail to begin saving at an early age will slowly lose out on the power of compounding interest. Ask yourself, “At what age do I want to begin my retirement and how many years do I have left to save?” The longer you delay, the more difficult it will be to reach those goals.

Once you have established a saving timeline, then you need to estimate how much to save each month. This amount will vary depending on the rate of return you hope to achieve from your investments. Historically, an aggressive strategy will have greater volatility and a higher rate of return over time. Conversely, a conservative approach will result in lower returns but there will be less volatility over time. An aggressive strategy can reduce the amount you need to save each month BUT you need to carefully consider your tolerance for risk and your retirement timeline. Which approach is right for you? Only you can answer that question.

An aggressive portfolio will be a bumpy ride. You must be able to shrug off the temporary reductions in account value that occur during a down market and resist the urge to panic – and sell. Selling during a down market can turn a temporary reduction in account value into a permanent loss. Professional investors recommend buying rather than selling during these downturns as stock is essentially on sale. Keep in mind how much time you have until retirement. An aggressive investor should consider moving a portion of their investments into more conservative options as they grow closer to retirement.

For more information on the dos and don’ts of investing, please consider viewing the Investment Education video found on NPERS’ website. This video covers the 17 investment options available for the voluntary state’s Deferred Compensation Plan and provides an outline on the basics of investing.

### ACTION PLAN EXAMPLES

For our example, let’s assume a nest egg goal of \$500,000 at age 65. Your personal goal may be higher or lower, but this is what we will use for the example. Using an online savings calculator\*\*, let’s break out the amount for both a “conservative” (4% compounded daily) and “aggressive” (7.5% compounded daily) rate of return.

*If you start early at age 25,  
You have 40 years to save!*

Aggressive — 7.5%	Conservative — 4%
<b>Monthly Amount to Save...</b>	
\$164.05	\$422.06
<b>Daily Amount...</b>	
\$5.39	\$13.88

*If you wait 5 years & begin at age 30,  
Now you have 35 years to save.*

Aggressive — 7.5%	Conservative — 4%
<b>Monthly Amount to Save...</b>	
\$164.05	\$422.06
<b>Daily Amount...</b>	
\$5.39	\$13.88

*If you delay until age 40...*

Aggressive — 7.5%	Conservative — 4%
<b>Monthly Amount to Save...</b>	
\$164.05	\$422.06
<b>Daily Amount...</b>	
\$5.39	\$13.88

There is no way to know the actual rate of return a conservative or aggressive investor will obtain in future markets. Obviously, you will never see a fixed rate of return due to market fluctuations. The point is starting early and the investment strategy you select, will both have a significant impact on the amount you need to save.

Each individual is different. It is your responsibility to determine your retirement goal and select an investment strategy/saving rate that will work for you.

\* Nest Egg numbers were provided by Morey-Voorhees Financial Services, Omaha, Nebraska.

\*\* The savings calculator used for this article can be found on [Bankrate.com](http://Bankrate.com)  
Please note NPERS does not endorse any private vendor or entity.

# 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 LifePath Index and 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 Global Equity or US Total Stock Market Index need to pay a bit more attention in order to maintain the desired allocations.

To simplify the task, the Ameritas 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 screenshot displays the Ameritas online account interface. At the top, a navigation bar includes options: Overview, My Plan Balances, **Manage My Investments** (highlighted with a blue box), Performance, Withdrawals, Plan Documents, Educational Tools, and Activity. Below the navigation bar, the main content area is titled 'MANAGE MY INVESTMENTS'. A callout box with a blue border and white background points to the 'Manage My Investments' option in the toolbar, containing the text: **The online automatic rebalancing feature can be found by clicking on the “Manage My Investments” option in the toolbar of your Ameritas online account.**

The main content area lists several options:

- Change My Future Contribution Allocations**: This option enables you to change how future contributions to your account will be invested. This does not affect your current account balance.
- Transfer - Fund to Fund**: This option enables you to move/transfer amounts from one specific fund into other funds.
- Transfer - Account Rebalance**: This option enables you to realign your current account balance based on an allocation you select. This is a onetime occurrence and will not affect the investment allocations of your future contributions.
- Schedule Automatic Account Rebalance**: This option enables you to realign your current account balance and schedule an automatic account rebalance to occur at the end of the selected calendar period.

At the bottom of the main content area, a note states: "If you have a pending transaction, you will need to delete the request in order to create another similar request."

# 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 43%. A DTI of 35% or below is considered excellent. A DTI ratio at 36% - 40% 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 35%.

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 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.

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

## 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 the 2024-2025 school year, the total estimated annual cost (includes in-state tuition, fees, room and board) to attend the University of Nebraska-Lincoln is \$28,654 (source –UNL financial aid estimator).

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 35%.

## CAR LOANS

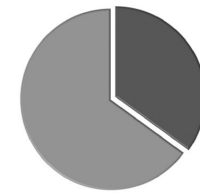
Cars are poor investments. Unlike a properly maintained home, the vast majority of cars will decrease in value over their lifetime. Americans love cars and we often spend more than we should on them. Many auto industry "experts" recommend car payments consume no more than 20% of monthly income. This 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.

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

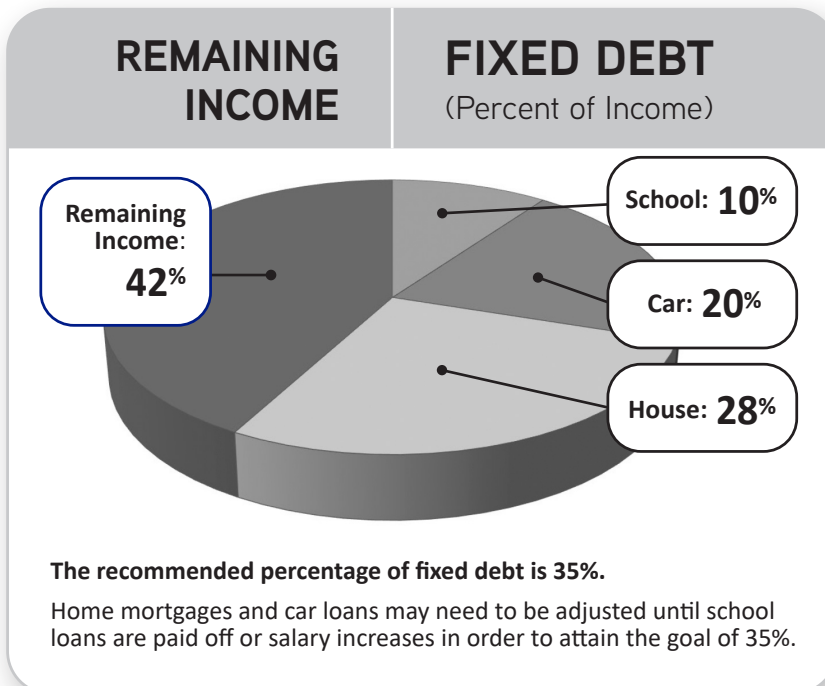
### MAX. RECOMMENDED DEBT-TO-INCOME RATIO

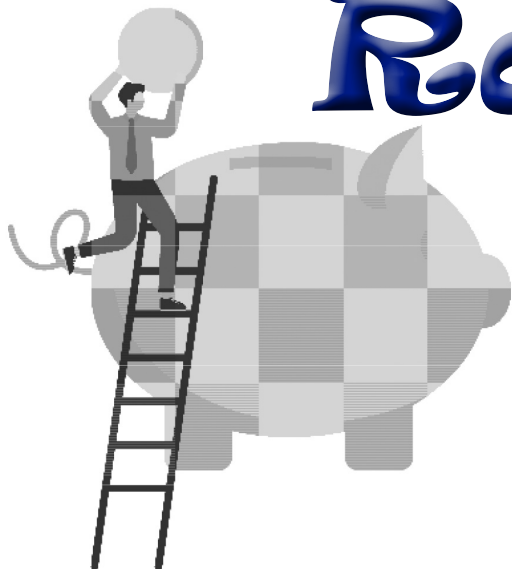
Remaining Income: 65%  
Fixed Income: 35%



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, 10% for school loans, and 20% for car loans – this will put them at a DTI of 58%, well over the 35% 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 smallest debt 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.





# Rainy Day FUND

There are three financial goals everyone should strive to achieve; saving for retirement, paying off debt, and creating an emergency or “rainy day” fund. Saving for retirement and paying off debt are generally at the top of the agenda but creating an emergency fund is also an important component of a solid financial plan.

The game of life will, on occasion, have detours. Sudden and unexpected events such as the loss of a job, essential repairs to a home or car, or costly medical expenses, can create a severe financial hardship. Individuals who are not financially prepared for these situations run the risk of running up credit card debt, and/or raiding their retirement accounts. Both of those are not ideal choices. Two better options for these situations are carrying adequate insurance coverage (home, auto, health) and building an emergency fund.

Your first step when creating an emergency fund is determining “how much?” The amount you should stash away will vary depending on monthly expenses. Most financial planners recommend an emergency fund that can cover these expenses for three to six months. Sit down and review your spending habits/bank statements to calculate what you spend each month on essential expenses such as:

- Mortgage or Rent
- Food
- Health Care/Insurance
- Utilities (cable is not an essential utility...)
- Transportation
- Debt payments

This should represent the minimum amount you need to make ends meet each month. Now multiply by three, and you have your starting goal.

Keep in mind the “rule” of three to six-months may not apply to everyone. You may want to save more if:

- You anticipate difficulty in finding employment if you get laid off.
- You anticipate the possibility of large expenses in the future. Common examples would be recurring health issues, an aging automobile, or a home with a 20-year-old furnace, etc.

A smaller emergency fund may be acceptable if:

- You have substantial dollars left after paying your monthly bills.
- You have excellent insurance coverage.
- You have no or very low debt.
- The equity in your home would allow you to apply for a low interest home equity loan or line of credit.

Now you need to decide where to maintain the fund. It may be tempting to use your current checking or savings account, but most individuals will have better luck creating a separate account. A separate account makes it easier to track the balance and harder to access those funds “on a whim.” In addition, your emergency fund should be maintained in an account that is “liquid” and safe from market fluctuations. Traditionally the simplest approach is to use a basic savings account. You won’t get much in the way of return, but ease of access and stability are your goals for this fund.

There are several options available when searching for a savings account. Be sure to review the interest rates offered. When selecting an account, search for one that is FDIC/NCUA insured, has low (or no) minimum... (over)

...balance requirements, and no account maintenance fees. Be aware some accounts may offer an introductory interest rate that will be reduced after a set period of time.

Here is the hard part. Getting funds into your account. A sizeable portion of the dollars left after paying essential expenses should go into your emergency fund. Start small if necessary. Small infusions into the account are better than nothing at all. It may help if you can view the emergency fund as a bill you need to pay each month. Consider setting up an automatic deposit into the fund from your paycheck or checking/saving account.

Finally, you should ONLY tap into your fund for the appropriate expenses! Resist the urge to spend these dollars for items or situations that are not actual emergencies and be sure to replenish your fund after you take a withdrawal.



## BUILD YOUR EMERGENCY FUND

1

*Save \$1,000*

Put away a little for a rainy day and save \$1,000. Your emergency fund will cover those unexpected life events you can't plan for like uncovered medical expenses and car repairs.

2

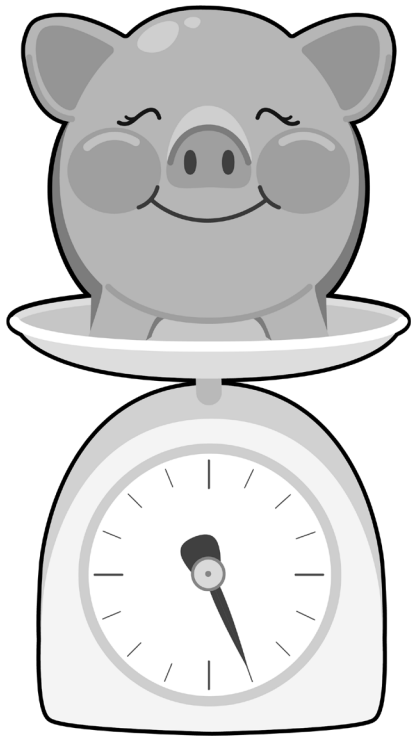
*Build 3-6 Months of Income*

A fully funded emergency fund should cover 3-6 months of your expenses. The interest you're earning on this account matters; look for high yield options and watch your account balance grow. This account is reserved for unforeseen events, like the loss of a job or a down payment on a house.

3

*Focus on Investments*

Finally, you can shift your focus off building that initial emergency fund and start looking up the road. This is where you begin focusing on building your wealth with investments. A financial professional can help you build your finances to match the life you desire in retirement. If you're still working past retirement age, it should be because you want to, not because you have to.



# How BIG Should Your NEST EGG Be?

*Ever wonder how much money you should have saved to be “reasonably” prepared for retirement? No two people are alike and no two retirements will be alike! It is a very big guessing game. What will be your personal financial situation during retirement? Are you single or married? When will your spouse retire? What will your health care costs be during retirement? How about travel? Will you still be making mortgage payments? Will you have kids in college? Will you continue to work part-time? These are just a few of the questions that will have a profound impact on how much you need to save.*

What will the economy be like during your retirement? High inflation? Low Inflation? How will you invest your nest egg and what rate of return will you receive? What tax bracket will you be in during retirement? 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 impossible to calculate a retirement nest egg amount that will be exactly right. The chart below is a “ballpark” attempt to “guesstimate” how much money you should have in your account at age 65 to maintain your level of income.

### Here are the assumptions:

- You retire at age 65
- You are single
- Inflation averages 4% annually
- Your Social Security is calculated using current rates
- Social Security COLA’s will average 1.6% annually
- Your retirement plan account balances earn 5% annually during retirement

Salary At Age 65	Life Expectancy/Nestegg Amount			
	Age 85	Age 90	Age 95	Age 100
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\$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
\$60,000	\$808,000	\$996,000	\$1,182,000	\$1,364,000
\$70,000	\$942,000	\$1,162,000	\$1,379,000	\$1,592,000
\$80,000	\$1,083,300	\$1,332,459	\$1,585,626	\$1,823,470
\$90,000	\$1,234,962	\$1,519,003	\$1,807,614	\$2,078,756
\$100,000	\$1,395,507	\$1,716,474	\$2,042,604	\$2,348,994

How should you read this chart? Assuming you were earning a gross salary of \$40,000 when you terminated employment at age 65, if you expect to live to age 90, you want an estimated \$659,000 in your retirement accounts. This amount, based on the assumptions, will allow you to maintain your level of income to age 90. If you die before age 90, there would be funds left in your account. If you lived longer, in theory you would have depleted your account at age 90.

# To Rollover or Not to Rollover...



At some point you may be advised, “Rolling over your NPERS retirement account to an IRA is in your best interest.” For individuals participating in the Nebraska State & County Retirement plans, there are four reasons why rolling funds to an IRA after terminating employment may NOT be “in your best interest.”

## CASH BALANCE ANNUITY RATE

One of the primary benefits of participation in the Cash Balance plan is an annuity rate that is generally higher than rates offered in the private sector. The pooled assets in the Cash Balance Trust allow the plan to pay a higher annuity rate to participants who opt to purchase an annuity. The current Cash Balance annuity rate is 6.75% for Tier 1 and Tier 2 members. Cash Balance members may purchase an annuity using all or part of their account at this rate, and in return are guaranteed a stable, monthly benefit.

An individual who rolls their Cash Balance account into an IRA is no longer eligible for the Cash Balance annuity. In addition, Cash Balance provides a guaranteed minimum 5% rate of return to individuals who defer their accounts after termination.

**NOTE:** Cash Balance annuity rates are subject to change over time. Effective January 1, 2026, the Cash Balance Tier One annuity rate was 7.75% and the Tier Two annuity rate was 7.0%. Both rates will decrease incrementally each month until reaching 6.75% on December 1, 2027. The Cash Balance annuity rate is locked in at the time of annuity purchase. Annual annuity rates are published in the January State & County newsletter.

## FEES

All IRA's will have some form of fees. The scope and amount depend upon the vendor and the account balance. Many individuals who rollover funds to an IRA are not aware of or do not understand the fees associated with their account. Those who take the time to research these fees often discover they are paying more and significantly higher fees than they were as participants in the state or county retirement plans.

Large entities such as the State of Nebraska have access to institutional pricing, which results in very low investment management fees. Current investment fees for DC members range from 0.01% up to 0.7%. Investment fees for the Cash Balance Plan are 0.30% as of June 30, 2025. In contrast, investment management fees assessed for private sector mutual funds can often be as high as 1.5% to 2.00%, and additional IRA fees such as sales charges, transaction fees, set-up fees, custodial fees, may also apply. While an IRA will offer more investment options, in most circumstances the driving factor behind poor returns is inappropriate investment decisions – not the lack of investment options.

**NOTE: Fees are subject to fluctuations. Investment fees for individual funds are listed in the first section of this report.**

## EARLY WITHDRAWAL PENALTIES

In an IRA, participants must wait until age 59 ½ to avoid federal and state early withdrawal penalties. For Nebraska residents, this can result in a total tax penalty of 13% for distributions taken from an IRA prior to 59 ½. In contrast, individuals participating in the state or county retirement plans may begin taking distributions without early withdrawal penalties if they terminated their state or county employment during the year they turn 55.

Funds rolled into an IRA are subject to the tax regulations established for IRA accounts. Distributions taken prior to age 59 ½ may be subject to early withdrawal penalties regardless of when the member terminated state or county employment.

In addition, after termination of employment, distributions taken from the voluntary DCP are not subject to early withdrawal penalties regardless of age. Once rolled into an IRA, participants must wait until age 59 ½ to avoid these penalties.

## PROTECTION FROM CREDITORS

State laws determine if an IRA is protected from creditors. The amount of protection varies from state to state. Currently, many states do not provide IRA accounts the same level of protection from civil lawsuits found in the state and county retirement plans. Depending on the state of residency, rolling retirement funds into an IRA could result in the garnishment of some or all of the account in the event of a lawsuit.

***There may be valid reasons for an individual to rollover funds to a private sector IRA, but this is an important financial decision that should not be made lightly. NPERS strongly recommends our plan members carefully research and fully understand the impact of rolling over their accounts in order to ensure this action is actually “in their best interests.”***

# 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 aggres-

sive 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.

# IRA – Traditional or Roth?

***If you elect to contribute to an IRA, you must decide if you want to utilize a Traditional or Roth IRA. Both are good options to save additional funds for retirement, and both offer tax saving advantages – but is one a better choice than the other? The contribution limits for both options are the same. In order to determine which is the better choice, you need to consider differences in taxation and ask yourself... which option will provide you with the most after tax income during retirement?***

A Traditional IRA provides tax savings in the form of “pre-tax” contributions. Money you contribute can be taken as a deduction, which lowers your Adjusted Gross Income and reduces your taxes for that year. The account grows tax-free and when you take distributions, all withdrawals, including contributions and earnings, are subject to state and federal income taxes.

Contributions to a Roth account are made on a “post-tax” basis. You pay taxes up-front, and contributions cannot be deducted from your yearly income, but when you reach retirement age both the earnings and contributions can be withdrawn tax-free.

## ***THE GOAL OF “MORE MONEY” – IT’S COMPLICATED...***

One of the common assumptions often made is a Roth will provide more money at retirement. This may or may not be true. Let’s compare a Roth vs. a Traditional IRA using an average income tax of 25% and 5% rate of return for each account. When the tax rates and the rates of return are identical, would one option put more dollars in your pocket during retirement?

For this example, both of our savers have reviewed their budgets and determined they can afford to contribute about \$75 each month.

The Roth saver will pay taxes first, and then make the monthly post-tax contribution to the IRA. At a 25% tax rate, in order to contribute \$75 they must earn \$100. \$25 will be paid in taxes and the remaining \$75 contributed to the Roth IRA. At retirement, the distributions will be tax-free.

The Traditional IRA saver will pay taxes when they take distributions, but because they are not paying taxes up front, the \$25 dollars that would have gone to taxes can instead go into the IRA. Their \$100 contribution will result in the same \$75 reduction as the Roth saver.

Now let’s apply the 5% rate of return over a 20-year time-frame\* and then deduct the 25% in taxes the Traditional IRA saver would pay on distributions during retirement.

ROTH
Post-Tax Monthly Contribution = \$75
After 20 years & 5% return = \$31,247.33*
Account is tax free = \$31,247.33

TRADITIONAL
Pre-Tax Monthly Contribution = \$100
After 20 years & 5% return = \$31,247.33*
After 25% tax = \$24,372.91

In both examples our savers have earned \$100 in income, but the Roth saver gives up 25% of this to taxes which reduces the amount they can contribute each month. Our Traditional IRA saver must pay taxes when they take distributions, but if they are taxed at the same 25% rate, they end up with the same \$30,827.53. The argument can be made that the Roth saver essentially paid less overall in taxes but what tangible financial benefit did they gain? If both savers contribute an equal amount, say \$100, then the Roth does provide more funds at retirement – but failure to increase the contribution rate when participating in a Traditional IRA diminishes the tax benefit it provides.

## ***TAXES: A BIG PART OF THE EQUATION***

So all things being equal, which option is going to provide you the most income for retirement? It all revolves around what percentage you end up paying in taxes. As your Adjusted Gross Income (AGI) increases, so do your tax rates.

FILING STATUS SINGLE	
2026 AGI BRACKETS	TAX RATE
\$0 - \$12,400	Taxed at 10%
\$12,401 - \$50,400	Taxed at 12%
\$50,401 - \$105,700	Taxed at 22%
\$105,701 - \$201,775	Taxed at 24%
\$201,776 - \$256,225	Taxed at 32%
\$256,226 - \$640,600	Taxed at 35%
\$640,601 - above	Taxed at 37%

\*Calculations made using the Voya “Traditional vs. Roth IRA Calculator”

<b>MARRIED FILING JOINTLY</b>	
<b>2026 AGI BRACKETS</b>	<b>TAX RATE</b>
\$0 - \$24,800	Taxed at 10%
\$24,801 - \$100,800	Taxed at 12%
\$100,801 - \$211,400	Taxed at 22%
\$211,401 - \$403,550	Taxed at 24%
\$403,550 - \$512,450	Taxed at 32%
\$512,451 - \$768,700	Taxed at 35%
\$768,701 - above	Taxed at 37%

Can you manage your income to pay taxes at a lower rate? If you assume your taxable income during retirement will be lower, it may make sense to take the tax break now by contributing to a Traditional IRA, then pay taxes on the distributions during retirement – at the lower rate. If you believe your taxable income/rate will be higher during retirement, then the tax-free distributions of the Roth may be a better option.

Unfortunately, trying to determine what your income and tax rate will be during retirement is at best, a guess. Your sources/amount of income, deductions, expenses, and future changes to the tax codes will all work for or against you.

### ***SO MANY THINGS TO CONSIDER...***

How much of your retirement income will come from taxable sources? Will distributions from these accounts push you into a higher tax bracket? During retirement there will be times when you may take a larger than usual distribution to replace an aging automobile or go on that dream vacation. Having funds in a Roth account allows you to cover all or part of those major expenses with tax-free distributions, thereby keeping your taxes in a lower bracket/rate.

You may have fewer items to deduct during retirement. For example, getting the house paid off is a wonderful thing, but how will losing that deduction impact your taxes? On the flipside, not having monthly mortgage payments may enable you to maintain the same standard of living with less income – potentially maintaining the same (or even a lower) tax rate. Review your current deductions and expenses and consider how they will impact your tax rates and income needs during retirement.

Will Social Security affect your income and tax rates? Under current law, Social Security benefits are subject to income tax at certain income thresholds determined by adding your AGI, plus any nontaxable interest, plus ½ of your annual Social Security benefit. Once you exceed these income limits, either 50% or 85% of your Social Security benefit will be subject to income taxes. The tax rate is determined by the applicable tax bracket IE: 10%, 12%, 22% etc. If taxable distributions and earnings are not reduced, adding Social Security benefits to the mix could result in increased taxable income and push you into a higher tax bracket.

For some retirees, their Social Security benefits may reduce the need for taxable distributions or earnings and result in lower taxes.

Roth IRAs do not force a required minimum distribution (RMD) be taken each year, but they must be taken from a Traditional IRA. How will these distributions impact your tax rate during retirement? The distribution percentage when the retiree must begin taking the RMD's from a Traditional IRA is approximately 3.5%-4%. Will these withdrawals push a portion of your income into a higher tax bracket?

Under the current Nebraska tax code, earned income and distributions from a Traditional IRA are subject to state income tax. What if you plan on moving to a state with no state income tax during retirement? If the answer is yes, distributions from a Traditional IRA would be subject to federal but not state income taxes. If that is the case, would you be better off contributing to a Traditional IRA now?

What is your current tax rate? Are you just starting out your career and anticipate earning more as you advance beyond entry level positions? If you fall into the lowest tax bracket now but expect to earn more in the future, then contributing to a Roth may make more sense at this stage of your life. If your income increases to the point where you fall into a higher tax bracket, then switching contributions to a Traditional IRA may become the better option.

What about Medicare premiums? Premiums are based on income, and a large distribution from a Traditional IRA can result in higher premiums. Under current law, distributions taken from a Roth IRA will not count toward these income thresholds.

Do you want to pass an inheritance to your spouse or children? One of the benefits of a Roth IRA is the ability to bequeath those dollars on a tax-free basis. If your heirs' income tax rates fall into the lower brackets, they may be better off inheriting a Traditional IRA rather than a Roth. Remember the example above – the larger account balance in the Traditional IRA has the potential to provide a greater overall benefit if taxed at a lower rate. Be aware the tax implications of inheriting any IRA can be complicated. Beneficiaries may need professional assistance to limit their tax liability.

### ***SO WHAT IS THE ANSWER? TRY A BLEND OF BOTH?***

Each individual situation is different, and this article only covers a few of the circumstances you may encounter. For many individuals, the best choice might be to employ both a Traditional and Roth IRA. Even if you think your tax rates during retirement will be lower, having a portion of your nest egg in a Roth IRA provides additional flexibility to manage your taxable income during retirement. In the end, there really is no wrong choice! Both Traditional and Roth IRA's are excellent options to save for your future.

# REQUIRED MINIMUM DISTRIBUTIONS

## FOR STATE & COUNTY PLAN MEMBERS

Each year, terminated plan members are required to take a taxable Required Minimum Distribution (RMD) amount from their retirement accounts once they reach “RMD age.”

**Failure to take RMDs can result in serious tax penalties, such as up to 25% of the original RMD amount, and the eventual transfer of retirement assets to unclaimed property!**

**NOTE: These regulations do NOT apply to members who are still actively working at a participating employer.**

## RMD DEADLINES

Distributions can be broken down into two separate deadlines – the initial RMD and subsequent RMDs. Should you begin receiving a monthly benefit, subsequent RMDs may be satisfied by those payments. These will not however satisfy RMD requirements for other plans such as an IRA or 457(b) (Deferred Compensation) plan. For DC members who defer partial account balances, you may need to take subsequent RMDs.

## RMD AGES

Legislation changes over the past few years have created different RMD ages depending on when you were born.

If you were born **prior to 7/1/1949**  
your RMD age is **70½**

If you were born **on or after 7/1/1949**  
but **before 1/1/1951**  
your RMD age is **72**

If you were born **on or after 1/1/1951**  
but **before 1/1/1960**  
your RMD age is **73**

If you were born **on or after 1/1/1960**  
your RMD age is **75**

### RETIRED MEMBERS

**The initial RMD is due the calendar year the terminated member turns RMD age.**

The federal tax code allows individuals to delay taking their initial RMD to April 1 of the following year.

For example, if a terminated member attains RMD age during 2026, the initial RMD amount must be taken by April 1, 2027.

**INITIAL  
RMD  
IS DUE**  
...

### ACTIVE MEMBERS

**If the member works beyond their RMD age (at a participating employer) then the initial RMD is due the calendar year of termination.**

The federal tax code allows individuals actively working past their RMD age to delay taking the initial RMD until April 1, following their year of termination.

**The April 1 “grace period”** provides individuals who terminate late in the year additional time to apply for and begin taking benefits prior to the initial RMD deadline. Even with the additional time, it’s still very important for members to be aware of this deadline.

**If the member fails to apply for AND begin receiving a monthly (pension) benefit, or account distribution, prior to the April 1 deadline, they may incur an IRS penalty that could be up to 25% of the calculated RMD payment. If the member continues to defer applying for a distribution, NPERS will transfer their account to Unclaimed Property on or about November 1.**

## APPLICATION DEADLINES

**NPERS recommends all members contact our office three to six months prior to termination to start the application process.**

Applying in advance takes on even more significance for terminated members who need to meet an April 1 RMD deadline.

Those members should preferably contact NPERS three to six months prior to termination, but no later than November 1. After they contact us, we will create and mail a retirement packet containing the paperwork they need to complete and return to our office.

- **The completed Application for Retirement form must be received in our office by the last working day in February in order to meet the April 1 deadline.**
- **All additional required paperwork such as birth certificates, marriage licenses, etc. should be submitted with the application. These documents must be received by NPERS in time to process the application and issue the first monthly benefit prior to the April 1 RMD deadline.**
- **Failure to meet these deadlines may result in significant tax penalties.**

**Members who terminate on or after RMD age should be aware of these deadlines and apply for benefits in a timely manner.**

## HOW NPERS CAN HELP

Clearly this can be a complicated process, but NPERS does provide assistance.

NPERS includes annual RMD notifications in all statements (both active and terminated plan members) when members reach age 65. This notice is designed to inform them of the potential for a future RMD.

If we are aware that a terminated member has entered the year they will reach RMD age, or if we receive notification of termination for a member who is RMD age or older, we will mail correspondence advising of the initial RMD due date and distribution options.

## YOUR RESPONSIBILITIES

NPERS will make every effort to provide RMD notifications to plan participants, but we cannot guarantee accurate notification for every member. It is your responsibility to understand your RMD age and apply for benefits in time to meet the application deadlines.

**We recommend these steps:**

- 1. If you terminate employment, keep your address up to date with NPERS.**
- 2. Understand how to establish an effective date for payment, that will occur prior to your RMD deadline, and file completed original paperwork in a timely manner for your distribution.**

# The **DEFERRED** **COMPENSATION** SAVINGS PLAN

{ Adding Peace of Mind  
to Your Retirement }



# Save *MORE* with DCP

*The State of Nebraska Deferred Compensation Plan (DCP) is designed to provide you the ability to save additional funds for retirement. Somewhat similar to a Traditional IRA, DCP allows you to make pretax contributions from your paycheck into your DCP account. After termination, you may take distributions from the account as desired.*



## DCP BASICS:

- Participation is voluntary.
- You choose the amount your employer will deduct from each paycheck and divert into your DCP account.
- Contributions are pre-tax and will not be reported as income for the current tax year, thereby lowering your taxes and allowing you to contribute more. Depending on your tax rate, a \$100 contribution to DCP may only reduce your paycheck by \$75 - \$90.
- You decide how to invest your account. Your account balance will fluctuate depending on market performance.
- The administrative, record keeping, and investment fees assessed to DCP accounts are extremely competitive.
- There is no waiting period to enroll. Eligible employees can sign up to participate at any time.
- Lower income employees may qualify for additional tax breaks under the Saver's Tax Credit.
- You may submit requests to change, stop, or re-start your contributions as desired.
- You can get started by contributing as little as \$25 each month.
- DCP contribution limits are much higher than the amounts allowed for an IRA.
- You may defer a sick or vacation leave payout.
- Distributions are subject to state and federal income tax.

DCP is offered to all Nebraska State employees including Judges and Patrol Plan members. For members participating in the County plan,

most counties offer a Deferred Compensation plan via the private sector. There are a few counties who have elected to participate in the State plan. County plan members should contact their Payroll/HR department for more information.

As with other tax sheltered retirement plans, there are restrictions on withdrawals. In most instances, you cannot take distributions until you have terminated employment. As such, participation should be considered a long-term investment for retirement and not a short-term savings account.

Any employee earning at least \$150,000 in FICA wages (in 2025) will not be able to participate in catch-up contributions in this plan.

For more information, please refer to the DCP handbook on our website or contact your HR or payroll department.

**\$24,500 is the maximum contribution amount for 2026. Individuals age 50 or older can contribute up to \$32,500.**

# DON'T DELAY! START SAVING NOW

There are two issues that can drastically impact the amount of funds DCP participants will have at termination. **Failure to begin participation at an early age and making poor investment choices.**

## GET STARTED!

The sooner you start, the easier it will be to amass a sizable nest egg. Individuals who fail to begin saving at an early age will lose out on the power of compounding interest. An individual who puts off saving until age 40 will need to save significantly more each month to obtain the same nest egg as someone who begins at 25. Remember, even if you can't set aside a sizable amount to contribute to DCP at this stage, saving a little now is much better than saving nothing at all.

It's amazingly easy to convince yourself you don't have enough "extra" income to contribute to DCP, but that might not be the case. Sit down and review your checking and credit card accounts to determine where your dollars are getting spent. Are all of these *essential* expenses? For many individuals, there may be items that could be cut back or eliminated.

For more information on debt and spending habits, please refer to the [Where Did Your Money Go?](#) article.

Once you have started contributing, try to save a little more each year. Did you receive a bump in pay due to a raise or change in the payroll taxes? Try to annually increase the amount you contribute – even if it's only \$10 or \$20 a month more. In the long run, it will make a difference.

## A COUPLE INVESTMENT "ISSUES"

Two common investment issues that can reduce your account balance are *attempting to time the market* and *choosing overly conservative investment options*.

It's been often repeated, "It's not timing the market, but TIME IN the market." Individuals who react to market fluctuations are greatly increasing their risk of reduced returns. In contrast, a knowledgeable investor will develop a long-term investment strategy and stay the course during market turmoil.

For more details on the dangers of market timing, please refer to the [One Wild Week](#) article.

The other issue is utilizing conservative investments that *over time* can create a lower rate of return. Historically, aggressive investments have far greater volatility but also provide a higher rate of return over extended time frames. Conservative investments have significantly less volatility, but on average provide lower rates of return. Investing your DCP dollars in the aggressive investment options can create higher returns, BUT you should carefully consider your tolerance for risk and your retirement timeline.

An aggressive portfolio will be a bumpy ride. You must be able to shrug off the temporary reductions in account value that occur during a down market and resist the urge to panic – and sell. Selling during a down market will turn a temporary reduction into a *permanent loss*. Professional investors recommend buying rather than selling during these downturns as stock is essentially on sale.

Conversely, an overly conservative investment strategy can also affect your account. If you have a low risk tolerance, this may be the right choice for you, but the lower returns over time can significantly reduce your account balance.

Which approach is right for you? *Only you can answer that question.* Keep in mind how much time you have until retirement. If you have 10 or more years to go, you may want to be more aggressive with your investments, BUT dealing with market downturn as you get closer to retirement can be very stressful. Aggressive investors should consider moving a portion of their account into conservative options as they approach retirement.

To illustrate these two points, let's compare two investors. We will use an \$80 a month contribution beginning at ages 25 and 40, and demonstrate the difference an investment strategy can make by comparing a hypothetical 2.5% "conservative" rate of return vs. a 6% "aggressive" rate of return\*.

*It's important to note that due to the pre-tax feature, depending on your tax rate – an \$80 contribution to DCP may only reduce your take home pay by \$60 to \$70...*

\$80 Monthly Starting at 25	
40 Years Later at Age 65...	
Conservative 2.5%	Aggressive 6.0%
\$65,978	\$160,336

\$80 Monthly Starting at 40	
25 Years Later at Age 65...	
Conservative 2.5%	Aggressive 6.0%
\$33,339	\$55,698

Our "Aggressive" investor who waited until age 40 contributed a total of \$24,000, and ended up with a \$55,698 nest egg at age 65. The "Aggressive" investor who began participation at age 25 contributed \$38,400 to their account, creating a \$160,336 nest egg at 65. Our investor who started early only contributed \$14,400 more, but the longer time frame netted them an additional \$104,638 to spend during retirement!

There is no way to know the rate of return an investment strategy will obtain in the future. In addition, you will never see a fixed rate of return due to market fluctuations – and historical returns are not a guarantee of future performance. *The point is... starting early and the investment strategy you select will both have a significant impact on your account balance at retirement.* Each individual is different. It is *your* responsibility to determine *your* retirement goal and select an investment strategy/saving rate that will work *for you*.



**\$80 A MONTH STARTING AT AGE 25 WITH A 6% RATE OF RETURN**

*\*There is no set formula that defines an aggressive or conservative investment strategy. Rates of return are for illustrative purposes only, and your rates of return will vary. To calculate account balances, we utilized the savings calculator found on the Investor.gov website using a daily rate of compounding and a starting balance of \$0.01.*

# ENROLLING IN DCP

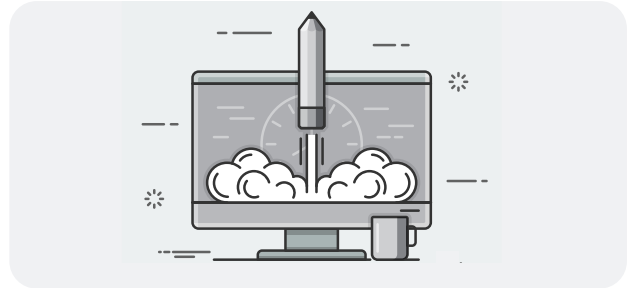
You may request to enroll in the Deferred Compensation Plan (DCP) at any time. State of Nebraska employees must use the Workday system for DCP enrollment and contribution changes, unless they are rolling eligible sick or vacation leave balances at retirement. Employees without Workday access may submit a DCP Enrollment form to their agency payroll department. The enrollment form must first be submitted to the payroll department in order to establish payroll deductions.

After the payroll department completes its portion of the process, the form will be forwarded to NPERS for final processing. Participation and contributions to DCP will begin as soon as administratively possible. State employees may also enroll during Open Enrollment.

Please remember to complete a Beneficiary Designation form when enrolling in DCP. The beneficiary form completed for your mandatory retirement plan does not transfer to your voluntary DCP account. A separate beneficiary form must be submitted to designate beneficiaries for the DCP account.

Unlike the DCP Enrollment form, which must generally be submitted to your HR or payroll department, beneficiary forms may be submitted directly to NPERS. DCP participants who fail to submit a beneficiary designation form will have death benefits paid to their estate in a lump sum, which may create unintended tax liabilities.

After participation has begun, contribution changes will be processed as soon as administratively possible. State of Nebraska employees must use Workday for contribution changes unless



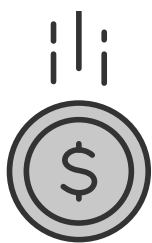
deferring eligible sick or vacation leave payouts at retirement. Employees terminating employment who are contributing eligible vacation or sick leave payouts must submit the required paper form to their agency payroll department for processing.

Investment allocation changes or transfer requests may be submitted directly to NPERS and are generally processed within three business days of receipt. Investment allocations and transfers may also be completed through the Ameritas online account (see “Ameritas Online Access & Changing Your Investments”).

Please note that any employee earning at least \$150,000 in FICA wages during 2025 will not be eligible to participate in catch-up contributions under this plan.

To obtain DCP or Beneficiary forms, please contact your agency payroll or HR department or access the forms through the NPERS website.

## DCP DEFERRAL OF UNUSED LEAVE



At termination/retirement, you may be eligible for a payout of unused sick and vacation leave. It’s nice to receive these payments, but they will count as income for that year and be subject to state and federal income taxes. If you are eligible for a large payout, these dollars could push a portion of your income into a higher tax bracket, increasing the percentage of income tax due that year.

To help manage this tax liability, you may elect to contribute unused sick and vacation leave payments into your DCP account. Contributions to DCP are made on a “pre-tax” basis and not counted as income or subject to income taxes. Distributions from the account will be subject to State and Federal income taxes but delaying them to a later date gives you the ability to spread out withdrawals over time. Distributions from DCP can be delayed up to RMD age at which point the account will be subject to required minimum distributions per the federal tax code.

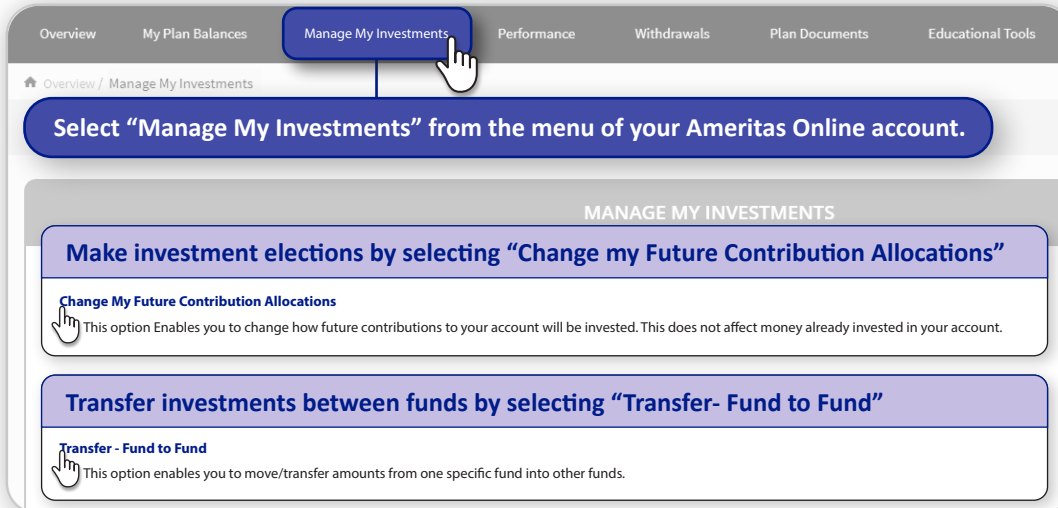
### To defer unused leave:

1. Complete and submit the appropriate DCP Enrollment/Change Form to your payroll or HR representative. We recommend making a copy for your records.
2. Your payroll or HR representative must sign and forward your form to NPERS.
3. **NPERS must receive your DCP Enrollment/Change Form prior to receipt of the funds.** We recommend consulting with your payroll/HR staff or an NPERS Member Services Representative in advance of your termination date to help understand the process.

Sick or vacation leave deferrals are subject to annual contribution limits. If the exact dollar amount of your unused leave payout is not known at the time you complete the form, you may estimate the amount or indicate “Maximum” on the form to contribute up to the limitations for contributions for DCP

# Ameritas Online Access & **CHANGING YOUR INVESTMENTS**

The quickest way to make investment elections/transfers is via the Ameritas Online account access. Changes may be submitted using the Investment Election or DCP Change forms, but be aware these forms may take up to three business days to process after we have received the form. Investment elections and transfers made using the Ameritas Online access are processed at the end of the market day.



In addition, the online access provides a wealth of information on your account, including investment performance for specific time frames using the Online Statements link found in the Plan Documents dropdown. Furthermore, an Ameritas online account allows access to the record-keeping data Ameritas maintains for your account, including account balances and access to quarterly statements.

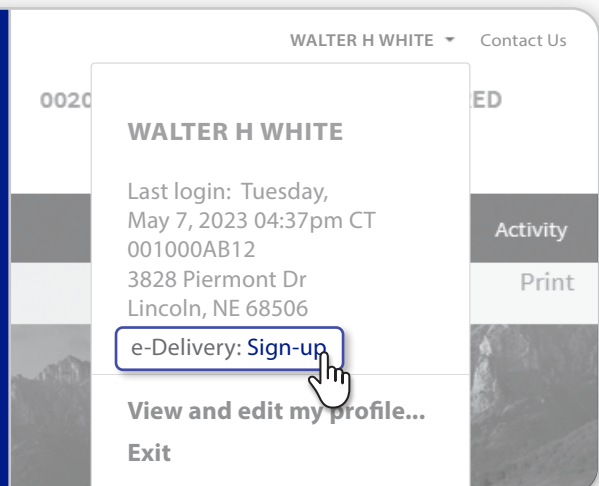
## Go Green With **ELECTRONIC STATEMENTS**

Individuals who have created an Ameritas online account have the option to receive confirmation notices and quarterly account statement notifications via email. This is the quickest and most convenient way to get these documents, it allows you to avoid the quarterly mailing fees, and it's environmentally friendly!

To sign up for e-Delivery, if you do not have Ameritas online access, the first step is creating an account. If you are a new retirement plan participant or recently enrolled in the voluntary Deferred Compensation Plan (DCP), you will be sent correspondence from Ameritas on creating your account. If you do not have this letter, you may access instructions by clicking on the blue "Ameritas Online Account Access" button found on the NPERS website homepage. Then click on the "New users" link for assistance on creating a new account.

### STEP 1

Once you have an online account, login to your Ameritas access. If you are participating in the mandatory plan and DCP, you will need to select the account you wish to open from the "Summary of Accounts" page. You will see your name at the top right corner of the screen. When you click on it, a box will appear with your address and eDelivery status. Click on the "Sign-up" link text.



### STEP 2

A pop-up box will appear... You can then enroll in e-delivery and enter (or change) your email from this screen.

### Go paperless!

Sign up for e-delivery with the address below, and enjoy the convenience of faster access to your statements and confirmations online.

greymatter@bluesky.net

Change your email address

Cancel

Sign Up

# Ameritas Account Armor Guarantee

At Ameritas, keeping your retirement account information safe and secure is a top priority. We're continually working to protect your personal data and are offering you our Ameritas Account Armor Guarantee free of charge.

**With the protection of the Ameritas Account Armor Guarantee, Ameritas will restore the value of your account if any of your assets are stolen due to fraud or unauthorized activity, providing you take all of the following steps:**



## Register for online account access and electronic delivery

Register for online account access on [ameritas.com](http://ameritas.com) by completing the process described in your welcome letter or by calling 1-800-277-9739. Registration requires multi-factor authentication with your email or phone number.

Sign up for electronic delivery on [ameritas.com](http://ameritas.com), so that you will receive all transaction confirmations, statements, disclosures and notices quickly via email. Simply sign in to your account and edit your profile to provide an email address.



## Monitor your account frequently

- Log into your account often to check your balance and ensure that your contact information is current.
  - If you are an active employee, please contact your company promptly for any address changes.
  - If you no longer work for the company sponsoring your retirement plan, please update your information quickly and easily online.
  - For your protection, there is a seven (7) day hold on accounts whenever information is changed.

- Be on alert for any suspicious messages such as texts, phone calls or emails. If you receive anything suspicious asking for information related to your Ameritas accounts, please contact us immediately. Ameritas does not ask for personal or login information through email, texts, or phone calls.
- Open any mail from us immediately and contact us if there is any unusual activity noted.



## Protect your information

- Use current anti-virus software.
- Be careful when opening attachments or clicking on links.
- Change passwords often and do not reuse passwords.
- Do not share any login information with anyone.
- Lock your devices when not in use. Do not use the "remember this device" option.
- Use only wireless networks that you trust. Be careful when using public "free" networks.
- Be aware of current potential scams.





## Contact us

Contact us immediately at 800-277-9739 if you notice any suspicious activity or have reason to believe your account has been compromised.

If you follow all of the steps shown above, Ameritas will guarantee reimbursement of your account. However, we will require your full cooperation with any needed investigation. Please protect your account and take advantage of the Ameritas Account Armor Guarantee. If you provided your credentials or provided permission for others to access your account including, but not limited to, family, financial professionals or others with whom you shared your account credentials, this guarantee will not apply.



This guarantee does not cover any transaction performed or authorized with anyone with whom you have shared your account credentials. Ameritas reserves the right to deny any benefits under this guarantee if we are not notified within 90 days after the suspicious activity has occurred. Further, this guarantee does not apply to activity resulting from a compromise of the systems or security at your employer who sponsors this plan.

The Ameritas Account Armor Guarantee applies only to retirement plan accounts maintained by Ameritas and does not extend to accounts held or managed by third parties, such as outside self-directed brokerage accounts. Ameritas may seek restitution from the person(s) who committed the unauthorized activity and may require you to assign certain rights or sign a release form as a condition to receiving reimbursement under the Ameritas Account Armor Guarantee. For accounts in employer-sponsored plans, reimbursement is generally subject to plan sponsor review and approval and may be subject to additional conditions based on any related agreement between Ameritas and your employer. Ameritas will determine the type and amount of any reimbursement in its sole discretion. This protection does not cover any legal fees, expenses or tax consequences or any indirect, consequential or non-monetary damages. Ameritas reserves the right to reduce the amount of any reimbursement by amounts you are entitled to receive from other sources for the same loss, such as identity theft insurance.

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# SAVER'S TAX CREDIT



## Did you know contributing additional dollars for retirement may reduce your taxes?

Contributing to either a 403(b) or 457 (Deferred Compensation) retirement plan may significantly reduce your taxes. Low and moderate income employees who make voluntary contributions to an employer-sponsored retirement plan or traditional or Roth IRA may qualify for a *Saver's Credit* of up to \$1,000 per individual (\$2,000 if filing jointly).

Eligibility and the amount of the credit are determined by filing status and adjusted gross income (AGI).

### FILING STATUS/ADJUSTED GROSS INCOME LIMITS FOR 2026

CREDIT RATE	MARRIED FILING JOINTLY	HEAD OF HOUSEHOLD	ALL OTHER FILERS <small>SINGLE, MARRIED FILING SEPARATELY, OR QUALIFYING WIDOW(ER)</small>
50%	\$0 to \$48,500	\$0 to \$36,375	\$0 to \$24,250
20%	\$48,501 to \$52,000	\$36,376 to \$39,375	\$24,251 to \$26,250
10%	\$52,001 to \$80,500	\$39,376 to \$60,375	\$26,251 to \$40,250
0%	more than \$80,500	more than \$60,376	more than \$40,251

A married couple filing jointly with an AGI of **\$48,500 or less** qualifies for the **50% credit rate**. If each contributes \$2,000 to a qualified plan, their combined credit is the maximum **\$2,000**. If their AGI is \$49,000, they fall in the **20% bracket**, and their credit would be **\$800** total (20% × \$4,000).

Don't confuse a **tax credit** with a **tax deduction**:

- A **deduction** lowers your taxable income (e.g. saving \$100 on a 12% bracket saves \$12 in tax)
- A **credit** reduces your tax owed dollar-for-dollar (e.g. a \$100 credit saves \$100 in tax)

Contributions to eligible plans **may reduce your AGI**, potentially helping you **qualify for a higher Saver's Credit**.

## 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 three days of Retirement Planning seminars. Registration brochures are mailed approximately four weeks prior to the seminars and may also be downloaded from the NPERS website.

### The Retirement Seminars Include:

Comprehensive information regarding the mandatory and voluntary retirement plans, and distribution options at retirement.

A one-hour Medicare presentation.

A basic overview of Social Security.

A one-hour Estate Planning presentation.

Condensed information on health insurance.

## ONLINE WEBINARS

We have multiple retirement education opportunities available to our members, as on-site seminars may be limited by location and the number of people who can attend. In an effort to provide alternatives that fit everyone's lifestyle, NPERS now offers half-day webinars and evening webinars. These options, unlike the on-site seminars, are free to attend. All you need to do is sign up. Attending a half-day webinar, in conjunction with our Social Security, Medicare, and estate planning videos, provides a full-day seminar experience.

## VIDEOS

NPERS currently offers many educational videos for plan members. These videos include both in-depth and introductory explanations of NPERS' retirement plans, investment education, financial planning, and guides to filling out various NPERS forms.

All of these videos and more can be found on our Youtube channel, as well as our website [NPERS.NE.GOV](https://www.npers.ne.gov).

New videos are being added regularly as NPERS expands its web presence, so be sure to check in on our Youtube channel to view all of our most recent video resources!



VISIT US AT:

<https://www.youtube.com/@nebraskapublicemployeesret6531>

## Retirement Seminar Videos:

NPERS has made our seminar materials and videos of our presentations available online at [NPERS.NE.GOV](https://www.npers.ne.gov). For the full seminar experience, you may view the videos listed below.

### State/County and School Plan Pre-Retirement Videos

These videos cover the State/County and School retirement plans and distribution options.

### Social Security Education

This video provides general information regarding the Social Security Program.

### Welcome to Medicare

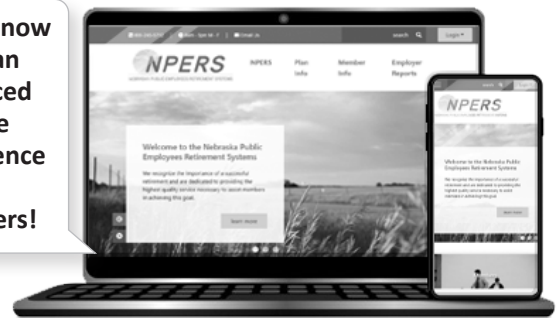
This video, presented by the Senior Health Insurance Information Program (SHIIP) of Nebraska, gives an overview of the Medicare program.

### Estate Planning with Ramzi Hynek

Ramzi Hynek of Rembolt/Ludtke LLP reviews the fundamentals of estate planning including topics such as wills, probate, powers of attorney, taxation, beneficiary designations, trusts, and much more.

## WEBSITE

NPERS now offers an enhanced website experience for our members!



[NPERS.NE.GOV](https://www.npers.ne.gov) provides the information and resources you expect, with a user-friendly interface. The NPERS site is updated on a regular basis, so be sure to check for news and events throughout the year, publications, investment information, and more.

Visitors to the NPERS website may access a wide variety of plan information including:

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

## 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](https://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 “in-house.”

#### Retired Members

*Retired members may:*

- 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 15 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, DCP, 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.



NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS

1526 “K” St., Suite 400  
P.O. Box 94816  
Lincoln, NE 68509-4816

**Telephone:** 402-471-2053  
**Toll Free:** 800-245-5712  
**Fax:** 402-471-9493  
**Online:** [npers.ne.gov](https://npers.ne.gov)

# 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 benchmark 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 BALANCE (CB) PLAN**

NPERS Cash Balance (CB) plan is a tax-deferred retirement plan, in which employees contribute a fixed amount from their paychecks to an account that is intended to fund their retirements. Investments are managed by the Nebraska Investment Council and participants are promised a certain benefit at retirement.

## **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.

## **DEFERRED COMPENSATION PLAN (DCP)**

NPERS Deferred Compensation Plan, also known as a 457 plan, is a non-qualified, tax-advantaged plan offered by state governments, local governments, and some nonprofit employers. Eligible participants are able to make salary deferral

contributions, depositing pre-tax money that is allowed to compound without being taxed until it is withdrawn.

### **DEFINED CONTRIBUTION (DC) PLAN**

NPERS Defined Contribution (DC) plan is a retirement plan tax-deferred, like a 401(k), in which employees contribute a fixed amount from their paychecks to an account that is intended to fund their retirements. This allows employees to invest pre-tax dollars in the capital markets where they can grow tax-deferred, however, returns on the investments may go up and down over the years.

### **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 their 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 RMD age.

### **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 statute.

**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 their 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.



NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS

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