



2022 Annual Report

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NEBRASKA INVESTMENT COUNCIL



Back Row (left to right): Michael Walden-Newman, John Conley, Randy Gerke, John Dinkel
Front Row (left to right): Richard DeFusco, Gail Werner-Robertson, John Murante (State Treasurer), Cecelia M. Carter, and Keith Olson.

Council Chairwoman

Gail Werner-Robertson

President
GWR Wealth Management, LLC
Omaha, NE
Term 2019-2023

Council

Richard A. DeFusco, Ph.D., CFA
University of Nebraska-Lincoln
Lincoln, NE
Term 2022-2026

Keith A. Olson, Ph.D., CFA
Creighton University
Omaha, NE
Term 2021-2025

John Murante
Nebraska State Treasurer
Lincoln, NE
Ex Officio (non-voting)

John M. Dinkel
Dinkel Implement Co.
Norfolk, NE
Term 2020-2024

John H. Conley, CFA
Consultant
Omaha, NE
Term 2018-2022

Randy Gerke
NPERS Director
Lincoln, NE
Ex Officio (non-voting)

Cecelia M. Carter
OSERS Director
Omaha, NE Ex-Officio
Retired September 2022

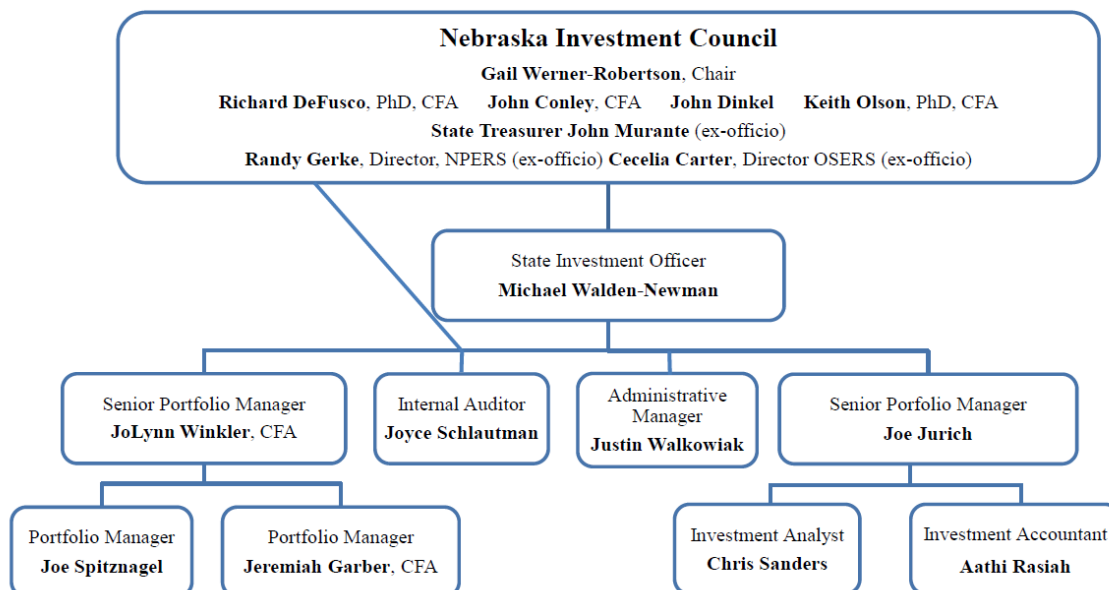
Shane Rhian - OSERS
Appointed November 2022

State Investment Officer

Michael W. Walden-Newman
State Investment Officer
Lincoln, NE

Organizational Chart

It is the mission of the Nebraska Investment Council to prudently manage the funds entrusted to us by the people of the State of Nebraska. We deliver investment management services to provide direct financial benefit exclusively to the owners of these funds. We are committed to thorough, sound, and informed analysis in order to achieve superior returns while maintaining prudent levels of risk.



Transaction Summary

	Beginning Balance	Net Contributions	Investment Results	Closing Balance
	(millions of dollars)			
Defined Benefit Plans	\$ 17,171	\$ -300	\$ -1,982	\$ 14,889
State & County Retirement Plans/ Deferred Compensation Plan	4,460	-150	-554	3,756
Omaha School Retirement	1,626	-29	-185	1,412
Operating Investment Pool	7,421	1,617	-532	8,506
NE Educational Savings Plan Trust	7,115	-101	-1,078	5,936
Nebraska ENABLE Savings Plan	26	5	-2	29
General Endowment Funds	1,196	-11	-121	1,064
Health Care Endowment Fund	561	-16	-65	480
Miscellaneous Trusts	82	-2	-10	70
2022 Totals	\$ 39,658	\$ 1,013	\$ -4,530	\$ 36,142
2021 Totals	\$ 33,985	\$ 1,445	\$ 4,228	\$ 39,658
2020 Totals	29,990	650	3,345	33,985
2019 Totals	25,695	75	4,220	29,990
2018 Totals	27,009 ¹	- 511	- 803	25,695
2017 Totals	24,279	- 459	3,189	27,009
2016 Totals	21,922	- 372	1,538	23,088
2015 Totals	21,962	- 227	187	21,922
2014 Totals	20,595	159	1,208	21,962
2013 Totals	17,769	372	2,454	20,595
2012 Totals	15,831	241	1,697	17,769

1. University Funds were removed in July 2018.

NEBRASKA INVESTMENT COUNCIL

ANNUAL REPORT

I am pleased to present the Annual Report for the Nebraska Investment Council for the year ending December 31, 2022. The Council oversees \$36 billion across 32 investment programs:

- \$16.3 billion in 5 defined benefit pension plans.
- 3.8 billion in 7 other retirement plans.
- 1.5 billion in 11 public endowments.
- 8.5 billion in the Operating Investment Pool, the State's checkbook, managed internally.
- 69.1 million in 3 State trusts.
- 5.9 billion in 4 college savings plans.
- 29.0 million in the Nebraska Enable plan.

The funds are spread among over 60 investment firms and over 150 investments.

The Nebraska Investment Council was established in 1969 as a centralized state investment agency. Governing laws include Neb. Rev. Stat. §§ 72-1237 through 72-1260, the State Funds Investment Act, and Neb. Rev. Stat. §§ 72-1261 through 72-1269, the Capital Expansion Act.

The Council is governed by an eight-member board of directors. The chair and four other private citizens are appointed by the Governor and confirmed by the State Legislature. There are three ex-officio members: the State Treasurer, the Director of the Nebraska Public Employees' Retirement Systems, and the Administrator of the Omaha School Employees Retirement System. The Council board appoints a State Investment Officer, subject to approval of the Governor and the State Legislature. The Investment Officer and eight other investment professionals make up the Council staff.

The Council board and staff are grateful for the support we receive from the Governor and other statewide elected officials. We appreciate the interest and encouragement of state legislators, particularly the Nebraska Retirement Systems Committee, Appropriations Committee, and their staff. We value our close working relationship with other state agencies, the Nebraska Public Employees Retirement Systems and Omaha School Employees Retirement System staffs and boards.

Our mission statement reflects our shared goals:

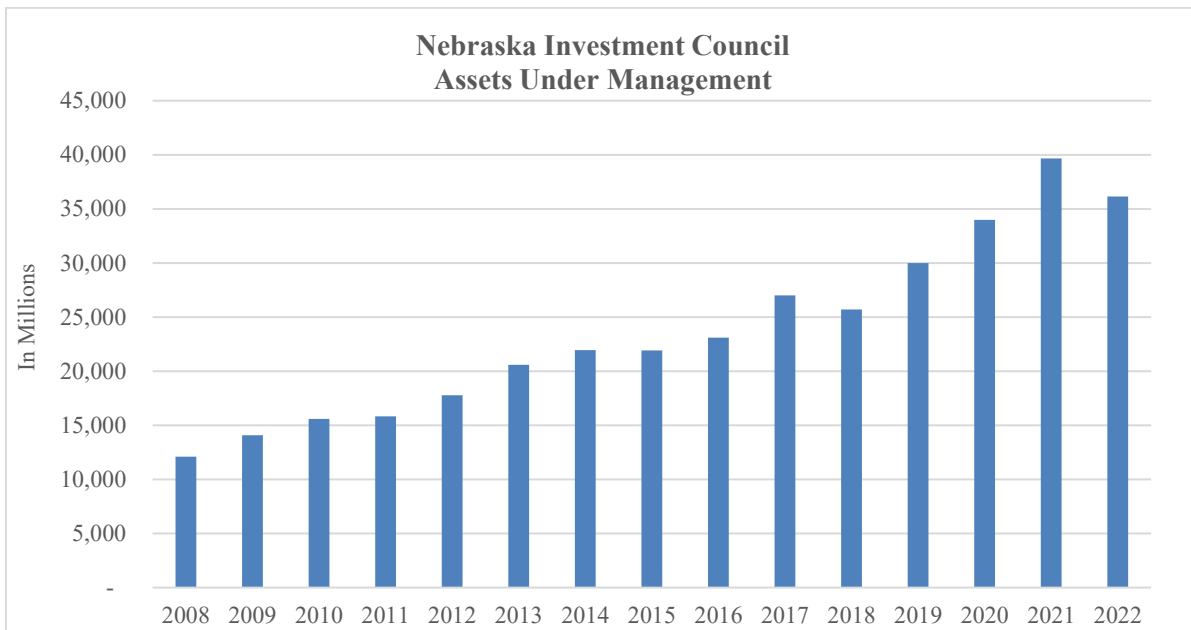
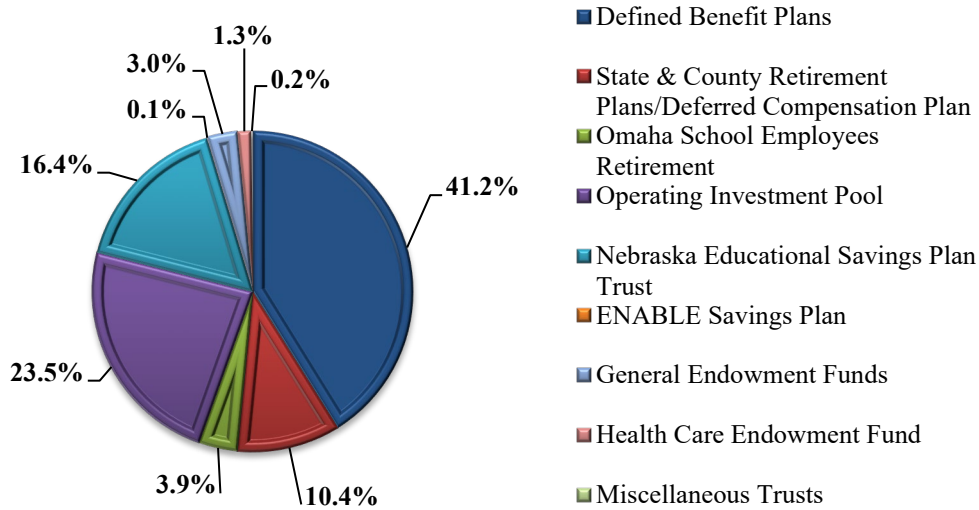
It is the mission of the Nebraska Investment Council to prudently manage the funds entrusted to us by the people of the State of Nebraska. We deliver investment management services to provide direct financial benefit exclusively to the owners of these funds. We are committed to thorough, sound, and informed analysis in order to achieve superior returns while maintaining prudent levels of risk.

This Annual Report is designed to give Nebraska citizens a summary as outlined in Neb. Rev. Stat. §72-1243 of Council activity, and an overview of portfolio structure and performance for the assets entrusted to the Council. This report and a wealth of other information about the Nebraska investment program—including specific manager detail in quarterly performance reports—can be found on the Nebraska Investment Council website at <http://www.nic.nebraska.gov>. Please contact me with any questions you have at 402-471-2001 or michael.walden-newman@nebraska.gov.



Michael W. Walden-Newman
State Investment Officer

NEBRASKA INVESTMENT COUNCIL PORTFOLIO



2022 ADMINISTRATIVE REVIEW

What a difference a year makes! After record-high returns in 2021, markets turned south in 2022. The total return for Nebraska school employees, district and Supreme Court judges, and Nebraska State Patrol was down 8.6 percent for the plan year ending June 30, 2022, versus up 29.9 percent in the year prior. Omaha school district's (OSERS) plan returned a negative 11.4 percent for its plan year ending December 31, 2022, compared to a positive 17.8 percent for 2021. State and County employee pension plan total return was nearly the same, returning -11.8 percent for the same plan year ending December 31, 2022, after returning 16.4 percent the year before.

The good news is that the plans all "smooth" in their actuarial returns, so it is helpful that the returns are net positive over the two-year period. Their five-year averages are bolstered by the healthy returns in recent years which are critical factors in actuarial assessments of plan health.

The Investment Council certainly maintains a long-term view. Each September the Council board and staff receive a Capital Market Assumption report from our investment consultant Aon. This report projects expected returns by asset class for a 10-year and 30-year time horizon. Given Aon's assumptions the Investment Council's asset allocation for the retirement plans, for example, are expected to return just over 7 percent for both 10 and 30 year periods. These expected returns exceed the 7 percent actuarial return assumption all plans will have in place by 2024; OSERS will follow suit in 2025.

State law mandates that the Council diversify the investments of the assets in their charge "so as to minimize risk of large losses." With that in mind, the Council begins portfolio construction by setting risk parameters, then an asset allocation designed to stay within that risk. It is a conservative, deliberate approach.

The Council conducts in-depth studies of asset allocation structure and manager selection on a five-year staggered rotation. We call this holistic examination a Blank Sheet Review. We do not simply target underperforming managers. We ask instead: "Does the asset class have a place in the portfolio? If so, what style? What weight? And finally, which managers?" We believe this methodical investment management process keeps the portfolio fresh and fine-tuned. Without it, portfolios run the risk of being based on yesterday's best practices and ideas, not tomorrow's.

December 2021 saw completion of a blank sheet review of fixed income. The Council board adopted a fixed income structure and made changes to the investment manager line-up for the retirement plans and endowments. Resulting contract work and transition of assets continued into the first half of 2022.

Council staff began work in 2021 on a blank sheet review of the equity portfolios of the retirement plans and endowments. Work continued through 2022, with the Council board adopting a new structure in September, and ended the year with manager changes in December. Public equity is divided among US, non-US, and global equity allocations. Global equity managers can move between US and non-US stocks. The new structure increases the global equity target weight to accommodate a broader opportunity set.

The Council's annual July Retreat is a time for the Council board, staff, consultants and other attendees to explore in depth timely investment topics.

- The 2022 Retreat began with a presentation by Nathan Kauffman, senior vice president and Omaha Branch executive of the Federal Reserve of Kansas City. He discussed the Federal Reserve's role in monetary policy, bank supervision and their financial services.
- Michelle Edkins, global head of BlackRock's Investment Stewardship team, presented at the Retreat. The Council invited BlackRock to explain its proxy voting practices after BlackRock CEO Larry Fink's letter to corporate CEOs brought ESG (Environmental, Social and Governance) to the forefront in investment policy debates. ESG was a focus of Council board and staff study throughout 2022 and into 2023.
- Thomas Hoerner and James Anders of GQG Partners, and Jim Cavanaugh and John Huss of AQR Capital Management co-led a discussion of "How to Get Alpha from Equities."
- Finally, Aon presented the results of the OSERS Asset-Liability Study. An asset-liability study is a comprehensive toolkit for making decisions on a fund's target asset allocation and investment risk to align them with the liabilities that fund supports.

Throughout the year, the Council staff carefully monitors each of the separate asset pools to ensure compliance with investment policies, confirm that investment objectives are being met, and analyzes investment performance. The Council board and staff, working with our investment consultant Aon and

independent education, keep governance investment policies, processes and procedures up to date with the best current practices. The Nebraska Investment Council is mindful of its charge to “prudently manage the funds entrusted to us by the people of the State of Nebraska,” and we are all proud of our results.

2022 CAPITAL MARKET REVIEW

2022 was an exceptionally difficult year in capital markets. The dominant stories of the year were high inflation and rising interest rates, the latter leading to one of the worst years in bond market history. Equity markets flirted with bear market territory for much of the year, leaving investors with virtually nowhere to hide. The closing weeks of the year provided some reprieve, at least -- the key source of relief was optimism over falling headline inflation which encouraged a view that central banks might manage to avoid further interest rate rises in 2023 while also steering economies away from recession.

Equity Markets

Global equities ended 2022 down 18%, a mirror image of 2021’s performance. The U.S. market (-20%) fared worse than other developed markets (-14% in USD terms); developed regions in aggregate outperformed emerging markets (-20%). A strong U.S. Dollar for much of the year negatively impacted domestic investors’ holdings in international equities, though there were signs toward the end of the year that the Dollar was beginning to weaken.

Within domestic equities, value stocks meaningfully outperformed growth stocks. This came on the heels of roughly a decade of growth stocks handily outperforming value. The energy sector (+60%) was one of the few bright spots in the U.S. equity market and was by far the best performing sector over the trailing year.

Fixed Income Markets

U.S. Treasury yields increased dramatically during 2022, driven by the Fed increasing the Fed Funds rate seven times by a total of 4.25% over the last twelve months. Treasury yields ended the year between \approx 200 basis points (long end) and \approx 400 basis points (short end) higher than where they were as of January 1st. High quality corporate bonds generally fared even worse than Treasuries as credit spreads widened over the trailing year. Securitized sectors held up a bit better, but still produced negative returns. The U.S. investment grade bond market in aggregate (as measured by the Bloomberg U.S. Aggregate Bond Index) was down approximately 13% during 2022. High yield bonds fared a bit better, but were also generally down double-digits. 10-Year U.S. Treasury / TIPS Breakeven inflation touched 3% mid-year before retreating back to 2.3% as of year-end.

Alternatives (Real Estate and Private Equity)

U.S. private market real estate was one of few areas to produce positive returns during 2022, returning approximately 7% as measured by the NCREIF NFI – ODCE Index. While private equity performance through 12/31/2022 is not yet available, private equity results during 2022 generally outstripped the returns on publicly equities, though some of this was no doubt attributable to the impact of lagged pricing.

DEFINED BENEFIT PLANS

Plan	12/31/22 (in millions)
School Retirement System	\$ 14,169
Nebraska State Patrol	489
Nebraska Judges'	219
Omaha Schools Service Annuity Fund	12
Total	\$ 14,889

The Defined Benefit Plans are comprised of the School Retirement System of the State of Nebraska, the Nebraska State Patrol Retirement System, the Nebraska Judges' Retirement System, and the Omaha School Service Annuity Fund. For these plans, the benefit is determined by formula and does not depend on investment results.

School

- School Plan members contribute 9.78% of gross compensation to the retirement plan. This is matched by the employer at 101%.

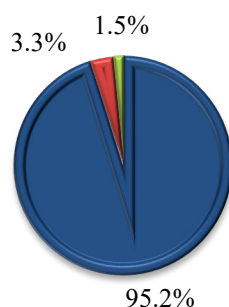
State Patrol

- Members hired on or after July 1, 2016, fall under "Tier Two" benefits. Benefits are capped at 75% of final average compensation for all members. Tier Two members contribute 17% of gross compensation to the retirement plan. This is matched by the employer at 100%.
- Tier One members (hired before July 1, 2016) contribute 16% of gross compensation to the retirement plan. This is matched by the employer at 100%. Tier One members do have the option to invest in the DROP (Deferred Retirement Option).

Judges

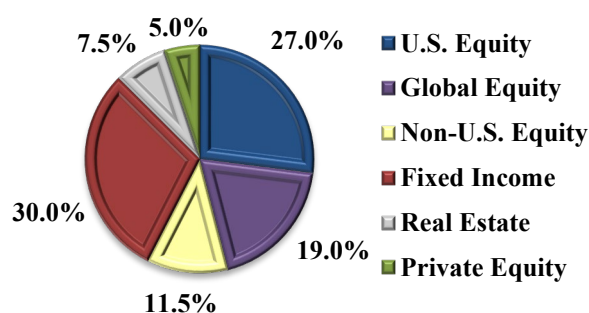
- Judges hired on or after July 1, 2015 (Tier 2 & 3) contribute 10% of compensation. A \$6 retirement plan fee, as prescribed by law, is remitted by district and county courts to assist in the funding of retirement benefits.
- Judges hired on or after July 1, 2004, or Judges who elected to participate in the provisions created by LB1097 contribute 9% of compensation. Upon reaching 20 years of service credit, this rate decreases to 5%.
- Judges hired before July 1, 2004, who elected not to participate in the provisions created by LB1097 contribute 7% of compensation. Upon reaching 20 years of service credit, this rate decreases to 1%.

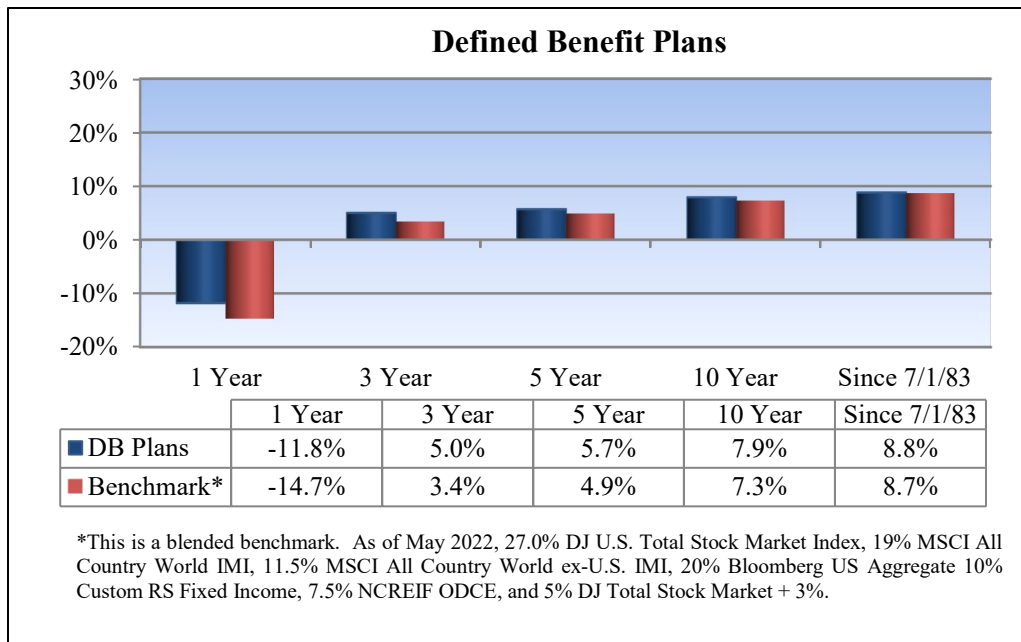
Plans as a Percentage of Total



■ Schools, 95.2% ■ State Patrol, 3.3% ■ Judges, 1.5%

Policy Asset Allocation





The Defined Benefit Plans operate on a July 1 – June 30 fiscal year. The School Plan is the largest of the three plans totaling \$14.2 billion of the \$14.9 billion (95%). The Policy Asset Allocation is 57.5% to public equity, 30% fixed income, 5.0% to private equity, and 7.5% to private real estate.

During 2022, the Defined Benefit Plans had a negative 11.8% return compared to its benchmark of a negative 14.7%.

The following table outlines the Actuarial Report completed as of June 30, 2022. The School Plan has a funded ratio of 98.4% compared to 90.7% for the Patrol and 101.3% for the Judges plan.

		<u>School</u>	<u>Patrol</u>	<u>Judges</u>	<u>Total</u>
		(millions of dollars)			
June 30, 2022	Assets (actuarial value)	\$ 14,721.0	\$ 514.56	\$ 228.63	\$ 15,464.19
	Liabilities (AAL)	<u>14,958.0</u>	<u>567.48</u>	<u>225.65</u>	<u>15,751.13</u>
	Surplus	- \$ 237.0	- \$ 52.92	\$ 2.98	- \$ 286.94
	Funded Ratio	98.4%	90.7%	101.3%	98.2%

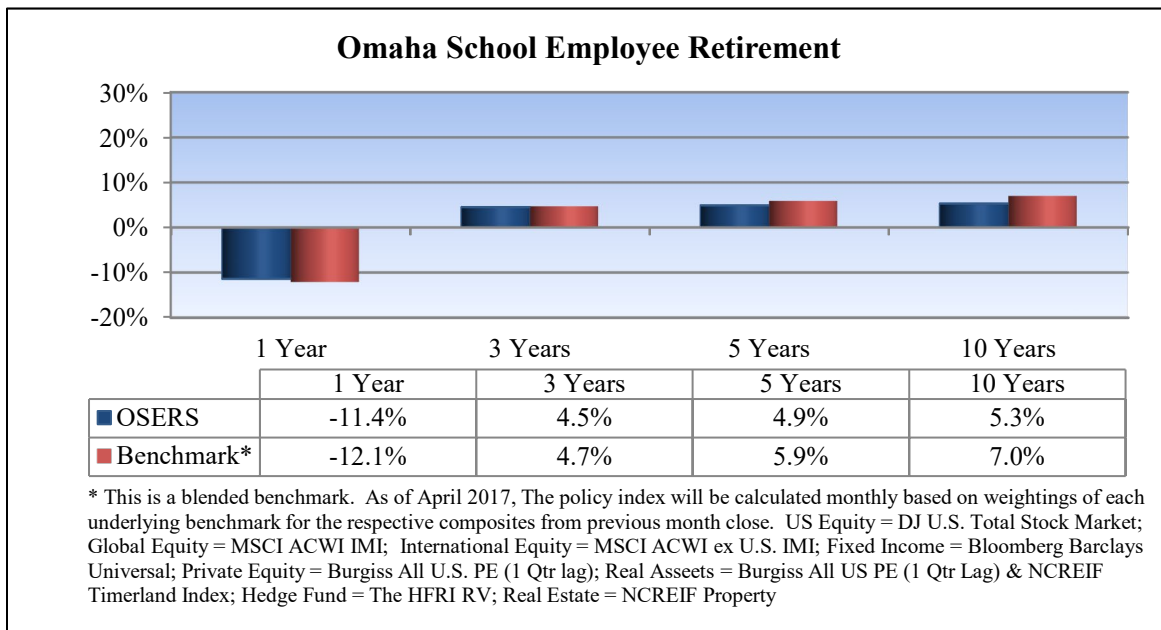
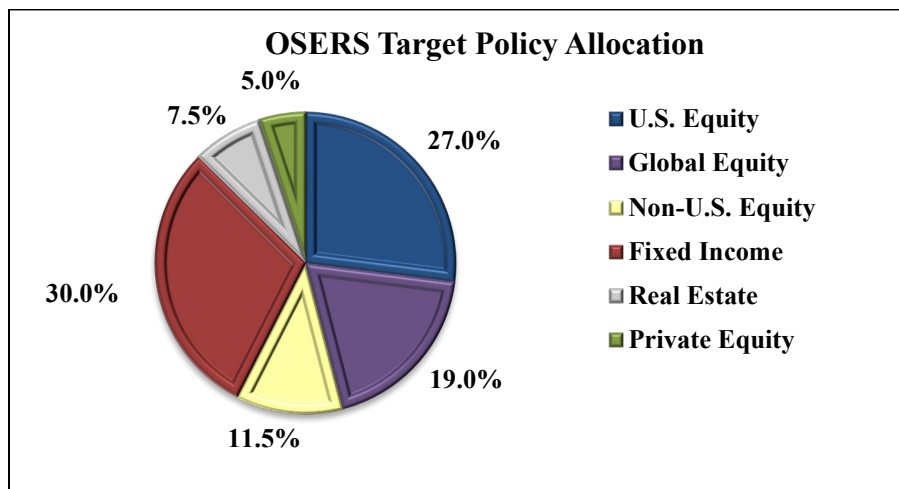
OMAHA SCHOOL EMPLOYEES RETIREMENT SYSTEM (OSERS)

Plan	12/31/22 (in millions)
Omaha School Employees Retirement	\$ 1,412

The Omaha School Employee's Retirement System (OSERS) is the second oldest teacher retirement system in the United States, created in 1909. Since 1951, OSERS has served as the consolidated retirement system for all eligible district employees.

It is a defined benefit plan. Funding is split among three sources: 9.78% of gross compensation from plan members; a 101% match, or 9.88% from the employer; and 2.0% from the State of Nebraska.

The Council assumed management of OSERS assets in 2017 and is transitioning the portfolio to its new long-term target.



OSERS experienced a negative 11.4% return in 2022, compared to the negative 12.1% benchmark return.

STATE & COUNTY RETIREMENT PLANS/ DEFERRED COMPENSATION PLAN

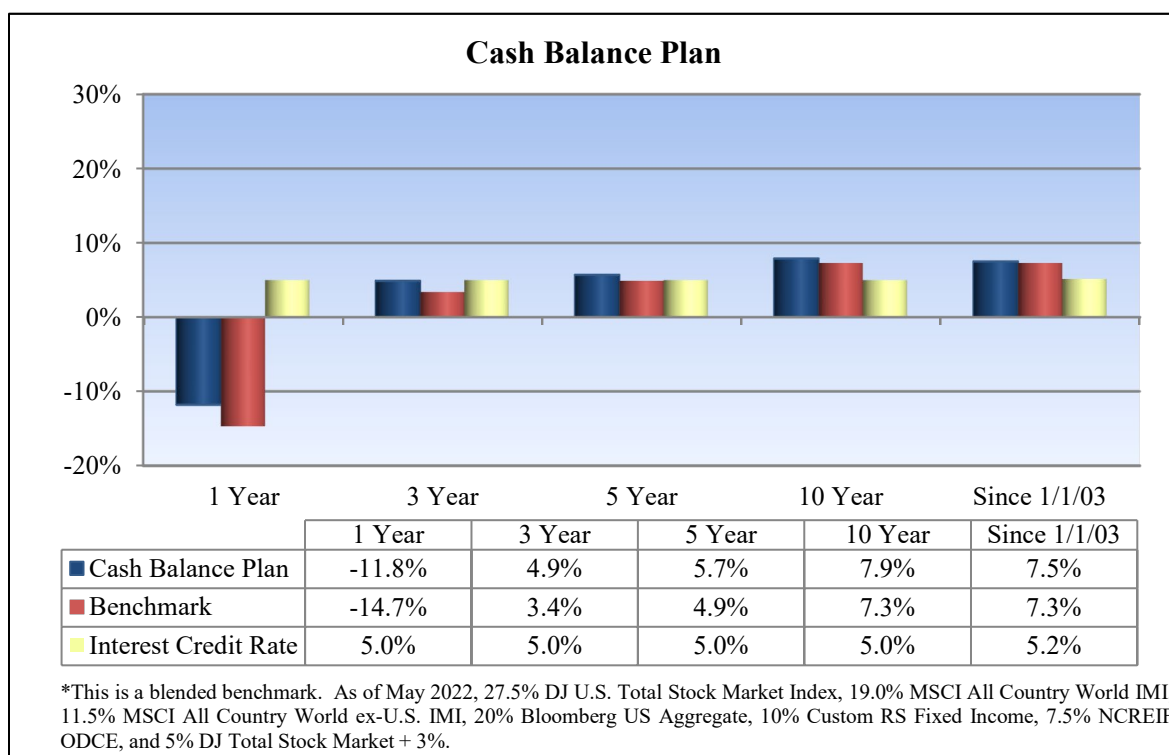
Plan	12/31/22 (in millions)
Defined Contribution	\$ 880
Deferred Compensation	237
Cash Balance Plan	2,635
Empower/Mass Mutual	4
Total	\$ 3,756

Cash Balance Plan

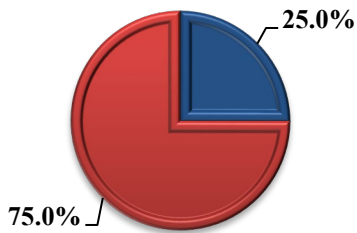
Since January 2003, the accounts for all new employees who participate in the State and County Retirement System Plans are automatically invested in the Cash Balance Plan. Members who participate in the Cash Balance Plan do not make their own investment choices. Contributions to these accounts come from both the employee and the employer, and the rates are identical to those in the Defined Contribution Plan. The assets are held in a trust fund which is managed by the Council. Cash Balance participants are guaranteed an annual interest credit rate which is defined in statute as the greater of 5% or the federal mid-term rate plus 1.5%. The interest credit rate resets each calendar quarter. During the 2022 calendar year State employees earned a 7.5 percent dividend while the County employees earned a 6.5 percent dividend. Both were based on 2021 calendar year.

The Cash Balance Plan has a strategy that is designed to mirror the investment strategy of the Defined Benefit Plans, so the asset allocation is the same as the Defined Benefit Plans.

During 2022, the Cash Balance Plan had a negative return of 11.8% compared to the negative 14.7% for the benchmark.

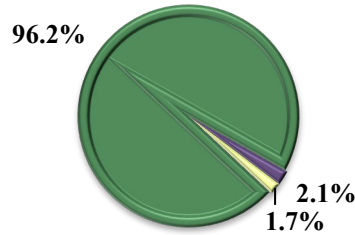


State & County Retirement Systems



■ Defined Contribution, \$880 million
 ■ Cash Balance, \$2,635 million

State Deferred Compensation Plan & State Patrol DROP Plan



■ Deferred Compensation Plan, \$231.8 million
 ■ State Patrol Drop Plan, \$5.1 million
 ■ Mass Mutual, \$4.1 million

Defined Contribution Plan

Prior to 2002, employees in the State and County Retirement System Plans only received the Defined Contribution benefit. In December 2002 participants were given the option to remain in the Defined Contribution Plan or transfer to the Cash Balance Plan implemented in January 2003. LB 328 and LB 916 passed in 2007 and 2012 respectively, which allowed Defined Contribution members another opportunity to transfer to the Cash Balance Plan.

Members who remain in the Defined Contribution Plan make their own investment choices based on the funds offered. Contributions to these accounts come from both the employee and the employer. State employees are required to contribute 4.8% of their salary. The State matches the employee contribution at the rate of 156%. County employees are required to contribute 4.5% of their salary. The county matches the employee contribution at the rate of 150%. The account balance for both state and county employees consists of accumulated contributions plus investment gains or losses.

State Deferred Compensation Plan, Mass Mutual DCP and State Patrol Drop

Deferred Compensation Plan (current version)

The voluntary Deferred Compensation Plan for State Employees offers the same investments as those offered in the State and County Retirement Systems’ Defined Contribution Plan. Combining the investment options of the State Deferred Compensation Plan and the State and County Defined Contribution Plan provides a reduction in costs for participants making voluntary contributions.

Empower/MassMutual Deferred Compensation Plan (Previously Hartford)

In 2022, the Nebraska Investment Council terminated the MassMutual/Empower investment options within the State’s legacy Deferred Compensation plan (closed to new contributions in 1997). Any participant funds remaining in those investment options as of September 30, 2022, were transferred to the appropriate LifePath Fund in the State’s Deferred Compensation Plan.

The assets remaining in the MassMutual/Empower Plan are part of a Group Annuity Contract invested in an interest-bearing account.

State Patrol DROP

A retirement payment option called “DROP” is available in the State Patrol Retirement Plan. DROP stands for Deferred Retirement Option Plan. The feature is voluntary and provides a way for a Patrol Plan member to receive a lump-sum amount at retirement in addition to an ongoing monthly retirement benefit, in

exchange for working up to five more years (but not beyond age 60). The account will be invested by the member using the 13 investment funds offered in the voluntary Deferred Compensation Plan (DCP). The member assumes full responsibility for how the DROP account is invested and for any market gains or losses.

Asset Allocation

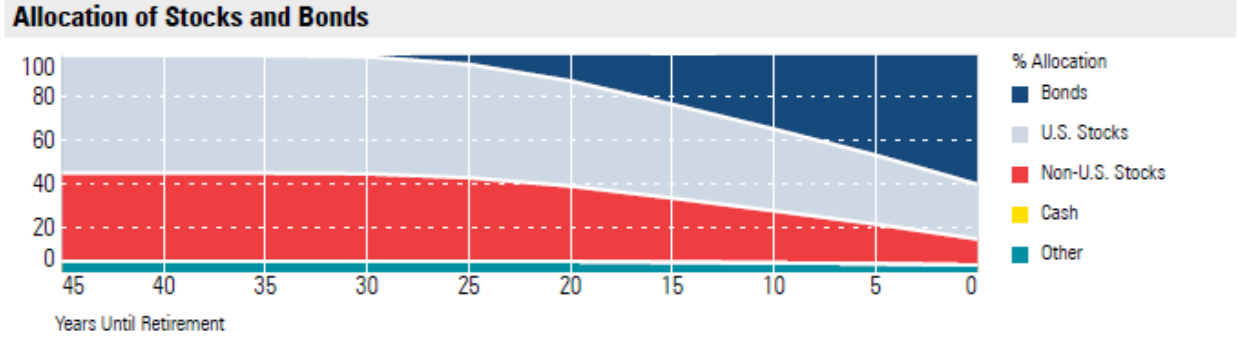
For both employee and employer contributions, a participant selects among investment funds offered by the Plans. The Council selects, monitors, and terminates, when necessary, these funds. Because participants direct the investment of these contributions, the participant determines the allocation to each of these funds.

The State Deferred Compensation Plan is voluntary and participants may choose to invest their assets in any of the available Defined Contribution investment funds. By offering the same investment funds for both the Defined Contribution Plan (mandatory contributions) and the State Deferred Compensation Plan (voluntary contributions), plan participants may find it easier to implement an integrated investment strategy. Combining the investment options also provides a reduction in costs for participants.

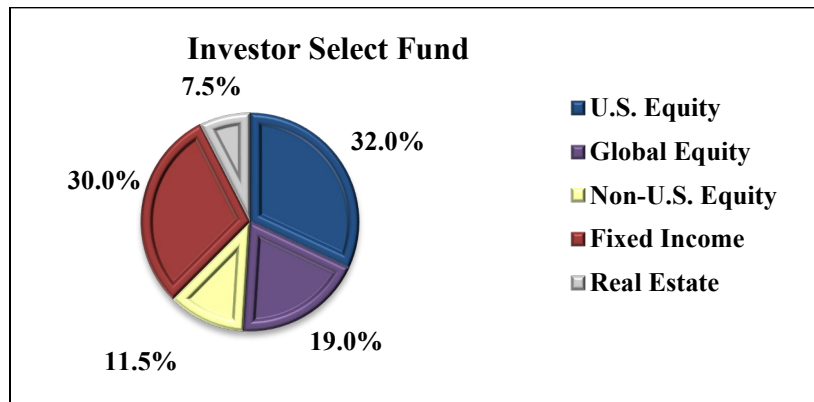
Beginning December 4, 2020, the investment options available for participants has been revised. The list of available investment options is shown in the following table. Participants who had assets left in investment options that are no longer offered in the plan were mapped to the new investment options on January 8, 2021.

U.S. Equities	Premixed Fund
U.S. Total Stock Market Index Fund	Investor Select Fund
Non-U.S. Equities	Target Date Funds
International Stock Index Fund	LifePath Index 2065 Fund
	LifePath Index 2060 Fund
Global Equities	LifePath Index 2055 Fund
Global Equity Fund	LifePath Index 2050 Fund
	LifePath Index 2045 Fund
Fixed Income	LifePath Index 2040 Fund
Stable Value Fund	LifePath Index 2035 Fund
U.S. Bond Index Fund	LifePath Index 2030 Fund
U.S. Core Plus Bond Fund	LifePath Index 2025 Fund
	LifePath Index Retirement Fund

The LifePath Index Funds are target date funds that automatically adjust the asset allocation among stocks, bonds, and other investments from more aggressive to more conservative as the participant gets closer to retirement.



The Investor Select Fund is invested with an asset allocation and investment strategy substantially similar to the investment allocations made for the Defined Benefit Plans.



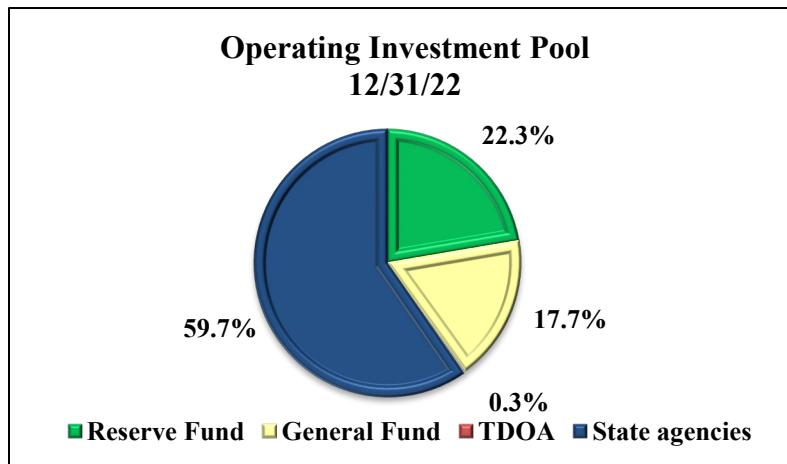
OPERATING INVESTMENT POOL (OIP)

Plan	12/31/22 (in millions)
Short Term Liquidity	\$ 1,115
Intermediate Gov. / Corp.	7,388
Time Deposit Open Account	22
Less: DB Assets	- 19
Total	\$ 8,506

The Council invests the available money from the State’s general fund and State boards, commissions, departments or agencies, and any other state funds not currently needed, into the Operating Investment Pool (OIP). The Department of Administrative Services calculates the average daily balance for each participant and distributes the earned income monthly on a pro-rata share basis.

From the funds available for investment in the OIP, the Council is required, pursuant to the Nebraska Capital Expansion Act, to offer each qualifying bank and capital stock financial institution in the state a time deposit open account (TDOA) of one million dollars. To the extent that the total amount of funds initially offered to each bank or capital stock financial institution is not accepted by such institutions, the balance of the funds shall be reoffered to such banks and capital stock financial institutions that are willing to meet the rate and other requirements set forth for participation in the program. No one bank or capital stock financial institution may receive for deposit a sum of more than sixteen million dollars.

The first \$250,000 of the deposit is insured by the FDIC. The statute requires the pledging of collateral for deposits greater than \$250,000 with a minimum pledge of 102% of the amount deposited. However, when publicly traded fixed income securities are used for collateral, the Council requires 110% for adequate coverage due to fluctuating market values throughout the month. The Nebraska statute also allows institutions to pledge letters of credit. This type of collateral does not have a fluctuating value so when letters of credit are used, 102% is the coverage required by the Council.



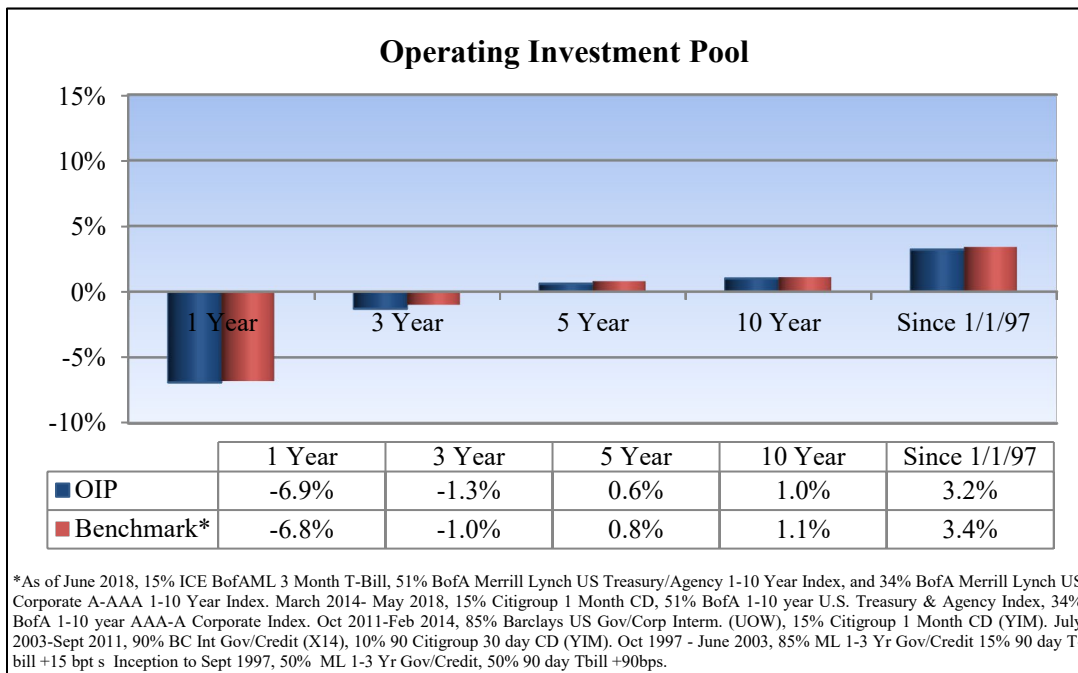
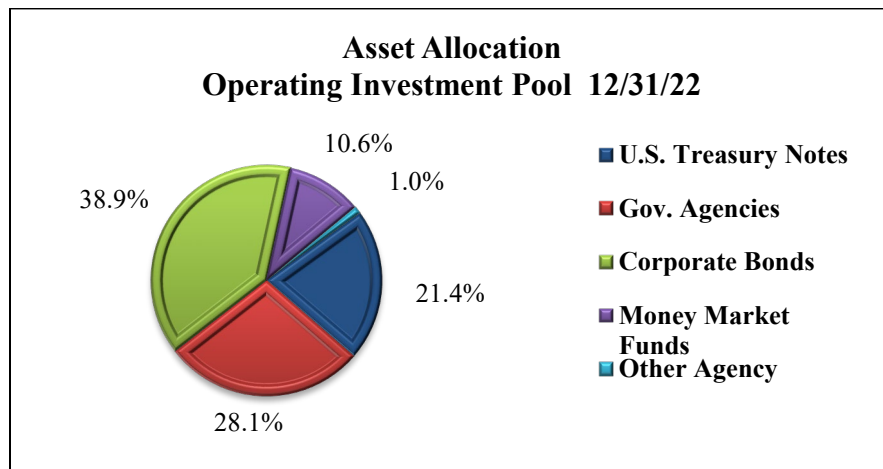
The OIP is managed internally, and is made up of high quality U.S. Treasuries, government agencies, and investment grade corporate bonds with laddered maturities extending ten years. The Short-term Liquidity portion of the OIP is invested in money markets, and 1 year or shorter treasuries, government agencies, and commercial paper whereas the Intermediate Government / Corporate portion is invested in 10 year or shorter treasuries, government agencies, and domestic corporate bonds. Money market funds are used to provide liquidity for the daily cash needs of the participants. The Council established an Investment Policy

Statement for the OIP that includes credit quality and diversification constraints to provide safety of principal, liquidity for the daily cash flow needs of the entities within the OIP, and return on investment. Below are the Short-term Liquidity portfolio constraints.

- Money Market Funds – 100% maximum, 50% to any single Money Market Fund
- Commercial Paper – 5% maximum per issue

The following are the constraints for the Intermediate Government / Corporate portfolio.

- U.S. Treasuries – 15% minimum
- U.S. Agency Notes & Debentures – 50% maximum in total, 20% maximum per agency issuer
- Money Market Funds – 5% maximum
- Corporate Bonds – 50% maximum for the total corporate sector
- AAA and AA rated corporate – 3% maximum per issuer
- A rated corporate – 30% maximum in total, 2% maximum per issuer
- Industry – 5% maximum per industry



GENERAL ENDOWMENTS

Plan	12/31/22 (in millions)
Permanent School Fund	\$ 929.921
Early Childhood Education	61.451
Veterans' Aid	55.304
Cultural Preservation	10.723
Agricultural Endowment	3.269
Permanent Endowment	1.485
Normal School Endowment	0.352
Environmental Endowment	1.900
Bessy Memorial	0.029
Meadowlark Endowment	0.000
Total	\$ 1,064.434

Endowment funds are used to provide a perpetual source of funding for the activities of the entities they support. Generally there are two investment objectives – providing some funds for the current year’s operations and increasing the portfolio to support future needs. The financial management of an endowment fund consists of a contribution strategy, a distribution strategy, and an investment strategy. Although these strategies are interrelated, the Council determines only the investment strategy for these endowments. The assets of the endowments described in this section are commingled to achieve administrative efficiencies and cost savings from economies of scale. The basic purpose of each endowment is described below.

The Permanent School Fund

The endowment receives proceeds from the sales of school land held in trust for K-12 public education, payments for easements and right-of-way over the lands, and royalties and severance taxes paid on oil, gas, and minerals produced from these lands.

The Nebraska Early Childhood Education Endowment Fund

The endowment provides funding for grants to schools and community partners to provide programs serving at-risk children birth to age three.

The Nebraska Veterans' Aid Fund

The endowment provides emergency financial assistance to eligible veterans and dependents.

The Cultural Preservation Endowment Fund

The endowment supports the activities of the Nebraska Arts Council and the Nebraska Humanities Council. Distributions from this fund are conditioned on matching contributions from other sources.

The Agricultural Endowment Fund

The endowment receives proceeds from sales of land granted by the federal government. Investment income is distributed to the Institute of Agriculture and Natural Resources.

The Permanent Endowment Fund

The endowment receives proceeds from the sales of land granted by the federal government. Investment income is distributed to the University of Nebraska. This fund is also called the Permanent University Endowment Fund.

The Normal School Endowment

The endowment receives proceeds from sales of land granted by the federal government. Investment income is distributed for the benefit of the state colleges. This fund is also called the State College Endowment Fund.

The Nebraska Environmental Endowment Fund

The endowment is funded by the state lottery program and is part of the Nebraska Environmental Trust. The Trust provides grants for the purposes of environmental conservation in Nebraska.

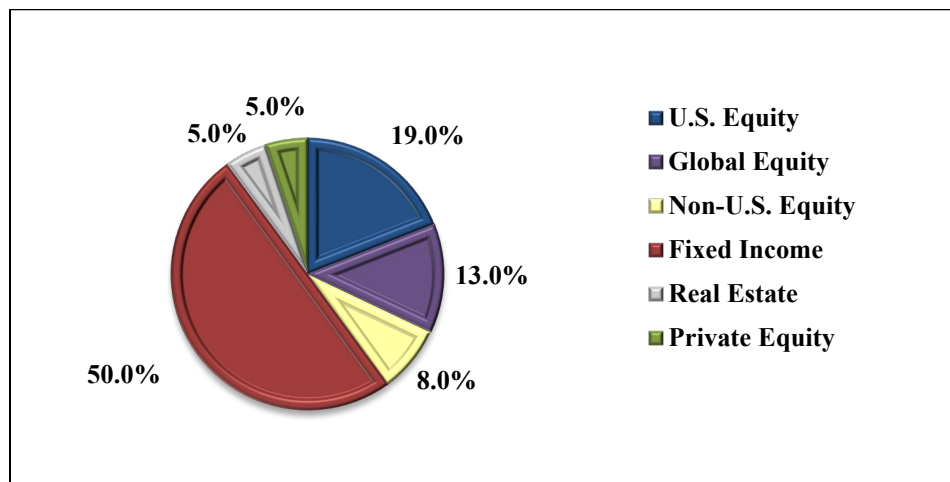
The Bessey Memorial Fund

The endowment provides aid to widows of University of Nebraska professors.

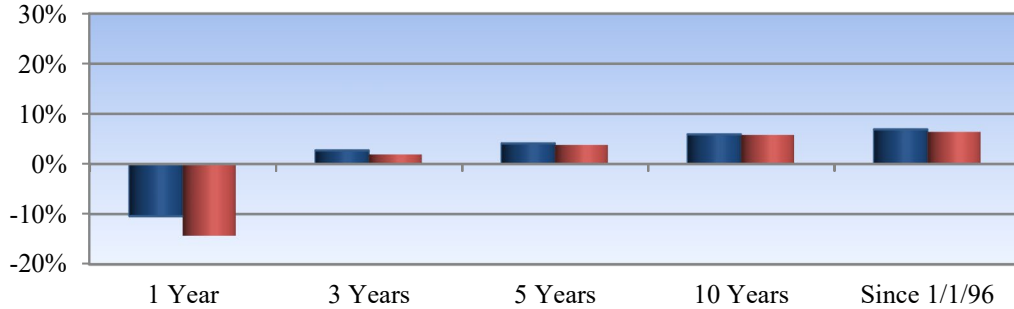
The Meadowlark Endowment Fund

The endowment may receive qualified private contributions and any amounts appropriated or transferred to the fund by the Legislature. Investment income earned each calendar year will be distributed to the accounts opened that same calendar year in the Meadowlark Program. The purpose of the program is to promote access to postsecondary educational opportunities by providing funds to qualified individuals.

Asset Allocation



General Endowments



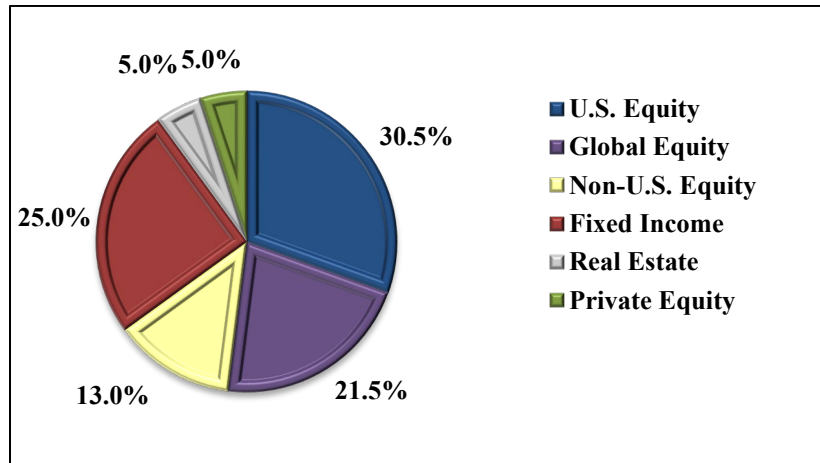
	1 Year	3 Years	5 Years	10 Years	Since 1/1/96
■ General Endowments	-10.4%	2.7%	4.1%	5.9%	6.9%
■ Benchmark*	-14.3%	1.9%	3.8%	5.8%	6.4%

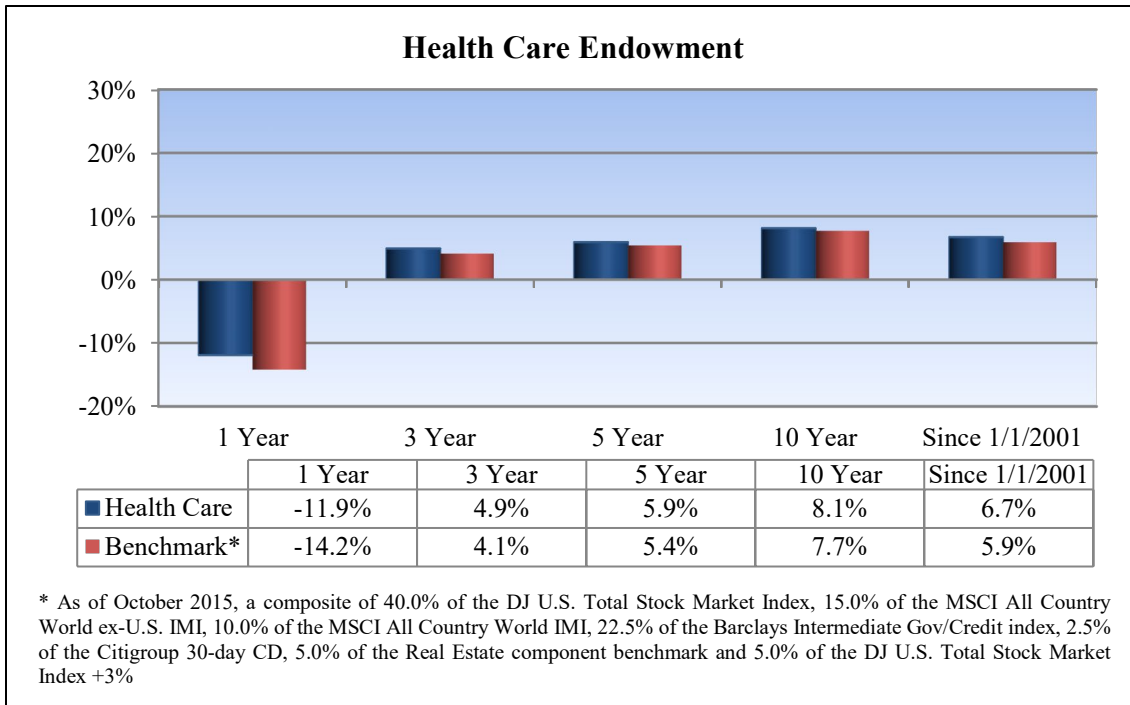
* As of December 2017, a composite of 19.0% of the DJ U.S. Total Stock Market, 8.0% of the MSCI All Country World ex-U.S. IMI, 13.0% of the MSCI All Country World IMI, 50.0% of the fixed income component benchmark, 5.0% of the real estate component benchmark, and 5.0% of the DJ U.S. Total Stock Market Index + 3%.

HEALTH CARE ENDOWMENT

Plan	12/31/22 (in millions)
Tobacco Settlement	\$ 479.5

Asset Allocation

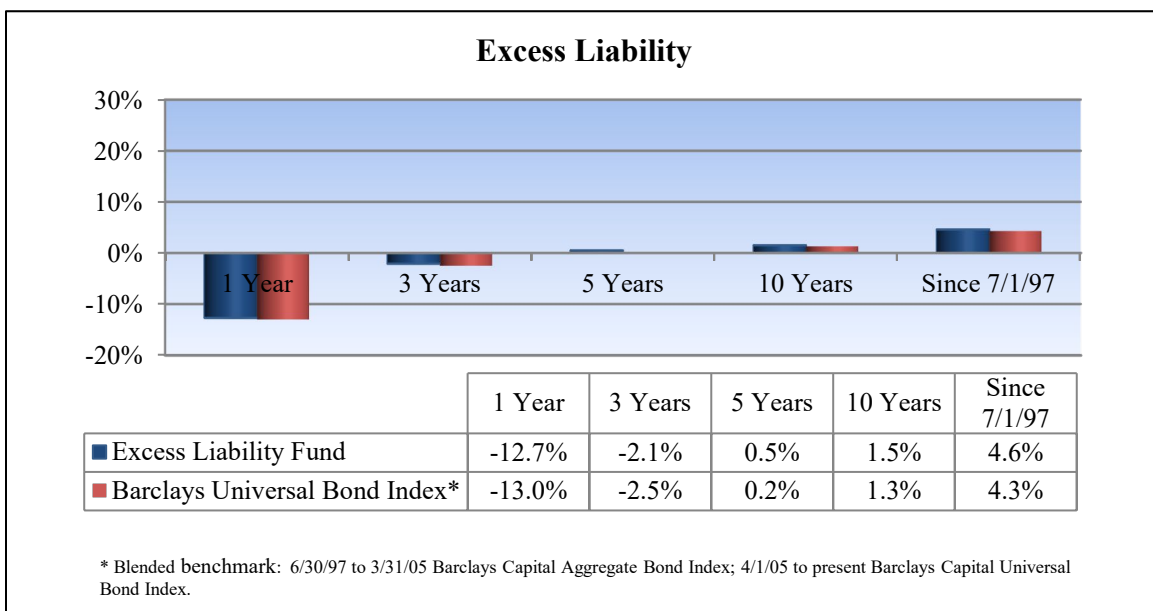




MISCELLANEOUS TRUSTS - EXCESS LIABILITY

Plan	12/31/22 (in millions)
Excess Liability	\$ 61

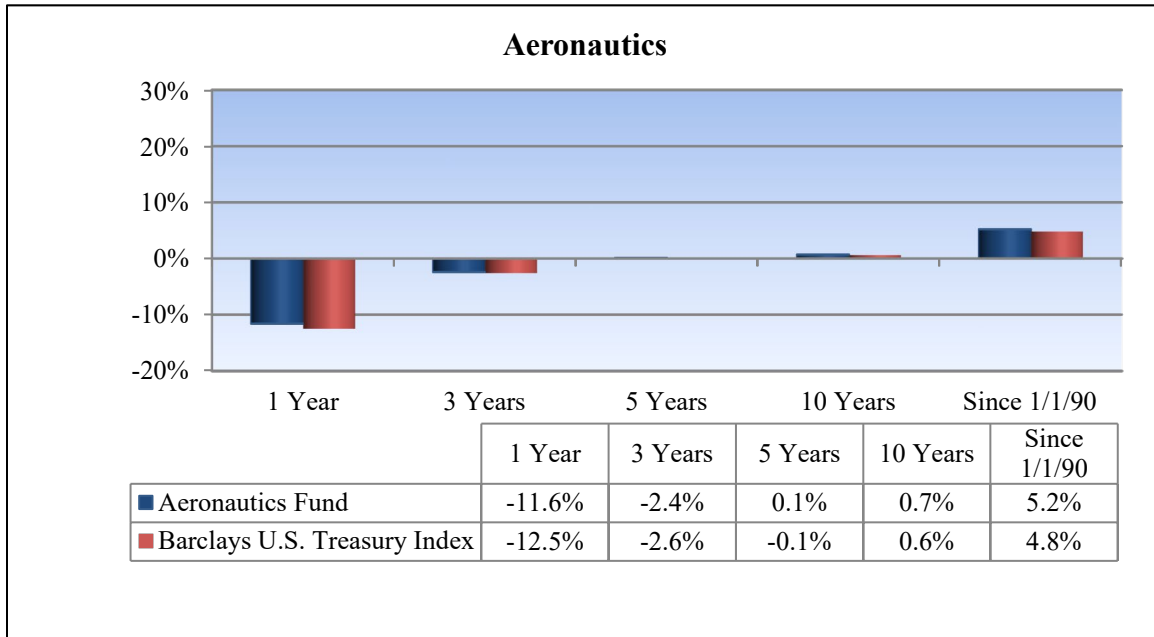
This Fund was created by the Nebraska Hospital-Medical Liability Act. Contributions consist of insurance premiums from certain health care providers and a surcharge levied on all healthcare providers in the State. The funds are used to pay judgments against the insured health care providers. The Council does not determine the distribution policy.



MISCELLANEOUS TRUSTS - AERONAUTICS TRUST FUND

Plan	12/31/22 (in millions)
Aeronautics Trust Fund	\$ 5.8

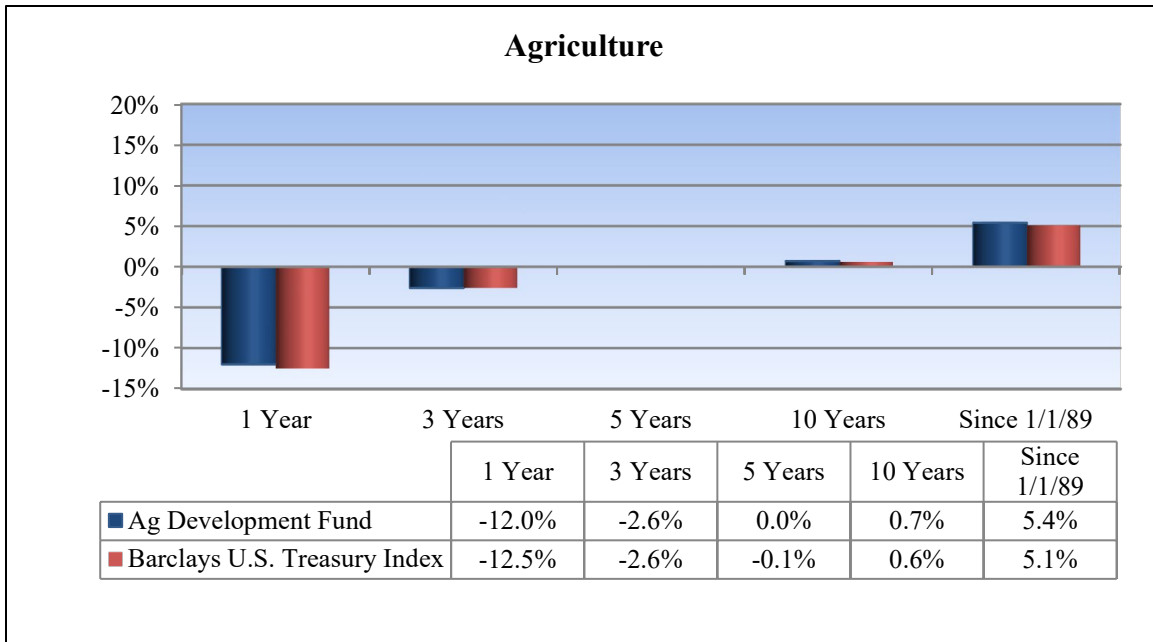
This Fund receives the proceeds from the sale of state-owned airfields. Investment income is used to pay expenses of the Aeronautic Trust Fund. Uses of the funds include, in order of priority, operations of the State-owned Airfields, the Navigational Aids Division, and grants to eligible Nebraska airports.



MISCELLANEOUS TRUSTS - AGRICULTURAL DEVELOPMENT TRUST FUND

Plan	12/31/21 (in millions)
Agricultural Development	\$ 2.2

This Fund consists of money received from the U.S. Department of Agriculture. Income from the Fund pays expenses of the Nebraska Department of Agriculture. The Council does not determine the distribution policy.



NEBRASKA EDUCATIONAL SAVINGS PLAN (NEST)

Plan	12/31/22 (in millions)
Direct	\$ 2,280
Advisor	1,237
Bloomwell	1,796
State Farm 529	623
Total Nebraska Educational Savings Plan	\$ 5,936

The Nebraska Educational Savings Plan Trust was established by the Nebraska State Legislature with a January 1, 2001, effective date. The Plan is an Internal Revenue Code Section 529 Plan providing tax-deferred growth of funds for higher education costs. There are four plans within the Nebraska Educational Savings Plan Trust – NEST Direct College Savings Plan, NEST Advisor College Savings Plan, the TD Ameritrade 529 College Savings Plan, and the State Farm College Savings Plan. The Nebraska State Treasurer serves as the Program Trustee and all investments are approved by the Council. As of December 4, 2020, Union Bank and Trust serves as the Program Manager.

NEST Direct College Savings Plan

The NEST Direct Plan puts the account owner in charge of managing the account without guidance from a financial advisor. The account can be invested in the following investment options.

- Age Based Investment Options
- Static Investment Options
- Individual Fund Investment Options

NEST Advisor College Savings Plan

The NEST Advisor Plan is offered to individuals who are using the expertise and guidance of a financial advisor. The financial advisor will work with the Program Manager to open and transfer money to the participant account. The account can be invested in the following investment options.

- Age Based Investment Options
- Static Investment Options
- Individual Fund Investment Options

Bloomwell College Savings Plan (previously TD Ameritrade 529)

Participant accounts can be set up directly with TD Ameritrade and participants are offered similar investment options as those offered to participants with the NEST direct and advisor accounts. The account can be invested in the following investment options.

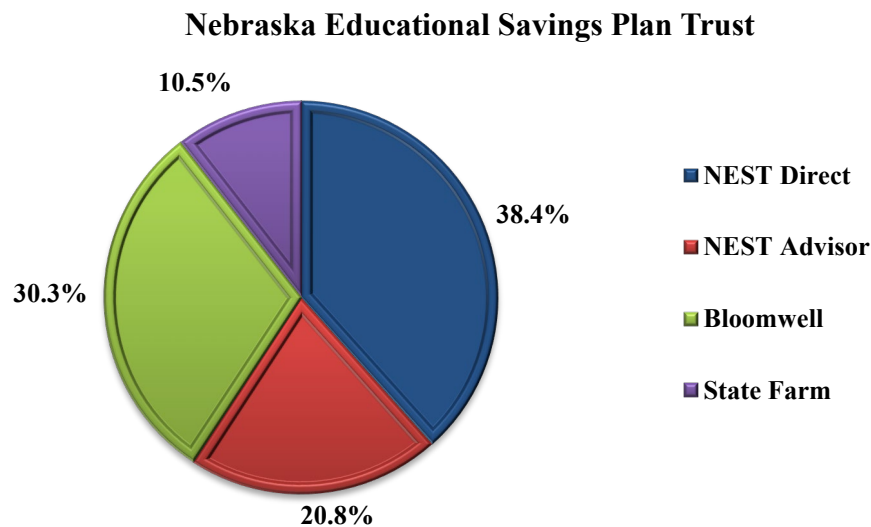
- Age Based Investment Options: Core and Socially Aware
- Static Investment Options: Core and Socially Aware
- Individual Fund Investment Options

State Farm 529 Savings Plan

State Farm agents market a series of the Nebraska Educational Savings Plan Trust under the State Farm name. Participants may choose from the following investment options.

- Age Based Investment Options
- Static Investment Options

The following pie chart provides a breakdown of the 4 plans within the NEST Trust.



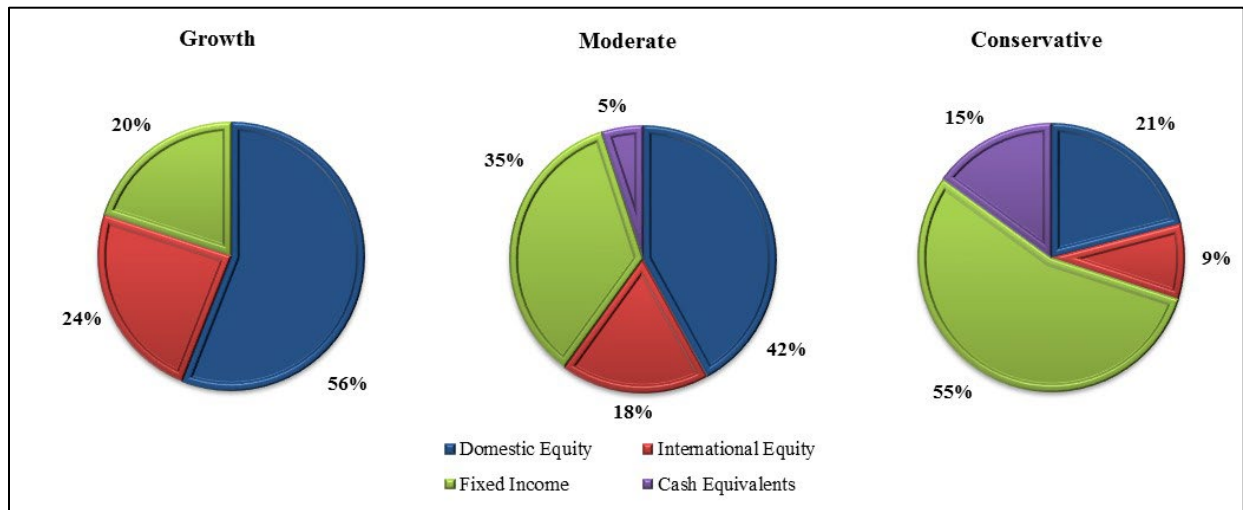
NEBRASKA ENABLE SAVINGS PLAN

Plan	12/31/22 (in millions)
ENABLE	\$ 29

The Nebraska Enable Savings Plan (Enable) is issued by The Nebraska Achieving a Better Life Experience Program Trust. The Plan is intended to operate as a qualified ABLE program to be used only to save for Qualified Disability Expenses, pursuant to the Achieving a Better Life Experience Act of 2014 and Section 529A of the U.S. Internal Revenue Code. The Nebraska State Treasurer serves as both the Program Trustee as well as Program Manager, and all investments are approved by the Council.

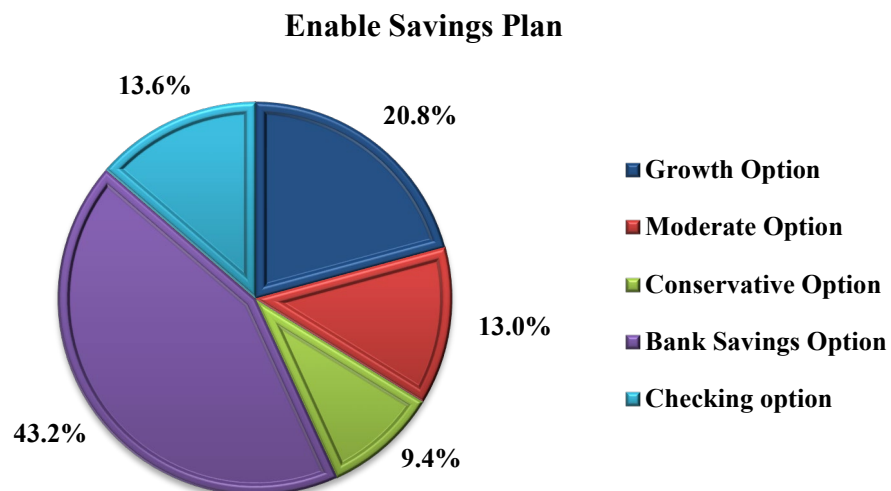
The Enable Plan offers participants five investment options.

Target-Risk Options: The Growth Option, Moderate Option, and Conservative Option. Each option is invested in Vanguard index funds across various asset classes – equity, fixed income or cash equivalents.



Bank Savings Option: Investment in the Bank Savings Option will earn varying rates of interest and provides FDIC insurance on a per participant, pass-through basis to each account owner up to the maximum amount set by federal law, currently \$250,000.

Checking Option: The Checking Investment Option provides FDIC insurance for the investment and allows the account owner to write a check or use a debit card to withdraw funds. This option is available to participants as of January 26, 2017.



NEBRASKA INVESTMENT COUNCIL HISTORY

The Nebraska Investment Council was established by the Legislature in 1969. The law called for the appointment of five Council board members by the Governor to staggered five-year terms with legislative approval. The Council board would hire a State Investment Officer, subject to the approval of the Governor and the Legislature.

1969 Fred S. Kuethe was appointed State Investment Officer.

1970 Management of state operating funds, state trusts, the Veterans' Aid Fund, State Patrol Retirement Plan, and the Judges' Retirement Plan transferred to the Council.

1971 School Retirement System and Permanent School Fund investment management transferred to the Council.

1972 James R. Marbach was appointed State Investment Officer.

1975 Donald J. Mathes was appointed State Investment Officer.

1976 The Short-Term Investment Pool (STIP) was established to pool cash funds of all agencies except the Treasurer's Cash Fund into one account for investment efficiencies. In the same year, the Time Deposit Open Account program for Nebraska banks and savings and loans was initiated.

1981 New statutory language removed many of the specific restrictions on investments made by the Council and instituted the "Prudent Man Rule," now referred to as the "Prudent Person Standard."

1983 The Council hired its first outside equity manager.

1986 The Treasurer's Cash Fund was merged into the STIP. The Council hired Wilshire Associates as investment consultant to provide performance analysis and assist in manager searches.

1989 The Miscellaneous Trusts Excess Liability Fund was created by the Nebraska Hospital-Medical Liability Act. Contributions consist of insurance premiums from certain healthcare providers and a surcharge levied on all healthcare providers in the State. The funds are used to pay judgments against the insured healthcare providers.

1994 Rex W. Holsapple was appointed State Investment Officer.

1997 Prior to 1997, the majority of the portfolios were managed internally. The Council discontinued internal management in 1997 for certain long-term fixed income portfolios and all of the equity portfolios. The Council also became responsible for asset management of the Defined Contribution investment options in the retirement plans for state and county employees, and the voluntary Deferred Compensation Plan for state employees.

2000 The Council became responsible for managing the investment of the Health Care Endowment Fund. This Fund is comprised of two distinct state trust funds—the Nebraska Tobacco Settlement Trust Fund and the Nebraska Medicaid Intergovernmental Trust Fund.

2001 The Legislature established the Nebraska Educational Savings Plan Trust that is an Internal Revenue Code Section 529 College Savings plan providing tax-deferred growth of funds for higher education costs.

2002 Carol L. Kontor was appointed State Investment Officer

2003 The Cash Balance Benefit Plans was implemented in January 2003. In December 2002, participants in the Defined Contribution Plans had been given the option to transfer into the new Cash Balance Plan. The Legislature removed the remaining laundry list of restricted investments and adopted a modern prudent person investment standard.

2004 The Council hired Ennis Knupp investment consultant, replacing Wilshire Associates.

2006 David L. Bomberger was appointed State Investment Officer.

2009 Jeffrey W. States was appointed State Investment Officer.

2014 Michael Walden-Newman was appointed State Investment Officer.

2015 The Achieving a Better Life Experience Act (ABLE) was established allowing individuals with certain disabilities to create tax-advantaged savings accounts to pay for qualified expenses.

2016 In March 2016, the Legislature transferred to the Council investment management of the of the Omaha School Employees' Retirement System (OSERS) assets, effective January 1, 2017. In November, the Council approved the long-term asset allocation of OSERS to mirror the other defined benefit plans. The Council established a blank sheet review process to holistically review the structure of its portfolios, asset class by asset class — beginning with global equity, followed by US and non-US equity.

2017 The Council assumed management of OSERS assets in January. The OSERS director became an ex-officio member of the Council. The Council approved implementation of the recommendations from the Equity reviews.

2018 The Council completed year-long a review of all Investment Policies, adopted updates as needed, and consolidated many previously stand-alone Governance and Administrative polices into two documents. In July 2018, the Legislature transferred management of University of Nebraska Fund N and the Restricted Fund to the University.

2019 The Council approved the Defined Contribution/Deferred Compensation revised investment options resulting from a blank sheet review begun in 2017.

2021 The Council approved the Fixed Income blank sheet review which began in 2019, and adopted the new recommended investment options.

2022 The Council approved the Equity blank sheet review which began in 2021, and adopted the new recommended investment options.

