Nebraska Investment Council

Capital Market Assumptions

August 2025

Capital Market Assumptions

- What are they?
  - Aon's asset class return, volatility, and correlation assumptions
  - Long-Term; based on 10-year and 30-year projection periods
    - Forward looking assumptions
    - Best estimate assumptions (50/50 better or worse)
    - Market returns; i.e., no manager alpha (other than hedge funds and private equity which are entirely actively managed)
  - Global geographic coverage
  - Updated quarterly

Current Assumptions (10-Year): Expected Returns and Volatility (as of June 30, 2025)

Asset Class	Expected Nominal Return	Expected Risk (Volatility)
U.S. Equity	6.8%	18.4%
Global Equity (Developed & Emerging)	6.9	17.3
International Equity (Developed)	6.3	18.5
Emerging Markets Equity	6.7	21.0
TIPS	4.5	4.3
Core Fixed Income (Market Duration)	4.9	5.0
High Yield Bonds	5.8	10.5
Bank Loans	5.9	7.0
Emerging Market Bonds (USD)	6.5	11.0
Emerging Market Bonds (LC)	5.5	13.0
Real Estate (Total Market)	6.4	17.3
Infrastructure (Closed End)	9.2	16.0
Private Equity	10.2	20.0
U.S. Inflation (CPI)	2.4	--

Current Assumptions (30-Year): Expected Returns and Volatility (as of June 30, 2025)

Asset Class	Expected Nominal Return	Expected Risk (Volatility)
U.S. Equity	6.7%	18.8%
Global Equity (Developed & Emerging)	6.8	17.6
International Equity (Developed)	6.3	19.1
Emerging Markets Equity	6.6	21.2
TIPS	4.3	4.5
Core Fixed Income (Market Duration)	5.0	5.4
High Yield Bonds	6.3	10.6
Bank Loans	6.0	7.5
Emerging Market Bonds (USD)	6.6	11.5
Emerging Market Bonds (LC)	5.5	13.3
Real Estate (Total Market)	6.3	17.6
Infrastructure (Closed End)	9.1	16.3
Private Equity	10.1	20.2
U.S. Inflation (CPI)	2.3	--

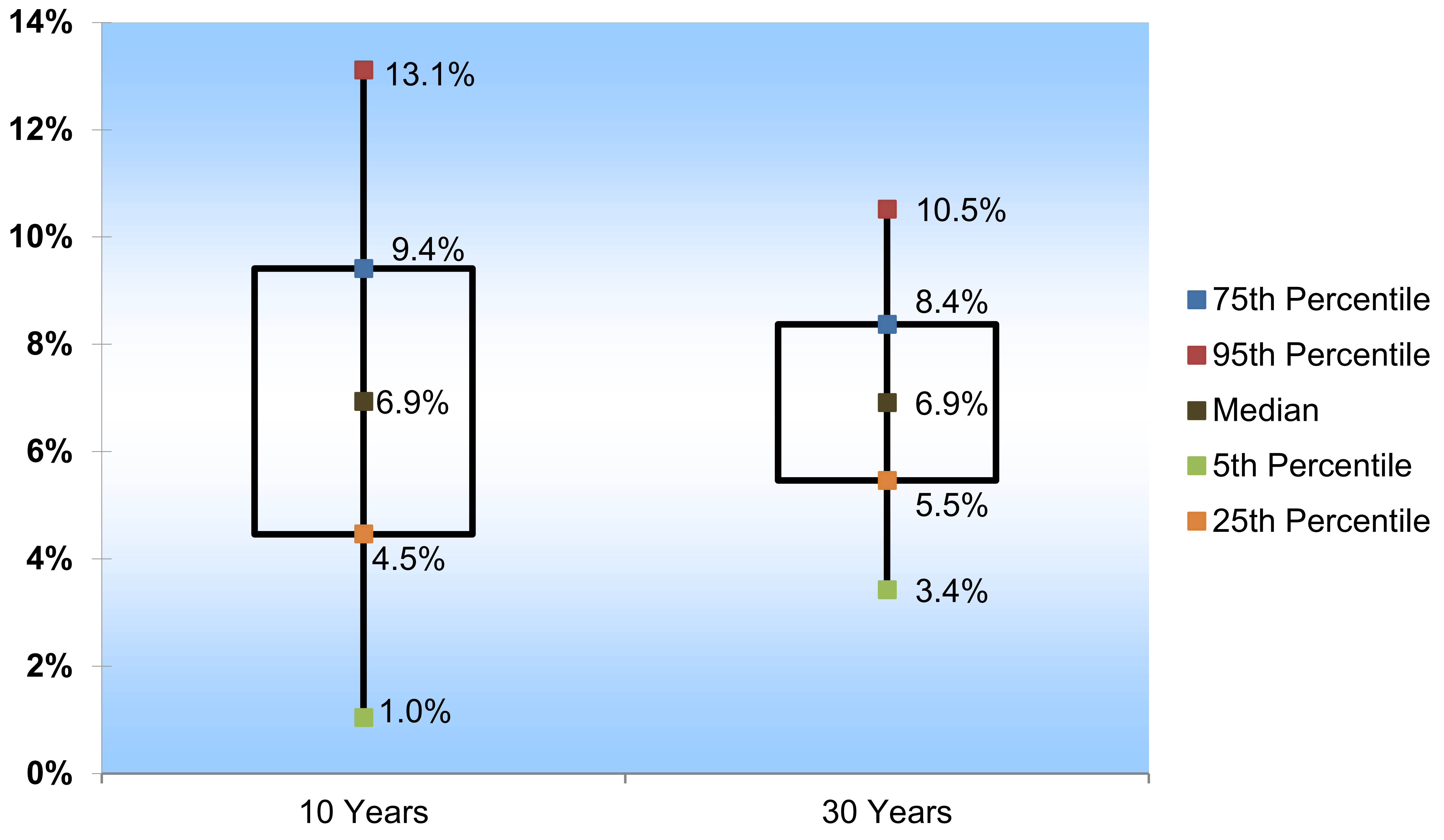
DB Plans – Projected Returns

	Long-Term Policy Allocation	Annualized Return (10 Year Forecast)	Standard Deviation (10 Year Forecast)	Annualized Return (30 Year Forecast)	Standard Deviation (30 Year Forecast)
U.S. Equity	24.0%	6.8%	18.4%	6.7%	18.8%
Non-U.S. Equity	11.5	6.6	18.1	6.6	18.5
Global Equity	22.0	6.9	17.3	6.8	17.6
Private Equity	5.0	10.2	20.0	10.1	20.2
Real Estate	7.5	6.4	17.3	6.3	17.6
RS Fixed Income*	10.0	5.9	7.1	6.2	7.4
RR Fixed Income	20.0	4.9	5.0	5.0	5.4
Total Fund	**100.0%**	**6.9%**	**11.7%**	**6.9%**	**11.9%**

- Assumed rates for the Nebraska DB Plans, CBB Plans and OSERS = 6.95%

*Modeled as 2.5% U.S. IG credit, 2.5% HY Credit, 2.5% EMD USD, 2.5% Bank Loans

DB Plans – Projected Returns (Cont'd)



- Based on our capital market assumptions and the defined benefit plans' asset allocation targets, the NPERS defined benefit + cash balance benefit plans have a roughly 50/50 chance of meeting or exceeding the assumed rate of return of 6.95% over the next 10-to-30 years
- OSERS' chances of meeting or exceeding its assumed rate of 6.95% are similar

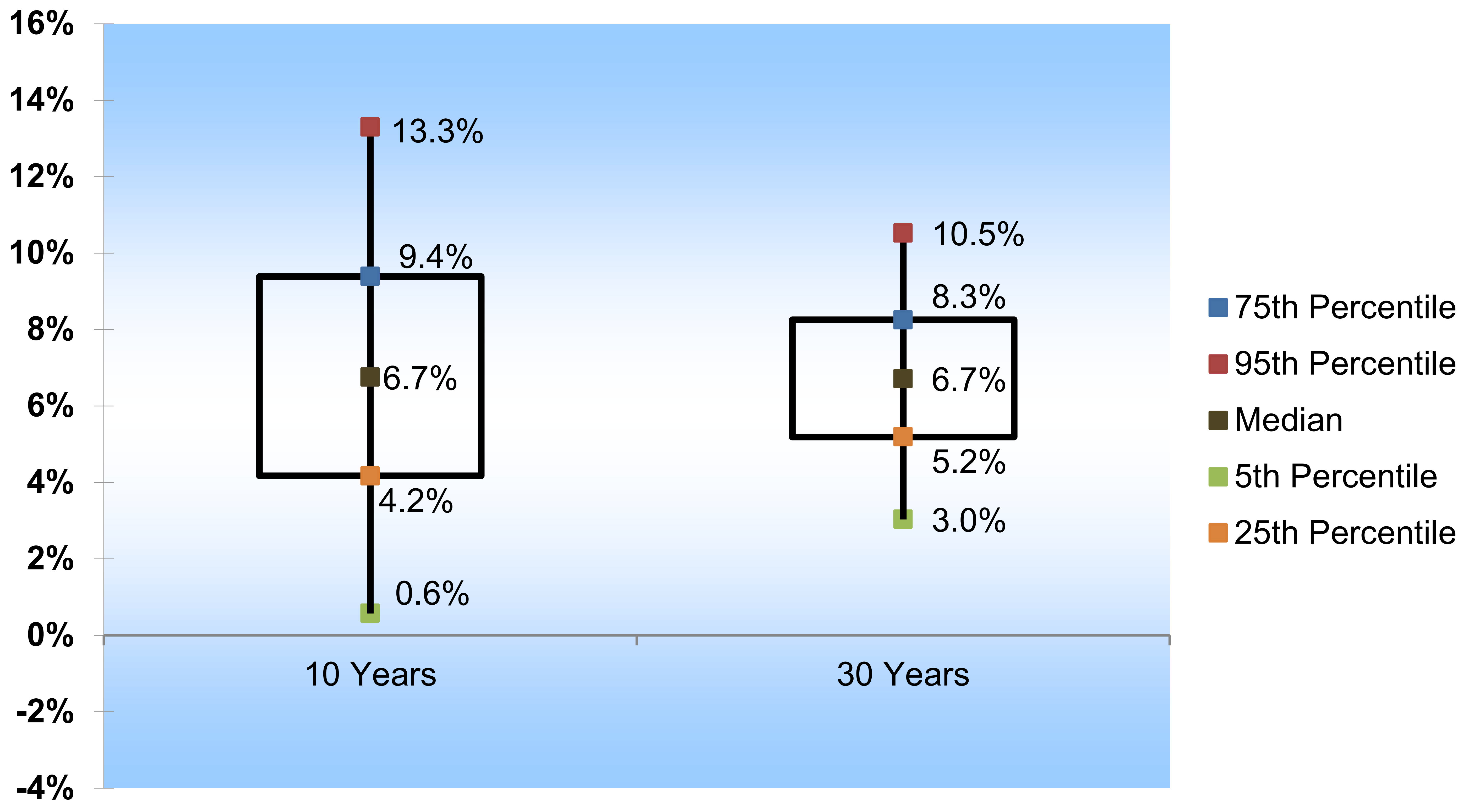
Healthcare Endowment – Projected Returns

	Long-Term Policy Allocation	Annualized Return (10 Year Forecast)	Standard Deviation (10 Year Forecast)	Annualized Return (30 Year Forecast)	Standard Deviation (30 Year Forecast)
U.S. Equity	27.5%	6.8%	18.4%	6.7%	18.8%
Non-U.S. Equity	13.0	6.6	18.1	6.6	18.5
Global Equity	24.5	6.9	17.3	6.8	17.6
Private Equity	5.0	10.2	20.0	10.1	20.2
Real Estate	5.0	6.4	17.3	6.3	17.6
Fixed Income*	25.0	4.4	3.4	4.4	3.9
Total Fund	**100.0%**	**6.7%**	**12.4%**	**6.7%**	**12.6%**

- The table above presents our median return and volatility forecasts for the Health Care Endowment over 10- and 30-year periods

*Modeled as 22.5% Intermediate G/C Bonds, 2.5% Cash

Healthcare Endowment – Projected Returns (cont'd)



- The chart above presents a forecasted distribution of outcomes for the Health Care Endowment over 10- and 30-year periods

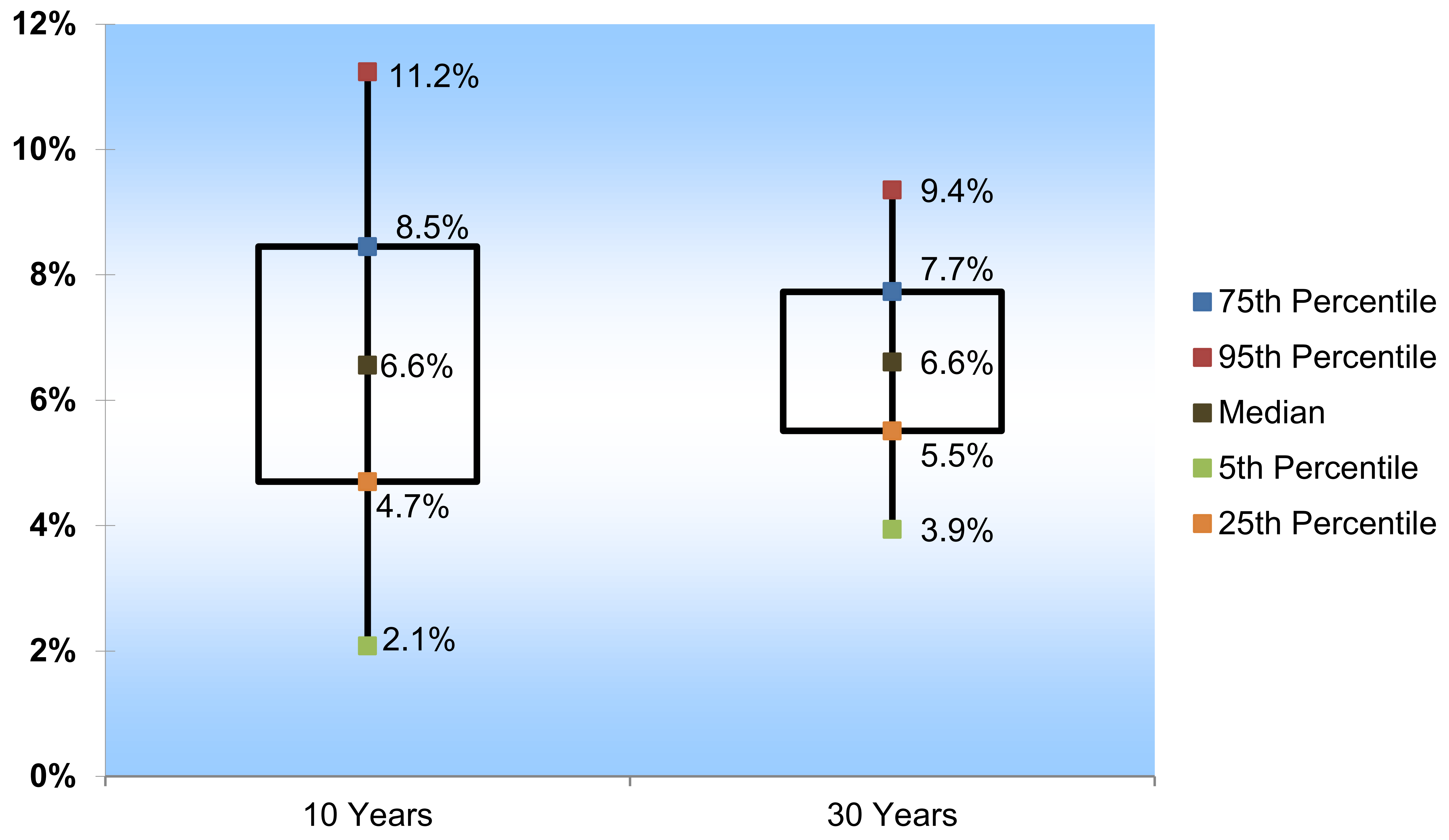
General Endowments – Projected Returns

	Long-Term Policy Allocation	Annualized Return (10 Year Forecast)	Standard Deviation (10 Year Forecast)	Annualized Return (30 Year Forecast)	Standard Deviation (30 Year Forecast)
U.S. Equity	17.0%	6.8%	18.4%	6.7%	18.8%
Non-U.S. Equity	8.0	6.6	18.1	6.6	18.5
Global Equity	15.0	6.9	17.3	6.8	17.6
Private Equity	5.0	10.2	20.0	10.1	20.2
Real Estate	5.0	6.4	17.3	6.3	17.6
RS Fixed Income*	15.0	5.7	6.7	6.0	7.0
RR Fixed Income	35.0	4.9	5.0	5.0	5.4
Total Fund	**100.0%**	**6.6%**	**8.8%**	**6.6%**	**9.1%**

- The table above presents our median return and volatility forecasts for the General Endowments over 10- and 30-year periods

*Modeled as 7.5% U.S. IG Credit, 4.5% HY Credit, 3% EMD USD

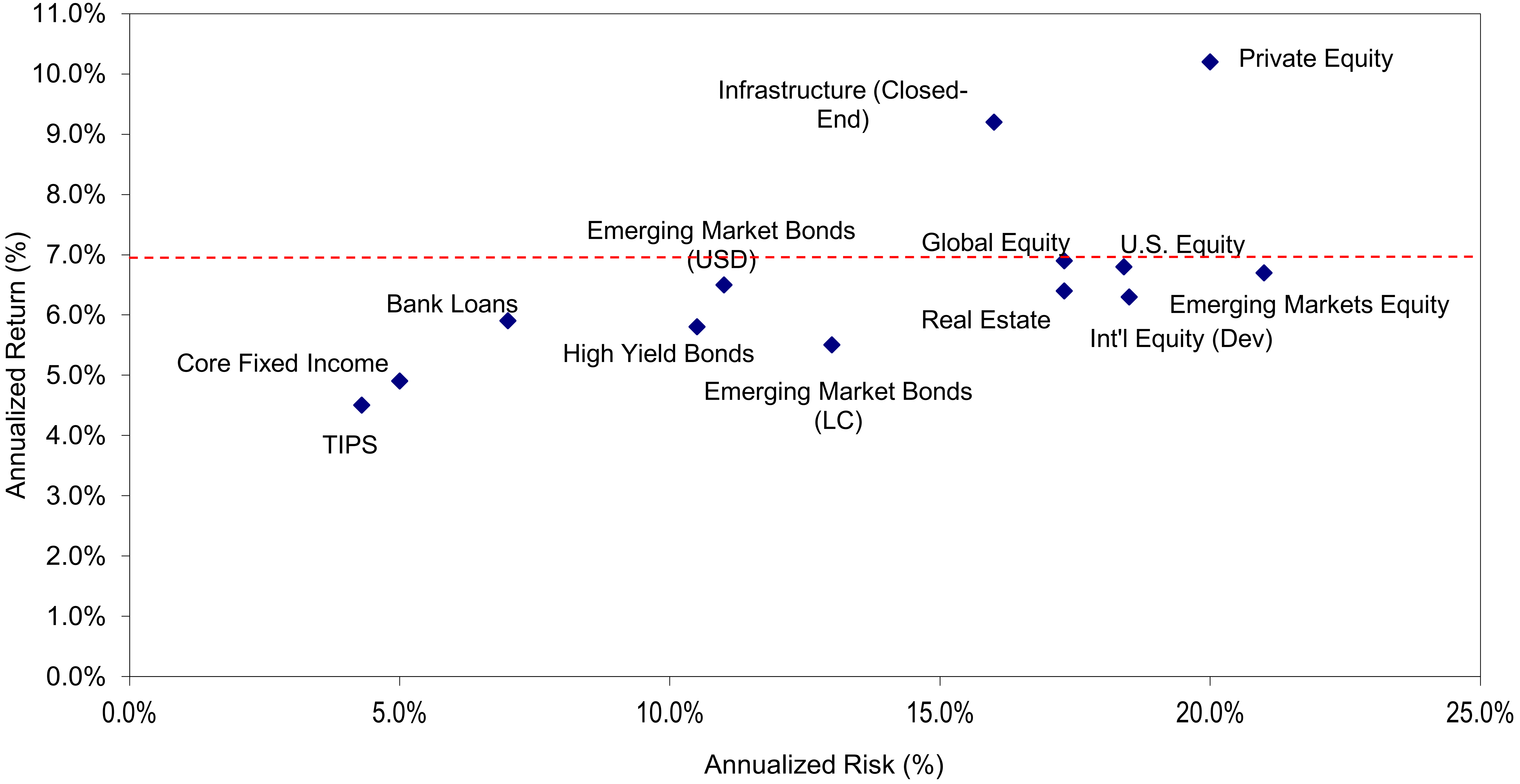
General Endowments – Projected Returns (cont'd)



- The chart above presents a forecasted distribution of outcomes for the General Endowments over 10- and 30-year periods

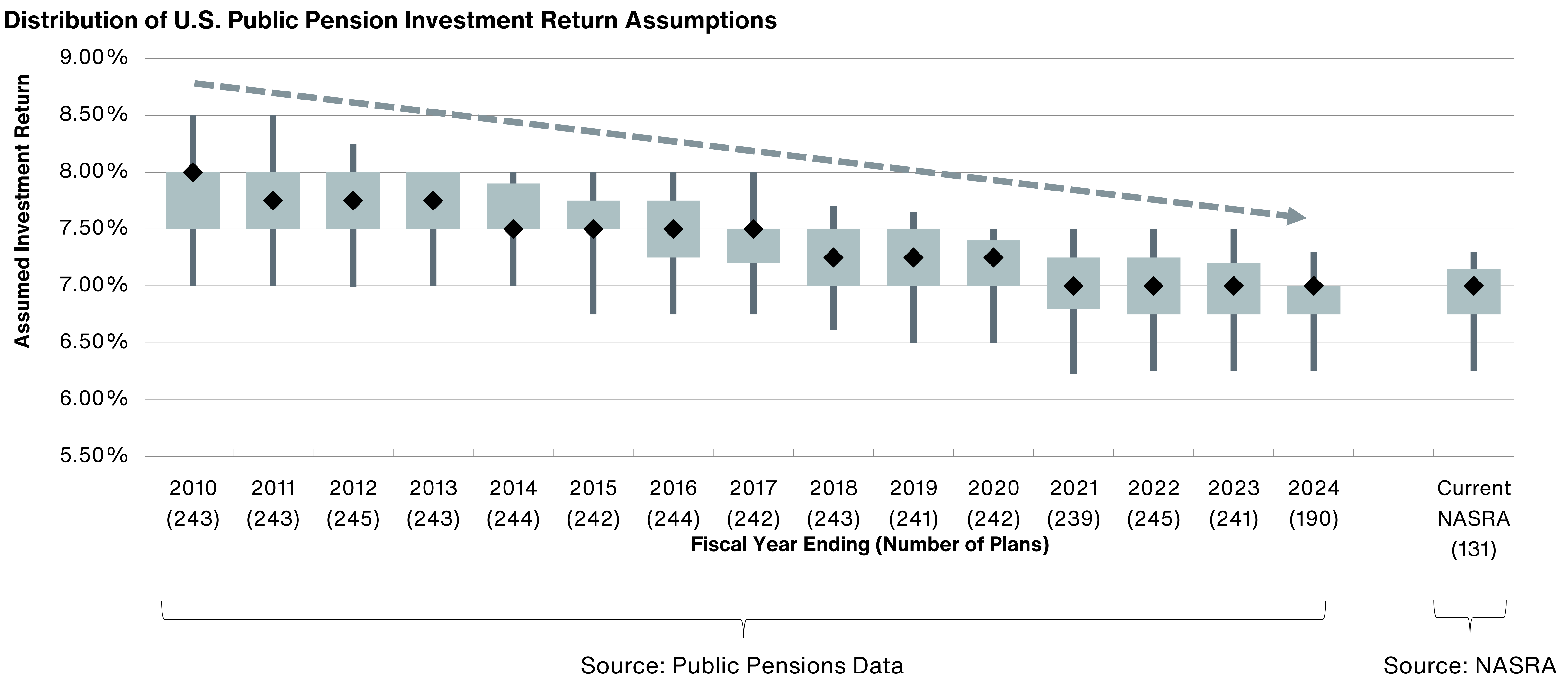
Appendix I: Aon Forward Looking Return / Volatility Expectations by Asset Class

Risk-Return
Aon 10 Year Capital Market Assumptions



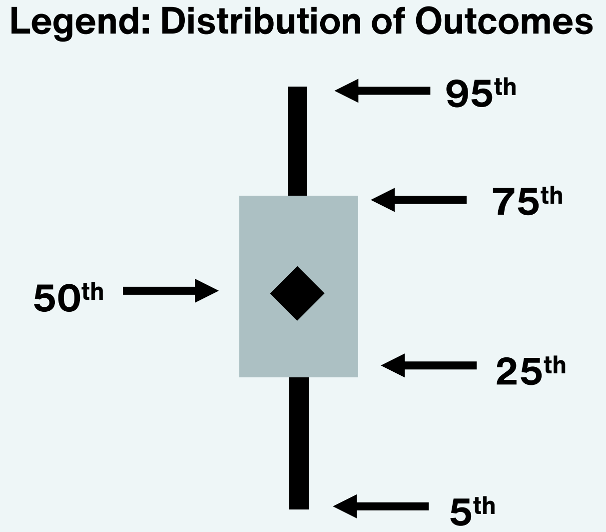
Appendix II: Distribution of Investment Return Assumptions

U.S. Public Pension Plans[1]



Key Takeaways:

- Since FYE 2010, actuarial rates of return have declined from a median assumption of 8.00% down to 7.00%
- Current actuarial assumptions, as tracked by NASRA as of August 2025, have a median actuarial assumption of 7.00%



The actuarial investment return assumption is set by numerous factors including investment return assumptions, actuarial experience study recommendations, financial outcomes through asset-liability analysis, how the assumed rate of return is used, consideration to an acceptable return assumptions range to promote contribution stability, industry trends (e.g., Horizon survey), and peer data (e.g., NASRA assumptions)

Sources: Public Plans Data (publicplansdata.org) as of July 2025; NASRA downloadable investment return assumptions as of August 2025

[1] Peers defined as public funds published within publicplansdata.org as of July 2025 and NASRA as of August 2025; Number of plans per year are shown in parentheses

Appendix III: Endowment -- Estimated Yields

Health Care Endowments

	Policy Target	Yield*
U.S. Equity	27.5%	1.2%
Non-U.S. Equity	13.0%	2.8%
Global Equity	24.5%	1.8%
Fixed Income	25.0%	3.6%
Real Estate	5.0%	4.0%
Private Equity	5.0%	0.0%
Total Fund	**100.0%**	**2.2%**

General Endowments

	Policy Target	Yield*
U.S. Equity	17.0%	2.0%
Non-U.S. Equity	8.0%	2.8%
Global Equity	15.0%	1.8%
RS Fixed Income	15.0%	5.5%
RR Fixed Income	35.0%	3.6%
Real Estate	5.0%	4.0%
Private Equity	5.0%	0.0%
Total Fund	**100.0%**	**3.1%**

*Based on Index information as of 6/30/2025. Estimates utilize dividend yield for stock indices, wtd. avg. coupon for bond indices, income component of real estate index.

Appendix IV: QoQ Change In Assumptions (10-Year): Expected Returns and Volatility

Asset Class	Expected Nominal Return – 3.31.2025 CMAs	Expected Nominal Return – 6.30.2025 CMAs	Difference	Expected Risk (Volatility) – 3.31.2025 CMAs	Expected Risk (Volatility) – 6.30.2025 CMAs	Difference
U.S. Equity	7.0%	6.8%	-0.2%	18.9%	18.4%	-0.5%
Global Equity (Developed & EM)	7.1	6.9	-0.2	17.7	17.3	-0.4
International Equity (Developed)	6.6	6.3	-0.3	18.8	18.5	-0.3
Emerging Markets Equity	7.1	6.7	-0.4	22.0	21.0	-1.0
TIPS	4.3	4.5	0.2	4.2	4.3	0.1
Core Fixed Income (Market Dur.)	4.9	4.9	--	5.1	5.0	-0.1
High Yield Bonds	6.0	5.8	-0.2	10.5	10.5	--
Bank Loans	6.0	5.9	-0.1	7.0	7.0	--
Emerging Market Bonds (USD)	6.7	6.5	-0.2	11.0	11.0	--
Emerging Market Bonds (LC)	5.8	5.5	-0.3	13.0	13.0	--
Real Estate (Total Market)	6.4	6.4	--	17.3	17.3	--
Infrastructure (Closed End)	9.2	9.2	--	16.0	16.0	--
Private Equity	10.2	10.2	--	20.0	20.0	--
U.S. Inflation (CPI)	2.3	2.4	0.1	--	--	--

Appendix IV: QoQ Change In Assumptions (30-Year): Expected Returns and Volatility

Asset Class	Expected Nominal Return – 3.31.2025 CMAs	Expected Nominal Return – 6.30.2025 CMAs	Difference	Expected Risk (Volatility) – 3.31.2025 CMAs	Expected Risk (Volatility) – 6.30.2025 CMAs	Difference
U.S. Equity	7.0%	6.7%	-0.3%	18.8%	18.8%	--
Global Equity (Developed & EM)	7.1	6.8	-0.3	17.6	17.6	--
International Equity (Developed)	6.6	6.3	-0.3	19.1	19.1	--
Emerging Markets Equity	7.1	6.6	-0.5	21.7	21.2	-0.5%
TIPS	4.0	4.3	0.3	4.4	4.5	0.1
Core Fixed Income (Market Dur.)	4.8	5.0	0.2	5.4	5.4	--
High Yield Bonds	6.2	6.3	0.1	10.6	10.6	--
Bank Loans	6.0	6.0	--	7.5	7.5	--
Emerging Market Bonds (USD)	6.5	6.6	0.1	11.5	11.5	--
Emerging Market Bonds (LC)	5.8	5.5	-0.3	13.4	13.3	-0.1
Real Estate (Total Market)	6.4	6.3	-0.1	17.2	17.6	0.4
Infrastructure (Closed End)	9.2	9.1	-0.1	15.9	16.3	0.4
Private Equity	10.3	10.1	-0.2	19.8	20.2	0.4
U.S. Inflation (CPI)	2.3	2.3	--	--	--	--

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