

**CASH BALANCE BENEFIT PLANS
STATE AND COUNTY RETIREMENT SYSTEM
INVESTMENT POLICY STATEMENT**

PURPOSE

The purpose of this Investment Policy Statement (IPS) is to set forth the investment objectives, asset allocations, investment strategy, investment managers, and responsibilities for the Cash Balance Benefit option of the State and County Retirement System Plans. The Cash Balance Benefit is comprised of funds contributed by both State and County Employees. These members contribute a percentage of pretax wages to the Plans and the employers contribute a matching amount. Member accounts earn a statutorily set rate of return. The Nebraska Investment Council (the Council) invests the money in the plans so that the Cash Balance Benefit can pay the promised amounts to plan members when they cease employment or retire.

ENTITIES

- State and County Retirement System Plans Cash Balance Benefit Option

STATUTORY REFERENCES

- | | |
|-----------------------------------|-------------------------------------|
| • State Funds Investment Act | Neb. Rev. Stat. §§72-1237 – 72-1260 |
| • State Employees Retirement Act | Neb. Rev. Stat. §§84-1301 - 84-1332 |
| • County Employees Retirement Act | Neb. Rev. Stat. §§23-2301 - 23-2332 |

INVESTMENT OBJECTIVES

Per statute, each Cash Balance Benefit participant account is credited a statutorily guaranteed minimum rate of return equal to the Federal Mid-Term Rate plus 1.5% (subject to a minimum rate of return of 5% annually.) This promised rate of return represents a liability to the Plans.

The risk of poor investment returns fall on the Plans as a whole. If there is not enough money to pay the promised account benefit, the Plans must turn to the State to fund the difference. Conversely, the benefits of extra investment returns also flow to the Plans as a whole. These benefits must be used for the exclusive benefit of the members.

The investment objectives are to maximize the return on the assets, to meet or exceed the expected liability, while minimizing risk.

ASSET ALLOCATION AND STRATEGY

In accordance with the investment objectives, the asset allocation adopted by the Council is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Acceptable Range</u>	<u>Benchmark</u>
Total Equity	49.0%	46.0% - 52.0%	
U.S. Equity	20.5%	17.5% - 23.5%	DJ US Total Stock Market Index
Global Equity	18.5%	15.5% - 21.5%	MSCI All Country World IMI
Non-U.S. Equity	10.0%	7.0% - 13.0%	MSCI All Country World Index ex-U.S. IMI
Total Fixed Income	38.5%	35.5% - 41.5%	
Core Bonds	30.0%	27.0% - 33.0%	Bloomberg US Aggregate Bond Index
Return-Seeking	8.5%	5.5% - 11.5%	Blended benchmark*
Total Real Assets	7.5%		
Real Estate	5.5%		NFI-ODCE Index
Infrastructure	2.0%		CPI-U + 4%
Private Equity	5.0%		DJ US Total Stock Market Index + 3% net

* 25% Bloomberg US Credit Index, 25% ICE BofA ML HY Master II Index, 25% JP Morgan EMBI Global Diversified Index, 25% S&P UBS Global Leveraged Loan Index (USD hedged)

Any uncalled private equity or real assets capital will be invested in the public U.S. equity markets.

The total portfolio will be benchmarked to a weighted average of the asset class benchmarks outlined above, based on the long-term target allocation.

INVESTMENT MANAGER GUIDELINES

The separate account investment portfolios are managed according to written investment guidelines that are approved by the State Investment Officer (SIO) and reported to the Council. These guidelines are intended to ensure that each manager operates in the manner and style consistent with the approach it represented and for which it was retained, and within acceptable risk parameters. The guidelines for each manager are included in their written, signed Investment Manager Agreement. While it is not expected that commingled fund guidelines will align perfectly with this investment policy, it is expected that commingled funds will be vetted to ensure a reasonably high degree of consistency with this investment policy before an investment is made.

Private Equity Specifics

As a percentage of total private equity

Sub Sector Allocations and Ranges

Buyouts/Corporate Finance	60 - 80%
Venture Capital	5 - 25%
Special Situations	5 - 25%

Investment Type

Allocation required across the spectrum of sub sectors.

Geography

Allocation required across the geographic spectrum. No more than 35% outside of the United States.

Manager Concentration

Allocation to a single manager is limited to 20% of the private equity portfolio.

Industry

No more than 30% of the private equity portfolio may be invested in any single industry.

Real Assets Specifics

As a percentage of total real assets

Style Allocations

Core	25% - 30%
Non-Core	35% - 45%
Other	0% - 5%

Property Type

Office, Industrial, Multifamily, and Other	0% - 30% (each)
Retail and hospitality	0% - 15% (each)

Geography

Allocation across the geographic spectrum. No more than 25% of the real estate portfolio may be invested outside of the United States.

Within the United States:

West	NPI +/- 50%
East	NPI +/- 50%
Midwest	NPI +/- 50%
South	NPI +/- 50%

Individual Investment

Direct investment in properties is prohibited as are fund investments that have the sole purpose of acquiring or developing one property.

Manager Concentration

The net asset value exposure to a single real estate manager is limited to 20% of the real estate portfolio. Exposure to a single Core fund manager is limited to 35%. Fund-of-funds manager concentration is limited to 50% of the real estate portfolio.

RESPONSIBILITIES FOR THE CASH BALANCE BENEFIT PLANS

The Council:

- Approves the IPS for the Portfolio. The IPS includes the investment objectives, asset allocation, and investment strategy.
- Approves exceptions to the IPS as requested by the SIO.
- Approves investment managers upon recommendation by the SIO.

The State Investment Officer:

- Makes recommendations to the Council regarding components of the IPS, such as asset allocation and manager benchmarks.
- Implements the Council-approved IPS for the Portfolio.
- Rebalances the investments, when necessary, halfway back to target allocation and looks for efficient and opportunistic ways to get back to target.
- Has discretion to implement newly adopted asset allocations in a cost-efficient and effective way.
- Evaluates and reports on investment performance and other investment-related issues of the Portfolio.
- Maintains a current written IPS approved by the Council.
- Establishes written procedures for internal implementation of the IPS as needed.
- Obtains Council-approved IPS exceptions as needed.

ADMINISTRATIVE AND GOVERNANCE POLICIES

Council Administrative and Governance Policies are contained in two additional documents.

Revised September 27, 2012

Revised September 25, 2014

Revised February 8, 2018

Revised December 9, 2021

Revised December 8, 2022

Revised August 28, 2025

Revised December 4, 2025

Revised June 11, 2026