

DEFINED BENEFIT PLAN
OMAHA SCHOOL EMPLOYEES' RETIREMENT SYSTEM
INVESTMENT POLICY STATEMENT

PURPOSE

Legislative Bill 447, signed into law by the Governor on March 30, 2016, transitioned the duty and authority to invest the assets of the Omaha School Employees' Retirement System (OSERS) to the Nebraska Investment Council (Council) and the State Investment Officer (SIO) effective January 1, 2017. 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 assets in the OSERS Defined Benefit Plan (the Portfolio).

STATUTORY REFERENCES

- Legislative Bill 447 (104th Legislature - 2nd Session)
- State Funds Investment Act Neb. Rev. Stat. §§72-1237 - 72-1260

INVESTMENT OBJECTIVES

The fundamental objective of the Portfolio is to be able to pay the promised retirement benefits to the Omaha school employees covered by the Plan. Funds available for retirement benefits consist of external contributions and their investment returns. All assets must be used for the exclusive benefit of the plan members.

The time horizon of the liabilities is long-term, and thus the asset allocation and implementation strategy for the investment of the assets on behalf of the Plan is long-term. The objective for the rate of return from the investment of the assets is to maximize the investment return on the assets within acceptable levels of risk.

The performance objective is to earn a net-of-fees rate of return in excess of the policy portfolio, over measurable periods of time. The policy portfolio, which is the passive representation of the Portfolio's asset allocation, provides a critical performance evaluation tool for the investment process.

ASSET ALLOCATION AND STRATEGY

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Acceptable Range</u>	<u>Benchmark</u>
Total Equity	57.5%	54.5% - 60.5%	
U.S. Equity	24.0%	21.0% - 27.0%	DJ US Total Stock Market Index
Global Equity	22.0%	19.0% - 25.0%	MSCI All Country World IMI
Non-U.S. Equity	11.5%	8.5% - 14.5%	MSCI All Country World Index ex-U.S. IMI
Total Fixed Income	30.0%	27.0% - 33.0%	
Core Bonds	20.0%	17.0% - 23.0%	Bloomberg US Aggregate Bond Index
Return-Seeking	10.0%	7.0% - 13.0%	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% 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 into 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 private markets 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.

Transition

The portfolio is being transitioned toward the above stated private equity and real asset ranges. Due to the illiquid nature of these assets, it will take some time to fully align the portfolio with these ranges.

RESPONSIBILITIES FOR THE OSERS DEFINED BENEFIT PLAN

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.

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