Nebraska Investment Council

Fourth Quarter 2015 Performance Review

Aon Hewitt
Retirement and Investment

Investment advice and consulting services provided by Aon Hewitt Investment Consulting, Inc., an Aon Company.

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Highlights

Total Assets by Plan	
Total Defined Benefit Plan	$9,933,037,669
Defined Cont. & Deferred Comp.	$978,419,193
Total Cash Balance Benefit	$1,700,705,868
Hartford Options	$35,337,304
College Savings Plan	$3,434,304,825
State Farm CSP	$414,292,004
Health Care Endowments	$376,454,598
50/50 Endowments	$766,123,153
Excess Liability Fund	$65,665,785
In-House Trusts	$9,395,874
Internal Short–Term Liquidity Pool	$344,912,517
Operating Investment Pool (Internal Government/Corporate)	$3,532,377,808
Time Deposit Open Account	$45,300,000
University of Nebraska Foundation	$286,443,406
Total	$21,922,770,006

	Performance(%)					
	1 Quarter	FYTD	1 Year	3 Years	5 Years	10 Years
Major Capital Markets						
Dow Jones U.S. Total Stock Market Index	6.3	-1.5	0.4	14.7	12.1	7.5
MSCI AC World ex USA Index (Net)	3.2	-9.3	-5.7	1.5	1.1	2.9
Barclays Universal	-0.5	0.1	0.4	1.5	3.5	4.7
CPI	-0.6	-0.9	0.7	1.0	1.5	1.9

As of December 31, 2015, aggregated assets totaled $21,922,770,006, which represented a increase of approximately $399 million from the end of the previous quarter.

After a poor third quarter, U.S. equity markets, as measured by the Dow Jones U.S. Total Stock Market Index, gained 6.3% during the fourth quarter. Non-U.S. equities underperformed U.S. equities, returning 3.2% for the quarter, as measured by the MSCI AC World ex-U.S. Index. The U.S. Dollar rallied against other developed and emerging market currencies during the quarter.

The Barclays Universal Bond Index fell 0.5% in the fourth quarter, as rates moved higher. The Index was relatively flat for the year, returning 0.1%.

Selected* Plans **As of December 31, 2015**

Asset Allocation & Performance

	Allocation	Performance(%)							
	Market Value ($)	1 Quarter	FYTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Total Defined Benefit Plan	9,933,037,669	3.5	-1.5	1.1	8.5	7.7	6.1	9.0	07/01/1983
Policy Benchmark		3.5	-2.0	0.3	8.0	7.3	6.0	9.1	
Total Cash Balance Benefit Plan	1,700,705,868	3.5	-1.5	1.2	8.5	7.7	6.1	7.5	01/01/2003
Policy Benchmark		3.5	-2.0	0.3	8.0	7.3	6.0	7.5	
Health Care Endowments	376,454,598	3.8	-2.0	0.8	9.2	7.8	6.2	6.2	01/01/2001
Health Care Policy		3.9	-2.0	0.5	8.6	7.5	5.9	5.2	
50/50 Endowments	766,123,153	2.0	-1.8	-0.4	6.3	6.4	6.0	7.3	01/01/1996
50/50 Endowment Policy		2.4	-1.1	0.6	6.5	6.6	5.8	6.7	
Excess Liability Fund	65,665,785	-0.3	-0.3	0.2	1.4	3.4	5.2	5.8	07/01/1997
Performance Benchmark		-0.5	0.1	0.4	1.5	3.5	4.7	5.5	
Total OIP	3,883,277,036	-0.3	0.7	1.5	1.1	1.9	3.4	4.1	01/01/1997
Policy Benchmark		-0.4	0.5	1.3	1.1	2.3	3.7	4.6	
Aeronautics	6,653,379	-0.9	0.9	1.4	1.3	3.1	4.6	6.5	01/01/1990
Barclays U.S. Treasury Index		-0.9	0.8	0.8	1.0	2.9	4.2	6.0	
Agricultural Development	2,742,495	-0.8	0.7	1.5	1.4	3.3	4.2	6.7	01/01/1989
Barclays U.S. Treasury Index		-0.9	0.8	0.8	1.0	2.9	4.2	6.3	

*Only includes Plans that have a total fund return. As such, Defined Contribution, Deferred Compensation, Hartford, College Savings Plans, TDOA, and University Fund N Plan are not shown

With the exception of the Health Care and 50/50 Endowments, each Plan managed to match or outperform its respective benchmark during the quarter. It is also noteworthy that the majority of the Plans have matched or exceeded their policy benchmarks over the trailing three-, five-, and ten-year periods, as longer-term results remain favorable.

All Plans – Actual vs. Policy Allocation

	Defined Benefit Plan				Cash Balance Benefit			
	Actual	Policy	Difference	Policy Ranges	Actual	Policy	Difference	Policy Ranges
U.S. Equity	34.7%	30.5%	4.2%	25.5% - 35.5%	34.4%	30.5%	3.9%	25.5% - 35.5%
Non-U.S. Equity	10.5%	13.5%	-3.0%	8.5% - 18.5%	10.4%	13.5%	-3.1%	8.5% - 18.5%
Global Equity	15.3%	15.0%	0.3%	10.0% - 20.0%	15.2%	15.0%	0.2%	10.0% - 20.0%
Fixed Income	28.7%	30.0%	-1.3%	25.0% - 35.0%	29.4%	30.0%	-0.6%	25.0% - 35.0%
Real Estate	6.2%	6.0%	0.2%	1.0% - 11.0%	6.2%	6.0%	0.2%	1.0% - 11.0%
Private Equity*	4.5%	5.0%	-0.5%	0.0% - 10.0%	4.5%	5.0%	-0.5%	0.0% - 10.0%

	Health Care Endowment				50/50 Endowment			
	Actual	Policy	Difference	Policy Ranges	Actual	Policy	Difference	Policy Ranges
U.S. Equity	38.4%	40.0%	-1.6%	35.0% - 45.0%	26.5%	25.0%	1.5%	20.0% - 30.0%
Non-U.S. Equity	14.4%	15.0%	-0.6%	10.0% - 20.0%	8.5%	10.0%	-1.5%	5.0% - 15.0%
Global Equity	12.7%	10.0%	2.7%	5.0% - 15.0%	5.0%	5.0%	0.0%	0.0% - 10.0%
Fixed Income	23.2%	25.0%	-1.8%	20.0% - 30.0%	50.0%	50.0%	0.0%	45.0% - 55.0%
Real Estate	5.4%	5.0%	0.4%	0.0% - 10.0%	4.0%	5.0%	-1.0%	0.0% - 10.0%
Private Equity*	5.9%	5.0%	0.9%	0.0% - 10.0%	5.9%	5.0%	0.9%	0.0% - 10.0%

- The intermediate-term Private Equity policy allocation is 4% for the Defined Benefit and Cash Balance Benefit Plans.
- The long-term target allocation to Real Estate within the DB and CBB Plans is 7.5% and will be funded from U.S. Equity over time.

As of December 31, 2015, the asset class allocations within each portfolio were within permissible ranges. In some cases, the U.S. equity allocation is above its policy target, which is largely a result of the relative outperformance U.S. equities have experienced of late. It should also be noted that the U.S. equity allocation will serve as a source of funding for additional alternative investments in the DB and CBB Plans.

Asset Allocation & Performance

	Allocation: Market Value $	Allocation: %	Performance(%): 1 Quarter	FYTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Total Defined Benefit Plan	**$9,933,037,669**	**100.0**	**3.5 (8)**	**-1.5 (16)**	**1.1 (15)**	**8.5 (13)**	**7.7 (12)**	**6.1 (12)**	**9.0**	**07/01/1983**
Policy Benchmark			*3.5 (8)*	*-2.1 (27)*	*0.3 (30)*	*8.0 (22)*	*7.3 (22)*	*6.0 (16)*	*9.1*	
Total U.S. Equity	$3,444,336,290	34.7	6.2 (16)	-1.3 (19)	0.6 (24)	14.8 (21)	12.2 (15)	7.2 (31)	9.5	07/01/1983
Dow Jones U.S. Total Stock Market			*6.3 (13)*	*-1.5 (19)*	*0.4 (27)*	*14.7 (28)*	*12.1 (15)*	*7.5 (14)*	*10.4*	
Total Non-U.S. Equity	$1,043,980,525	10.5	5.1 (10)	-6.6 (23)	-1.3 (26)	3.9 (36)	2.0 (66)	2.7 (80)	5.3	10/01/1991
*MSCI All Country World ex-U.S. IMI**			*3.5 (67)*	*-8.8 (71)*	*-4.6 (80)*	*2.0 (81)*	*1.3 (82)*	*3.3 (47)*	*5.6*	
Total Global Equity	$1,519,529,570	15.3	4.7 (51)	-4.7 (54)	-2.0 (63)	8.5 (60)	7.5 (51)	5.9 (36)	6.4 (33)	09/01/2005
*MSCI All Country World IMI**			*4.9 (46)*	*-5.2 (59)*	*-2.2 (65)*	*7.9 (68)*	*6.1 (72)*	*4.8 (63)*	*5.3 (65)*	
Total Fixed Income	$2,852,363,094	28.7	-0.5 (32)	-0.5 (46)	0.0 (45)	1.2 (55)	3.4 (69)	5.1 (27)	8.2	07/01/1983
*Barclays Universal Bond Index**			*-0.5 (44)*	*0.1 (20)*	*0.4 (27)*	*1.5 (46)*	*3.5 (69)*	*4.7 (53)*	*8.2*	
Total Real Estate	$619,080,987	6.2	4.0	5.9	14.2	11.8	11.9	5.5	6.6	12/01/2004
Performance Benchmark			*2.9*	*6.1*	*13.3*	*12.0*	*11.5*	*7.8*	*9.0*	
Total Private Equity	$447,760,493	4.5	0.8	4.9	14.4	13.1	12.0	2.8	2.0	09/01/2005
Dow Jones U.S. Total Stock Market + 3%			*7.0*	*0.0*	*3.5*	*18.1*	*15.5*	*10.7*	*10.7*	
Total Cash	$5,986,711	0.1								

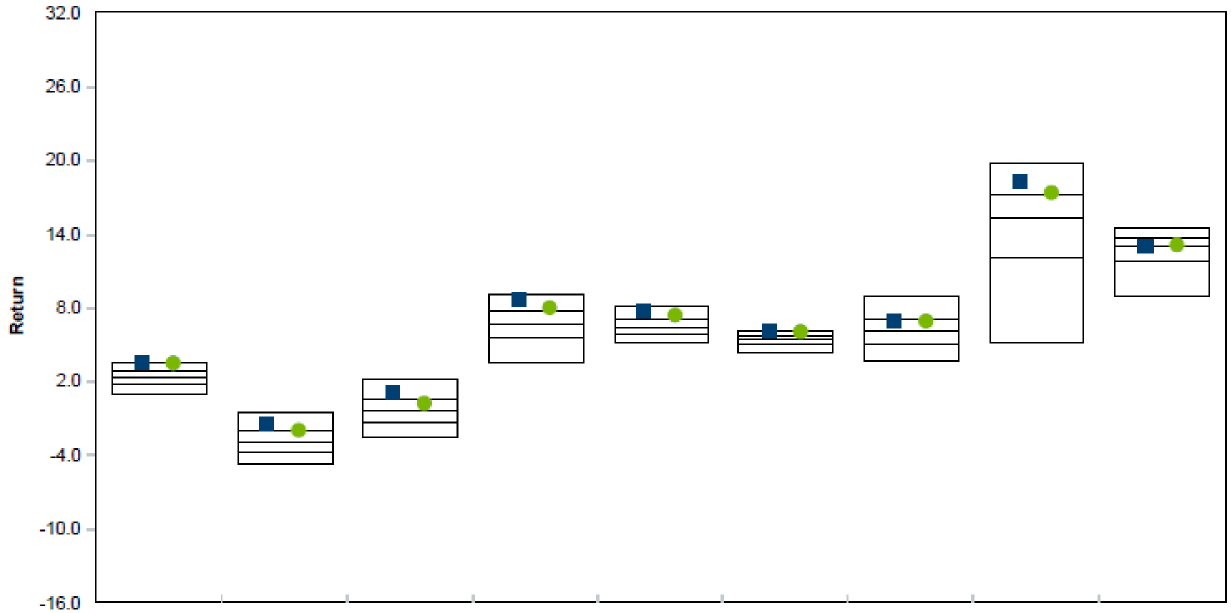
	Allocation: Market Value ($)	Allocation: %	Performance(%): 1 Quarter	FYTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Total Cash Balance Benefit Plan	**1,700,705,868**	**100.0**	**3.5 (8)**	**-1.5 (16)**	**1.2 (15)**	**8.5 (13)**	**7.7 (12)**	**6.1 (14)**	**7.5 (29)**	**01/01/2003**
Policy Benchmark			*3.5 (8)*	*-2.1 (27)*	*0.3 (30)*	*8.0 (22)*	*7.3 (22)*	*6.0 (16)*	*7.5 (28)*	
Total U.S. Equity	584,682,299	34.4	6.2 (16)	-1.3 (19)	0.6 (24)	14.8 (21)	12.2 (15)	7.2 (31)	9.3 (26)	01/01/2003
Dow Jones U.S. Total Stock Market			*6.3 (13)*	*-1.5 (19)*	*0.4 (27)*	*14.7 (28)*	*12.1 (15)*	*7.5 (14)*	*9.5 (11)*	
Total Non-U.S. Equity	177,217,578	10.4	5.1 (10)	-6.6 (23)	-1.3 (26)	3.9 (36)	2.0 (66)	2.7 (80)	7.6 (61)	01/01/2003
*MSCI All Country World ex-U.S. IMI**			*3.5 (67)*	*-8.8 (71)*	*-4.6 (80)*	*2.0 (81)*	*1.3 (82)*	*3.3 (47)*	*8.2 (51)*	
Total Global Equity	257,942,886	15.2	4.7 (51)	-4.7 (54)	-2.0 (63)	8.5 (60)	7.5 (51)	6.3 (26)	6.8 (23)	09/01/2005
*MSCI All Country World IMI**			*4.9 (46)*	*-5.2 (59)*	*-2.2 (65)*	*7.9 (68)*	*6.1 (72)*	*4.8 (63)*	*5.3 (65)*	
Total Fixed Income	499,764,840	29.4	-0.5 (32)	-0.5 (44)	0.0 (44)	1.2 (55)	3.5 (69)	5.0 (33)	4.8 (62)	01/01/2003
*Barclays Universal Bond Index**			*-0.5 (44)*	*0.1 (20)*	*0.4 (27)*	*1.5 (46)*	*3.5 (69)*	*4.7 (53)*	*4.7 (64)*	
Total Real Estate	105,090,114	6.2	4.0	5.9	14.2	11.8	11.9	5.6	6.7	12/01/2004
Performance Benchmark			*2.9*	*6.1*	*13.3*	*12.0*	*11.5*	*7.8*	*9.0*	
Total Private Equity	76,008,151	4.5	0.8	4.9	14.4	13.1	12.0	2.8	2.0	09/01/2005
Dow Jones U.S. Total Stock Market + 3%			*7.0*	*0.0*	*3.5*	*18.1*	*15.5*	*10.7*	*10.7*	

*Denotes a performance benchmark is a splice of more than one index. Descriptions can be found in the appendix of this report.
Note: The Total Fixed Income market value for the Cash Balance Benefit plan includes the CBB-GICS & Money Market.

The Defined Benefit Plan and the Cash Balance Plan performed in-line with the policy benchmark during the quarter. Corresponding universe ranks were quite favorable, indicating both Plans were in the 8th percentile relative to peers. Longer-term peer rankings were also favorable across all trailing periods. The equity component of each Plan, in particular the U.S. equity exposure, was the main driver of absolute performance.

Plan Sponsor Peer Group Analysis

All Public Plans > $1B-Total Fund

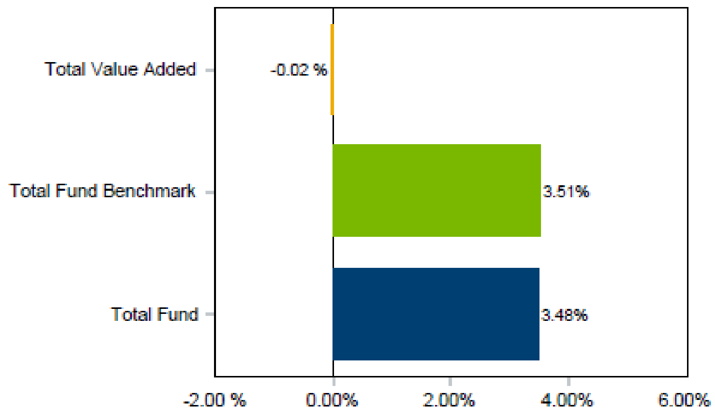


	1 Quarter	FYTD	1 Year	3 Years	5 Years	10 Years	2014	2013	2012
■ Total Defined Benefit Plan	3.5 (8)	-1.5 (16)	1.1 (15)	8.5 (13)	7.7 (12)	6.1 (12)	6.9 (29)	18.3 (19)	12.9 (54)
● Policy Benchmark	3.5 (8)	-2.1 (27)	0.3 (30)	8.0 (22)	7.3 (22)	6.0 (16)	6.9 (30)	17.4 (24)	13.1 (49)
5th Percentile	3.6	-0.5	2.2	9.1	8.2	6.2	8.9	19.8	14.6
1st Quartile	2.9	-2.0	0.6	7.8	7.2	5.8	7.1	17.3	13.7
Median	2.4	-3.0	-0.4	6.7	6.5	5.5	6.2	15.3	13.1
3rd Quartile	1.8	-3.7	-1.3	5.6	5.9	5.0	5.0	12.1	11.9
95th Percentile	1.0	-4.6	-2.4	3.6	5.2	4.4	3.7	5.2	9.0
Population	81	81	78	77	77	69	91	84	85

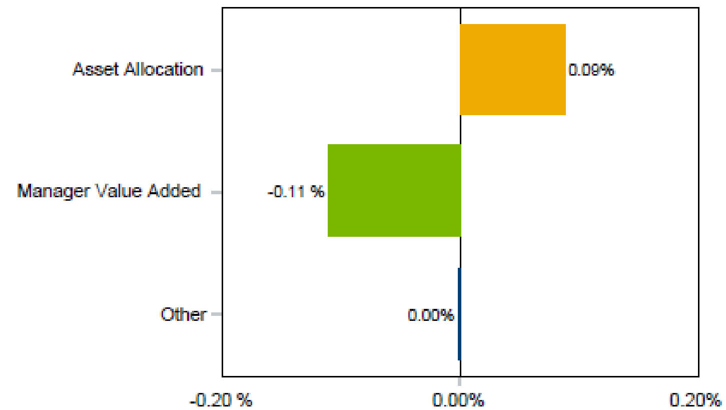
Universe rankings highlight that the Defined Benefit Plan outperformed the majority of its peers over every trailing time period. Over the trailing three-, five-, and ten-year periods, the DB Plan ranks in the 13th, 12th, and 12th percentile relative to peers. Furthermore, the Plan has matched or exceeded its policy benchmark return over each time period.

Total Fund Attribution

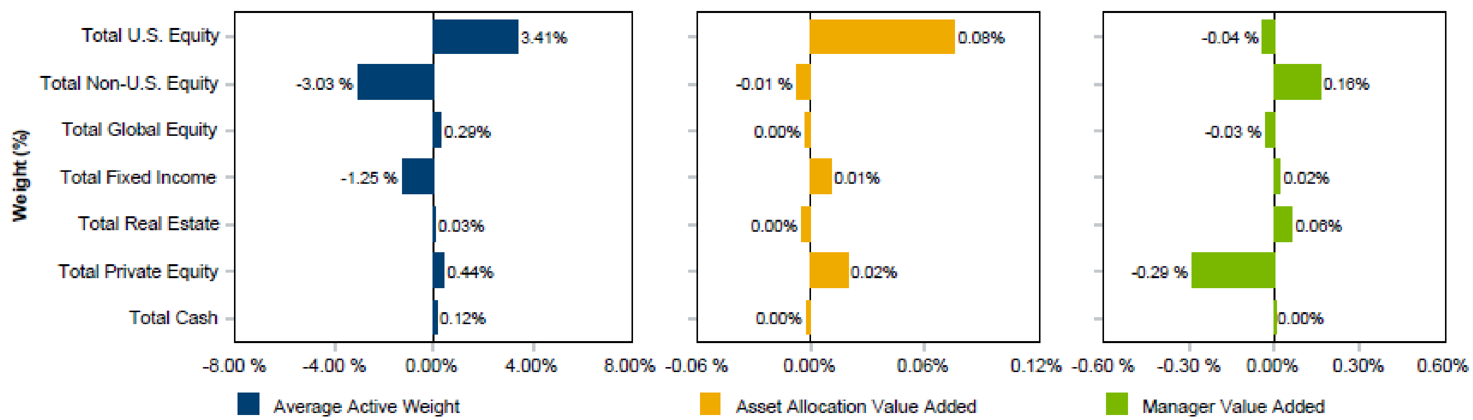
Total Fund Performance



Total Value Added:-0.02 %



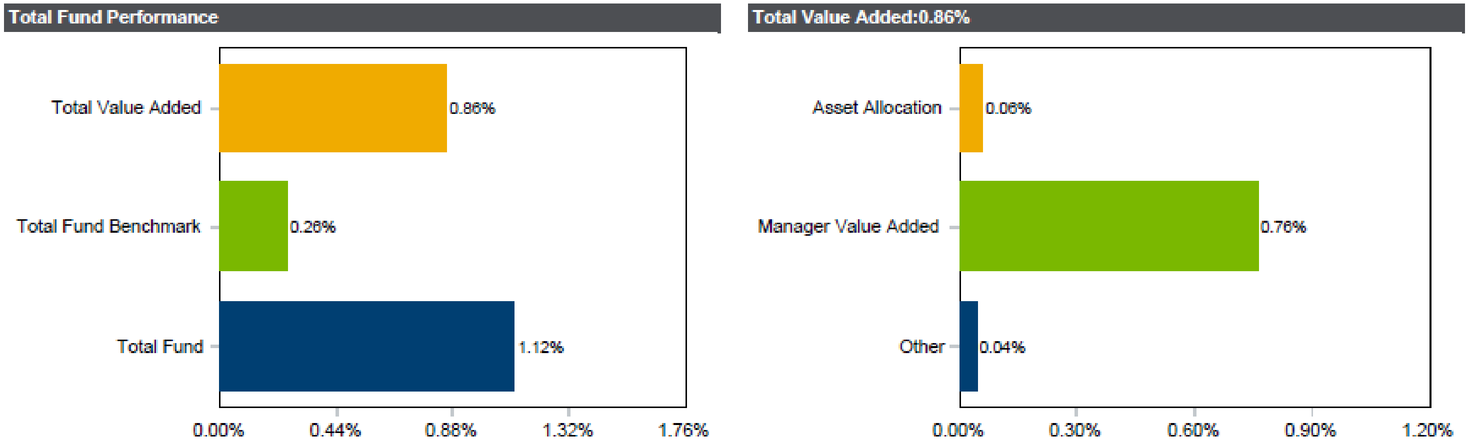
Total Asset Allocation:0.09% **Total Manager Value Added:-0.11 %**

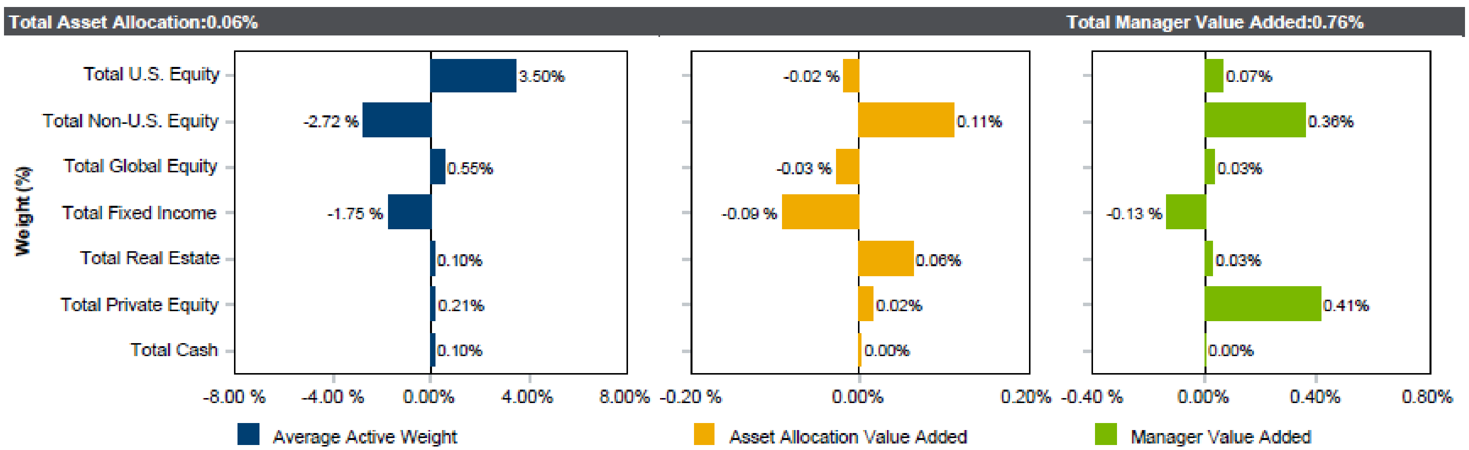


During the fourth quarter, the Plan's underlying managers detracted 0.11% (net-of-fees) from absolute performance while the overweight and underweight asset class positions were favorable in aggregate, adding 0.09%.

Empower Results®

Total Fund Attribution





One-year attribution indicates that the Fund's 0.86% outperformance during the period was primarily due to added value from managers. Over the past year, the Plan's underlying managers contributed 0.76% (net-of-fees) to absolute performance while the overweight and underweight asset class positions were also favorable in aggregate, adding 0.06%. The (non-tactical) timing of cash flows turned out favorabley during the past year, adding 0.04% to the Fund's overall return.

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Asset Allocation & Performance

	Allocation		Performance(%)							
	Market Value ($)	%	1 Quarter	FYTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Total Defined Cont. & Deferred Comp.	**978,419,193**	**100.0**								
DFA Small Cap	48,812,401	5.0	2.7	-7.4	-3.3	12.8	10.5	7.8	9.0	01/01/2001
Russell 2000 Index			*3.6*	*-8.8*	*-4.4*	*11.7*	*9.2*	*6.8*	*7.3*	
Russell 1000 Growth Index Fund	48,428,751	4.9	7.4	1.7	5.7	16.9	13.6	8.6	3.9	10/01/1999
Russell 1000 Growth Index			*7.3*	*1.6*	*5.7*	*16.8*	*13.5*	*8.5*	*3.8*	
Russell 1000 Value Index Fund	37,719,173	3.9	5.7	-3.2	-3.6	13.2	11.4	6.3	6.3	10/01/1999
Russell 1000 Value Index			*5.6*	*-3.2*	*-3.8*	*13.1*	*11.3*	*6.2*	*6.2*	
U.S. Equity Index Fund	158,737,685	16.2	7.0	0.1	1.4	15.2	12.6	7.4	6.3	01/01/1998
S&P 500 Index			*7.0*	*0.2*	*1.4*	*15.1*	*12.6*	*7.3*	*6.2*	
BlackRock All-Country World ex-U.S. Index Fund	28,808,276	2.9	2.6	-10.0	-5.8	1.0	1.0	3.0	4.4	07/01/2005
MSCI AC World ex USA Index (Net)			*3.2*	*-9.3*	*-5.7*	*1.5*	*1.1*	*2.9*	*4.3*	
U.S. Debt Index Fund	15,941,003	1.6	-0.6	0.7	0.6	1.5	3.3	4.6	5.3	01/01/1998
Barclays Aggregate Index			*-0.6*	*0.7*	*0.5*	*1.4*	*3.2*	*4.5*	*5.2*	
T. Rowe Stable Value	126,153,271	12.9	0.5	0.9	1.6	1.6	2.0	3.1	4.6	01/01/1997
Performance Benchmark			*0.4*	*0.9*	*1.8*	*1.8*	*2.0*	*3.1*	*3.5*	
SSgA STIF	6,130,731	0.6	0.0	0.1	0.1	0.1	0.1	1.4	2.3	01/01/1998
Barclays 90-Day T-Bill Index			*0.0*	*0.1*	*0.1*	*0.1*	*0.1*	*1.3*	*2.3*	
Conservative Premixed	33,364,074	3.4	1.1	-0.5	0.1	4.1	4.6	5.0	4.8	10/01/1999
Conservative Policy			*1.1*	*-0.3*	*0.3*	*3.9*	*4.5*	*4.7*	*4.6*	
Moderate Premixed	377,410,301	38.6	2.4	-1.3	-0.1	6.9	6.8	6.2	5.6	10/01/1999
Moderate Policy			*2.6*	*-1.2*	*0.1*	*6.7*	*6.7*	*5.8*	*5.4*	
Aggressive Premixed	79,657,604	8.1	4.0	-2.1	-0.3	9.5	8.5	6.6	5.5	10/01/1999
Aggressive Policy			*4.2*	*-2.2*	*-0.4*	*9.3*	*8.2*	*6.2*	*5.5*	
Investor Select Fund	17,255,922	1.8	3.4	-1.7	-0.4	8.2	7.8	6.5	6.5	10/01/2005
Performance Benchmark			*3.8*	*-1.6*	*-0.1*	*8.0*	*7.4*	*5.9*	*6.0*	

The Fund options offered to participants span the risk / return spectrum, which is consistent with best practices.

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Watchlist

Plan/Fund	Status as of 4Q 2015	Trigger Event	AHIC Comment
Defined Benefit & CBB			
None			
Deferred Contribution & Deferred Compensation Plan			
None			
Hartford Plan			
American Century Value	Yellow	Performance	Continue to monitor
Hartford Dividend & Growth HLS	Yellow	Performance	Continue to monitor
Goldman Sachs Mid-Cap Value	Yellow	Performance	Continue to monitor
Templeton Foreign Fund	Yellow	Performance	Continue to monitor
College Savings Plans			
American Century Inflation Adjusted Bond	Yellow	Performance	Continue to monitor
SPDR Barclays Intl Treasury Bond ETF	Yellow	Performance	Continue to monitor
State Farm CSP			
None			

Status	Number of Criteria Met	Suggested Action
	Less than 2	Active – No action required
	2 to 3	Active – On “closely monitored” list
	4	Closed – all allocations to the fund must be stopped, but
	Greater than 4	Closed Out – All invested balances must be moved to another active

Funds listed under the College Savings Plan section register “Yellow” in at least one of the three underlying plans

There were a few funds removed from the watch list during the quarter, each triggered by favorable performance factors as of late. Two new funds were added to the watch list, both for performance reasons (SPDR Barclays Intl Treasury Bond ETF and Hartford Dividend & Growth HLS). No action is recommended at this time.

Defined Benefit & Cash Balance Benefit Fees

Manager	Assets ($ in dollars)	Total Fee ($ in dollars)	Total Fee (bps)
DFA – U.S. Small Cap	$389,841,626	$1,442,414	37
BlackRock Russell 1000 Index	$3,639,176,946	$363,918	1
BlackRock World ex-U.S. IMI	$721,540,561	$288,616	4
Baillie Gifford Emerging Markets	$183,280,581	$1,008,043	55
McKinley	$16,174	$121	75
Gryphon	$316,360,788	$1,581,804	50
Acadian Global Equity	$324,615,779	$1,428,309	44
MFS Global Equity	$340,719,063	$1,533,236	45
Ironbridge	$346,025,782	$2,006,950	58
Mondrian	$320,411,212	$1,602,056	50
BlackRock All Country World IMI	$445,700,620	$178,280	4
BlackRock Core Plus	$437,104,581	$743,078	17
PIMCO Total Return	$584,598,663	$1,461,497	25
BlackRock Bond Index	$678,590,757	$135,718	2
Wellington Global	$312,066,460	$1,092,233	35
Loomis Sayles Multi-Sector Full Discretion	$158,823,153	$539,999	34
Loomis Sayles Bank Loans	$278,860,604	$1,171,215	42
Franklin Templeton	$274,703,666	$1,291,107	47
Neuberger Berman	$500,646,938	$801,035	16
Total RE[1]	$724,171,101	$6,424,777	89
Total PE[1]	$523,768,644	$7,898,701	151
Total DB/CBB	**$11,501,023,698**	**$32,993,106**	**29**

1. Total Fee (in dollars) of trailing 12-month period as of 9/30/2015.

Fees remain extremely competitive for both the Defined Benefit and Cash Balance Plan. The total fee as of December 31, 2015, is 29 basis points (0.29%) annually.

Empower Results®

Fee Schedule

	Market Value As of 12/31/2015 $	% of Portfolio	Estimated Annual Fee $	Estimated Annual Fee (%)
Total Defined Cont. & Deferred Comp.	**978,419,193**	**100.00**	**661,079**	**0.07**
DFA Small Cap	48,812,401	4.99	180,606	0.37
Russell 1000 Growth Index Fund	48,428,751	4.95	14,529	0.03
Russell 1000 Value Index Fund	37,719,173	3.86	11,316	0.03
U.S. Equity Index Fund	158,737,685	16.22	23,811	0.02
BlackRock All-Country World ex-U.S. Index Fund	28,808,276	2.94	40,332	0.14
U.S. Debt Index Fund	15,941,003	1.63	7,971	0.05
T. Rowe Stable Value	126,153,271	12.89	163,999	0.13
SSgA STIF	6,130,731	0.63	-	0.00
Conservative Premixed	33,364,074	3.41	13,346	0.04
Moderate Premixed	377,410,301	38.57	166,061	0.04
Aggressive Premixed	79,657,604	8.14	31,863	0.04
Investor Select Fund	17,255,922	1.76	7,247	0.04

The fees for the funds within the DC Plans are extremely favorable, ranging from 0.02% to 0.37% per annum. The DFA Small Cap Fund fee is 0.37%, which ranks very favorably relative to other active small cap managers.