

Nebraska Investment Council

Annual Report Calendar Year 2015

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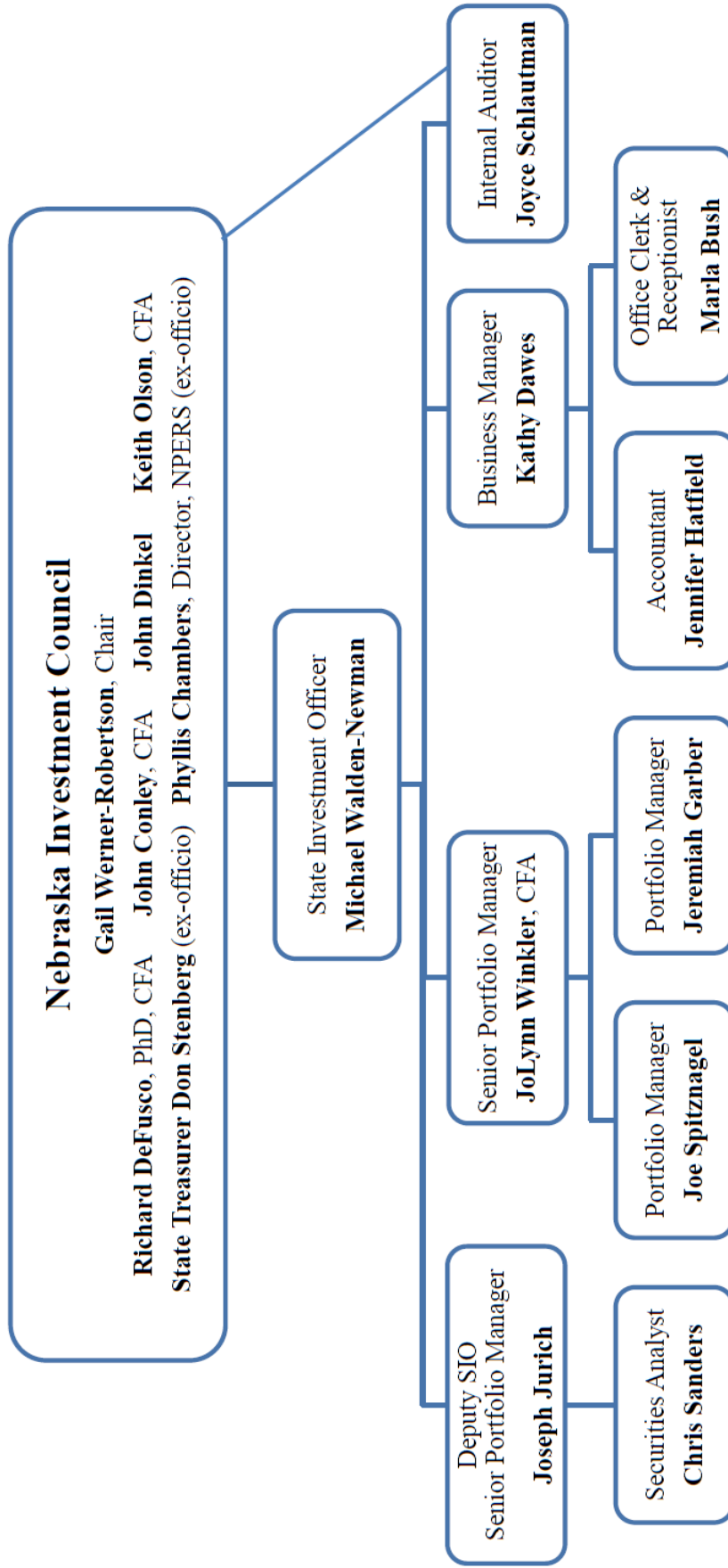
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It is the mission of the Nebraska Investment Council to prudently manage the funds entrusted to us by the people of the State of Nebraska. We deliver investment management services to provide direct financial benefit exclusively to the owners of these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



Nebraska Investment Council



Back Row (left to right): John Dinkel, Don Stenberg (State Treasurer), John Conley, and Dr. Richard DeFusco
Front Row (left to right): Gail Werner-Robertson, Keith Olson, Phyllis Chambers, and Michael Walden-Newman

Council Chairwoman

Gail Werner-Robertson

President
GWR Wealth Management, LLC
Omaha, NE
Term 2014-2018

Council

Dr. Richard A. DeFusco, Ph. D., CFA

Professor of Finance
University of Nebraska-Lincoln
Lincoln, NE
Term 2012-2016

Keith A. Olson, CFA

Beirne Wealth Consulting
Omaha, NE
Term 2016-2020

Don Stenberg

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

John M. Dinkel

Dinkel Implement Co.
Norfolk, NE
Term 2015-2019

John H. Conley, CFA

Smith Hayes Advisers, Inc.
Omaha, NE
Term 2012-2017

Phyllis Chambers

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

State Investment Officer

Michael Walden-Newman

State Investment Officer
Lincoln, NE

Nebraska Investment Council Staff



Back Row (left to right): Joseph Jurich, Jennifer Hatfield, Marla Bush, Jeremiah Garber, Chris Sanders, and JoLynn Winkler.

Front Row (left to right): Kathy Dawes, Joe Spitznagel, Joyce Schlautman, and Michael Walden-Newman

Staff

Chris Sanders
Securities Analyst
2010

Joseph Jurich
Deputy SIO
Senior Portfolio
Manager
2000

Joe Spitznagel
Portfolio Manager
2010

JoLynn Winkler
Senior Portfolio
Manager
1998

Joyce Schlautman
Internal Auditor
2014

Marla Bush
Officer Clerk &
Receptionist
2011

Jeremiah Garber
Portfolio Manager
2011

Kathy Dawes
Business Manager
1999

Michael Walden-Newman
State Investment Officer
2014

Jennifer Hatfield
Accountant
2015

INVESTMENT CONSULTANT

Aon Hewitt Investment Consulting, Inc
Chicago, Illinois

CUSTODIAN

State Street Bank & Trust, Co.
Boston, Massachusetts

State Investment Officer's Report

I am pleased to present the Annual Report for the Nebraska Investment Council for the year ending December 31, 2015. The Council oversees \$22 billion across 32 investment programs:

- \$9.9 billion in 4 defined benefit pension plans.
- \$2.7 billion in 7 other retirement plans.
- \$1.1 billion in 11 public endowments.
- \$4 billion in the Operating Investment Pool, the State's checkbook, managed internally.
- \$286.4 million in State funds managed by the University of Nebraska Foundation.
- \$75 million in 3 State trusts.
- \$3.8 billion in 4 college savings plans.
- Nebraska Enable, a new program for disability expenses.

The funds are spread among 58 investment firms and over 150 investments.

The term Council is used in several ways:

- The Council is the seven-member governing body including five private citizens appointed by the Governor and confirmed by the State Legislature, and two ex-officio members: the State Treasurer and the Director of the Public Employees' Retirement Systems.
- The Council is an independent state agency with a ten-member Investment Team.
- Most importantly, the Investment Council is the seventeen of us working together for the citizens of Nebraska.

2015 Investment Performance

2015 was a bumpy year for the Council as it was for all investors. The defined benefit plans and cash balance retirement plans invested 70/30 in equities and fixed income returned 1.1 percent and 1.2 percent respectively, compared to a 0.3 percent benchmark. The largest endowment pool with a 50/50 equity/fixed income split was down 0.4 percent compared to a 0.6 percent benchmark. The State's operating account, invested only in overnight cash and short to medium term bonds, returned 1.5 percent for the year.

The Council is conservative in its approach to asset allocation. Risk is the first building block. Our capital market assumptions are in the mid-range among consultants providing such data. Long-term return assumptions for our retirement portfolios are in the mid-6 percent range with mid-12 percent volatility. The Council remains very concerned that the 8 percent assumed rate of return used for the pensions is much higher than our long-term return assumptions. We keep policy makers and relevant agencies informed of our focus on risk, and the resulting return projection. Fortunately, these are shared concerns. The assumed rate question was explored in-depth at the Council's annual retreat—a policy-focused Council meeting—which was well-attended by state officials, legislators and other parties.

In 2015, it cost \$36.4 million to manage the \$11.6 billion in our defined benefit pensions and cash balance benefit retirement plans, or 32 bps. This is over 10 bps below funds of our size. This, too, reflects the conservative approach taken by the Council. We pay for active management only where we believe it adds value, and take passive exposure otherwise. Passive investing is lower-cost investing. The \$22 billion total portfolio split is two-thirds active to one-third passive.

Initiatives

The Council has built a solid investment program. In 2015, we began a strategic review of the portfolio. The Council investment team will take on an asset class at a time in a multi-year process. We use a "blank sheet" approach that does 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 chose global equity as our first asset class for review. We have used both existing and potential investment managers as an extension of staff and asked them the simple question, "What type of global equity portfolio would best serve Nebraska's needs over the next five-year period?" The intention is that after five years we will repeat the analysis. We have sent the best of the ideas to our consultant Aon Hewitt for analysis. Together, we will devise a final structure and select best-in-class managers to implement. This process is methodical investment management that 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.

2015 saw other initiatives, too. We are going to establish an electronic research management system at the Council. Also known as "knowledge management," this collaborative database will allow the Investment Team to better track and report due diligence, performance and other financial and statistical information. The Investment Team investigated several systems during 2015. Working with a local provider, we will have a customized solution to implement in 2016.

This year we continued external collaboration with public and private partners. As stated previously, the State's operating funds are managed directly in-house by the Investment Team. The Council hosted a series of information sessions for Nebraska state government agencies so they could better understand how we manage that portfolio. The sessions were well-attended, and the Council plans to continue annual sessions beginning in 2016.

We have strengthened our relationship with the State Treasurer's Office. On the longer side of the investment spectrum, the Council approves investment options available through the Treasurer's college savings program, as well as for Enable, a tax-advantaged savings accounts used to pay for qualified disability-related expenses. But the Council is also in daily communication with the Treasurer's Office to provide funds to cover daily spending. This year, we established a clear protocol to ensure adequate notice for unusually large, one-time capital calls.

For the private sector, the Council administers the Time Deposit Open Account program that allows Nebraska banks to draw on state funds for strategic liquidity.

Thank You

The Council is 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, and the Nebraska Public Employees Retirement Systems staff and board. Our mission statement reflects our shared goals.

The following Executive Summary provides a quick overview of 2015 capital markets, portfolio performance and Council investment activity. Details on the underlying investment pools follow. This report and a wealth of other information about the Nebraska investment program can be found on the Council website at <http://www.Council.ne.gov>. Please contact me with any questions you have. I can be reached directly at 402-471-2001 or michael.walden-newman@nebraska.gov

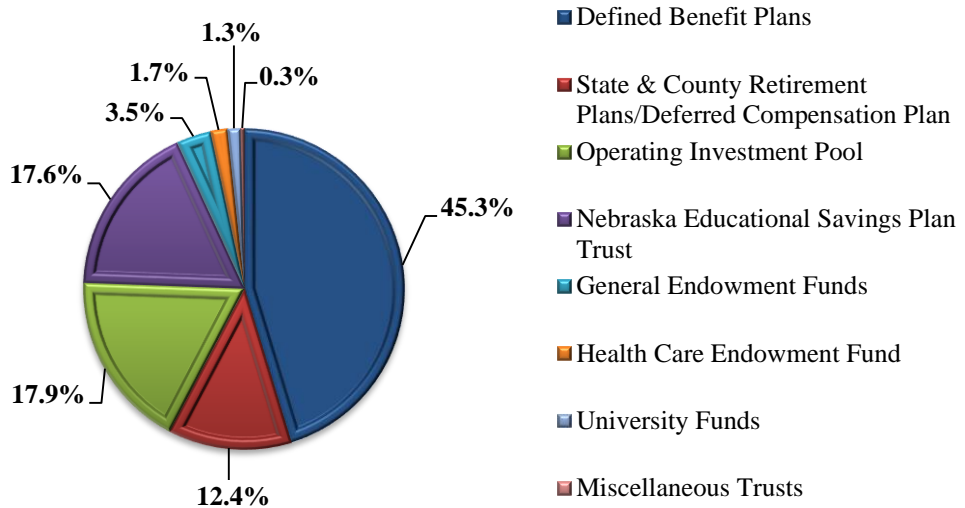


Michael W. Walden-Newman
State Investment Officer

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Executive Summary

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The Nebraska Investment Council (the Council) manages the investments of over 30 different entities. Numerous organizations may be included in an entity, such as the many separate departments of State government in the Operating Investment Pool. These entities fall into the eight major categories displayed above. For example, the pension plans for the employees of the Schools, the State Patrol, and Judges have similar characteristics and are grouped under “Defined Benefit Plans.” The pension plans for State and County employees have different characteristics and are listed separately. For all these entities, the Council’s responsibilities are primarily investment management. It does not determine the amount of funds contributed to nor disbursed from the funds it manages.

This report is intended to provide an overview of the investment management activities of the Council. All figures are believed to be materially accurate within the context of this report. Returns on all funds managed by the Council are reported net of fees unless noted otherwise.

Capital Markets Overview

In general 2015 turned out to be poor for the equity markets despite a fourth quarter rally. The Dow Jones U.S. Total Stock Market Index, a broad measure for U.S. equities, returned 0.4% for the year. Non-U.S. equity markets fell during 2015 with the MSCI EAFE Index, a measure of developed market non-U.S. equities, falling (-0.8%) and the MSCI Emerging Markets Index, a measure of emerging market equities, falling (-14.9%). The U.S. Dollar continued to strengthen during the year, which adversely impacted U.S. based investors’ exposure to markets overseas. In local terms, the performance of non-U.S. equity markets was far better, with a 6 percentage point improvement in developed market equity performance and a 9 percentage point improvement in emerging market equity performance when removing the currency impact from the equation. Weak demand and high supply have driven oil prices down materially, which hurt both energy exports and emerging markets economies.

The Federal Reserve raised the target for the Federal Funds rate for the first time in nearly a decade. In December, the Fed raised the target rate for the Federal Funds rate to 0.25-0.5%. The Fed surprised the

market in December with regards to the path of interest rates. Despite expectations, they did not lower the future expected path of interest rates, indicating they believed the economy was performing relatively strongly. Notably, the 'long run' neutral estimate remained unchanged at 3.5%, and the Fed was not as 'dovish' as the market expected. There continues to be a large gap between the bond market's pricing of interest rates and the Fed's projected rate path, with the market more 'dovish' than the Fed. Domestic fixed income markets, as measured by the Barclays U.S. Universal Index, returned 0.4% during 2015, as modestly higher interest rates throughout the year offset a portion of the yield the index provides.

Europe is showing signs of firming momentum, which should be supported by accommodative monetary policy, but political wrangling remains. The latter half of the year was much calmer for Europe than the first six months of 2015. After a third quarter where economic data was improving at only a gradual pace, the fourth quarter was more of the same. There was much on the front pages concerning Europe's political migrant crisis, but in the background economic data was steady. Annualized GDP remains near 1% for the Eurozone at the end of the year. Industrial production has been modestly improving, and manufacturing continued to show signs of strengthening. Eurozone markets continue to be supported by relatively strong earnings trends, and euro weakness should support exporters. Although the European economic recovery remains intact, there were fears that inflation remained low and showed limited signs of improvement. As a consequence, the European Central Bank responded by announcing an extension of monetary easing at the start of December; they cut the deposit rate by 0.1% to -0.3%, and declared an extension of the quantitative easing program for 6 months until at least March 2017.

Japan avoids a technical recession after returning to growth in Q3, but the economy is far from strong. After contracting in the second quarter of 2015, the Japanese economy avoided a technical recession as GDP growth for the third quarter indicated the economy was growing at an annualized rate of 1.0%. However, Japan closed the year poorly as Q4 annualized GDP fell by approximately 1%.

Emerging markets continued to underperform developed markets as a weak China was reason enough to keep optimism low. Emerging markets were once again among the weakest performing regions. This occurred despite growth stabilizing in the majority of emerging countries (Brazil being the notable exception). Compared to recent history, Chinese growth was weak in the fourth quarter, and is likely to remain so as the country re-orientates itself to a different growth model. The Chinese government has moved to a more stimulatory stance with both fiscal and monetary policies, but the on-going devaluation of the Renminbi has caused some investors concern. China's Purchasing Manufacturing Index (PMI) also indicates that manufacturing is contracting, which is still causing some concern for emerging markets and the level of demand in China.

Nebraska Investment Council Portfolio Highlights

The Council portfolios experienced a \$227 million net external cash outflow during 2015. The largest cash flows were in the Defined Benefit Plans which had a \$140 million cash outflow and the Operating Investment Pool which had an outflow of \$101 million.

During the twenty years displayed on the following page, assets have grown from \$3.7 billion to \$22.0 billion. Approximately \$13.6 billion of this increase is attributable to investment returns during the period. The largest positive investment returns for any one year occurred in 2013, with investment gains of \$2.5 billion. The asset base increased by approximately \$0.8 billion due to the Council assuming responsibility for the State and County Retirement Plans' assets in 1997, \$0.1 billion from the Nebraska

Educational Savings Plan Trust in 2002, and \$0.2 billion from the University Trust Funds in 2005. In total, approximately \$3.5 billion was due to total net cash inflows to the various funds.

TRANSACTION SUMMARY

	Beginning Balance	Net Contributions	Investment Results	Closing Balance
	(millions of dollars)			
Defined Benefit Plans	\$ 9,961	- \$ 140	\$ 112	\$ 9,933
State & County Retirement Plans/ Deferred Compensation Plan	2,736	- 44	22	2,714
Operating Investment Pool	3,961	- 101	62	3,922
NE Educational Savings Plan Trust	3,756	92	0	3,848
General Endowment Funds	769	1	- 4	766
Health Care Endowment Fund	394	- 21	4	377
University Funds	308	- 12	- 9	287
Miscellaneous Trusts	77	- 2	0	75
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
2011 Totals	15,578	112	141	15,831
2010 Totals	14,071	- 127	1,635	15,578
2009 Totals ¹	12,106	- 314	2,279	14,071
2008 Totals	15,314	391	- 3,599	12,106
2007 Totals	13,799	452	1,063	15,314
2006 Totals	11,774	546	1,479	13,799
2005 Totals ²	10,755	357	663	11,774
2004 Totals ³	8,894	753	891	10,539
2003 Totals ³	7,299	214	1,372	8,883
2002 Totals ⁴	7,702	91	- 486	7,307
2001 Totals	7,741	-8	- 86	7,647
2000 Totals	7,512	76	152	7,741
1999 Totals	6,871	- 22	664	7,512
1998 Totals	5,993	95	783	6,871
1997 Totals ⁵	5,074	140	780	5,993
1996 Totals	3,740	178	388	4,306

1. Due to a restatement of December 2008 assets, the beginning balances for the General Endowment Fund, the Health Care Endowment Fund, and the Excess Liability Fund (included in as a Miscellaneous Trust fund) have changed since the 2008 annual report. The fiscal year-end of the plans is June 30, 2009.

2. 2005 beginning balance differs from the 2004 closing balance because of the addition of the University Funds. Based on Nebraska statutes, the Nebraska Investment Council has investment oversight of these funds.

3. 2004 beginning balance differs from the 2003 closing balance and the 2003 beginning balance differs from the 2002 closing balance because of valuation changes in the Nebraska Educational Savings Plan Trust and the Health Care Endowment Fund. Please see the appropriate section for more detail.

4. 2002 beginning balance differs from the 2001 closing balance because of the addition of the Nebraska Educational Savings Plan Trust.

5. 1997 beginning balance differs from the 1996 closing balance by approximately \$0.8 billion because the Council assumed responsibility for the State and County Retirement Plans assets in 1997.

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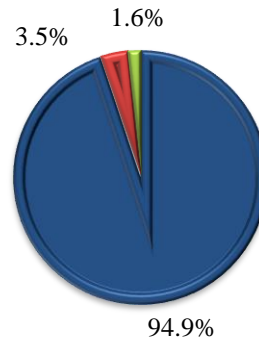
Defined Benefit Plans – Schools, State Patrol, and Judges

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OVERVIEW

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 Schools Service Annuity Fund. For these plans, the benefit is determined by formula and does not depend on investment results.

Plans as a Percentage of Total



■ Schools, 94.9% ■ State Patrol, 3.5% ■ Judges, 1.6%

School

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

State Patrol

- State Patrol members contribute 16% of gross compensation to the retirement plan. This is matched by the employer at 100%.

Judges

- Judges hired on or after July 1, 2015 (Tier 2) 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%.

2015 HIGHLIGHTS

- The Council added an active fixed income manager, Neuberger Berman. Funding for Neuberger Berman came from an offsetting reduction to other fixed income managers in the portfolio. This action was designed to reduce manager concentration and allow for greater risk-adjusted return for the portfolio.

- The Council made commitments to two real estate funds. These commitments were related to the 2013 decision to increase the strategic target for real estate from 5% to 7.5% of total portfolio. The first commitment was a \$40 million commitment to Torchlight Debt Opportunity Fund V, L.P. in March. In May, the Council committed \$40 million to Rockwood Capital Real Estate Partners Fund X, L.P.
- The Council made two private equity commitments. One was a \$50 million commitment to Dover Street IX, L.P. made in September. Also in September, the Council made a \$50 million commitment to Ares Corporate Opportunities Fund V, L.P.
- In September, Staff began a strategic review of the portfolio's global equity asset class. Staff will use a "blank sheet" approach that does not simply target underperforming managers. The review includes the asset class's place in the total portfolio, styles to consider, weighting, and manager structure. Staff has used both existing and potential investment managers as an extension of staff and asked them the simple question, "What type of global equity portfolio would best serve Nebraska's needs over the next five-year period?" The intention is that after five years Staff will repeat the review. The investment team has sent the best of the ideas to our consultant Aon Hewitt for analysis. Together, Staff and consultant will devise a final structure and select best-in-class managers to implement. Staff is targeting July for completion of the review, but will present it to the Council if prepared sooner.

TRANSACTION SUMMARY

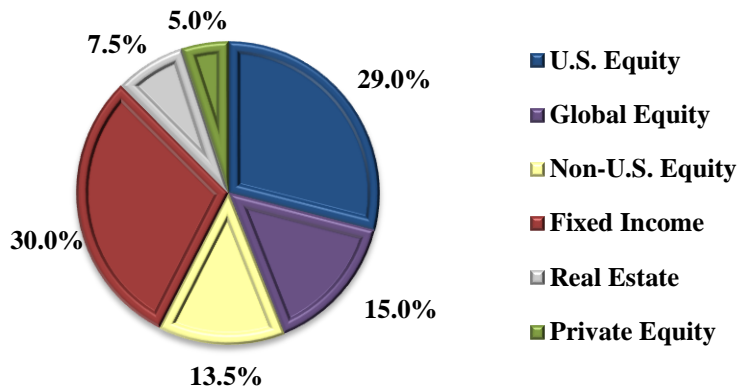
	Beginning Balance	Net Contributions	Investment Results	Closing Balance
	(millions of dollars)			
School Retirement System of the State of Nebraska	\$ 9,443	- \$ 128	\$ 106	\$ 9,421
Nebraska State Patrol Retirement System	349	- 7	4	346
Nebraska Judges' Retirement System	158	- 4	2	156
Omaha Schools Service Annuity Fund	11	- 1	0	10
2015 Totals¹	\$ 9,961	- \$ 140	\$ 112	\$ 9,933
2014 Totals	\$ 9,443	- \$ 123	\$ 641	\$ 9,961
2013 Totals	8,067	- 104	1,480	9,443
2012 Totals	7,204	- 87	950	8,067
2011 Totals	7,250	- 74	28	7,204
2010 Totals	6,449	- 58	859	7,250
2009 Totals	5,368	- 67	1,148	6,449
2008 Totals	7,490	- 67	- 2,055	5,368
2007 Totals	6,962	- 33	561	7,490
2006 Totals	6,054	9	899	6,962
2005 Totals	5,658	- 5	401	6,054
2004 Totals ²	5,064	- 9	603	5,658
2003 Totals	4,091	15	952	5,058
2002 Totals	4,494	20	- 423	4,091

1. Beginning in 2004, the table includes a small investment of DB funds in the Operating Investment Pool (OIP). For 2015, the assets include \$6.0 million in the OIP.

2. As of 2004, the assets include a \$5.5 million short-term investment in the Operating Investment Pool (OIP); therefore, the 2003 closing balance differs from the 2004 beginning balance. For further information on the OIP, please see the appropriate section.

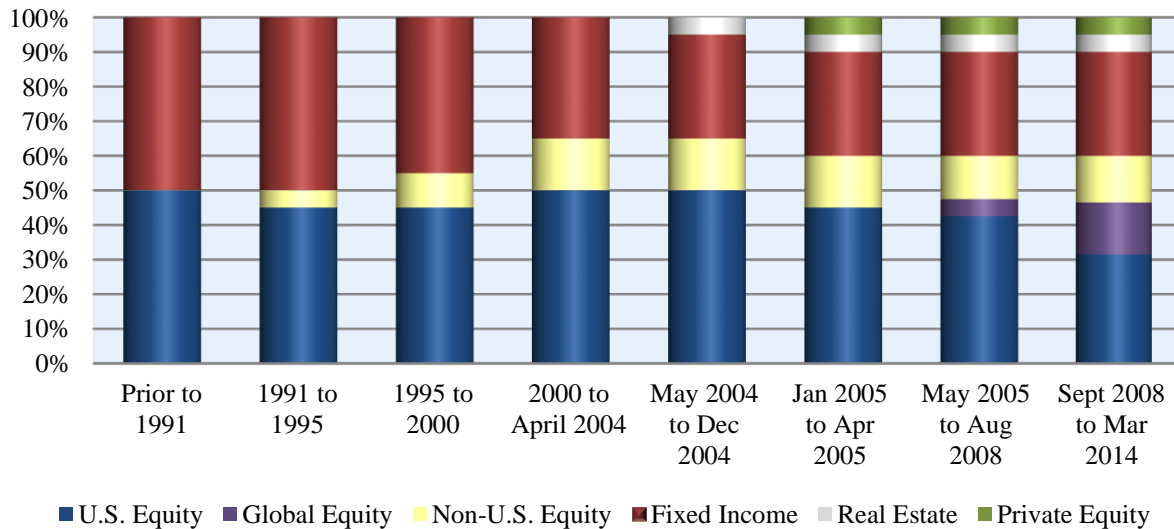
ASSET ALLOCATION

Policy Asset Allocation



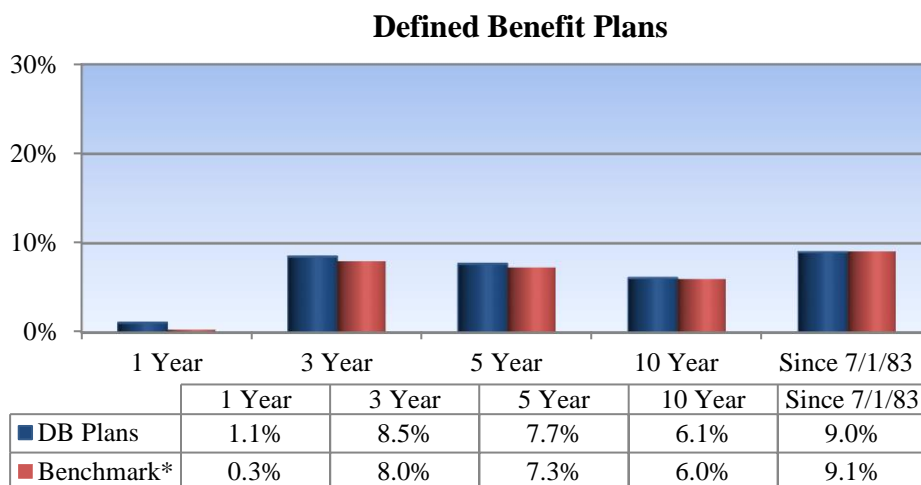
The Council invests the funds of the Defined Benefit Plans in six major asset classes: U.S. equity, global equity, non-U.S. equity, fixed income, real estate, and private equity. The Council has adopted the same long-term asset allocation policy for all three plans. Due to the nature of the liabilities (pension payments), defined benefit plans have very long investment time horizons.

Historical Asset Allocation

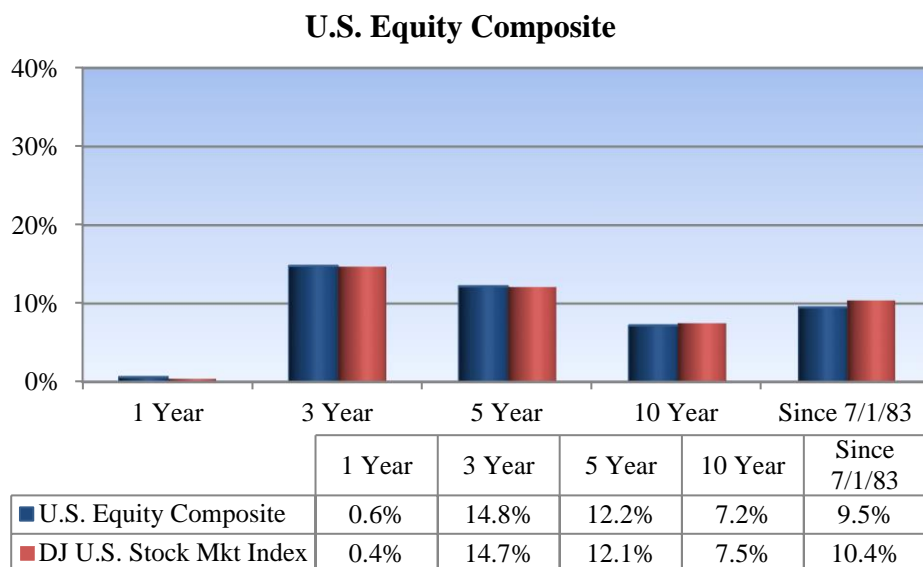


PERFORMANCE SUMMARY

The Defined Benefit Plans are invested identically and share the same investment results. For the calendar year, the total portfolio returned 1.1%, which outperformed the benchmark return of 0.3%. U.S. Equity returns were in line with the benchmark return. Global Equity struggled during 2015 but slightly beat its benchmark. Non-U.S. Equity struggled again during 2015 ending with a negative return. Fixed Income ended the year even, slightly underperforming its benchmark.

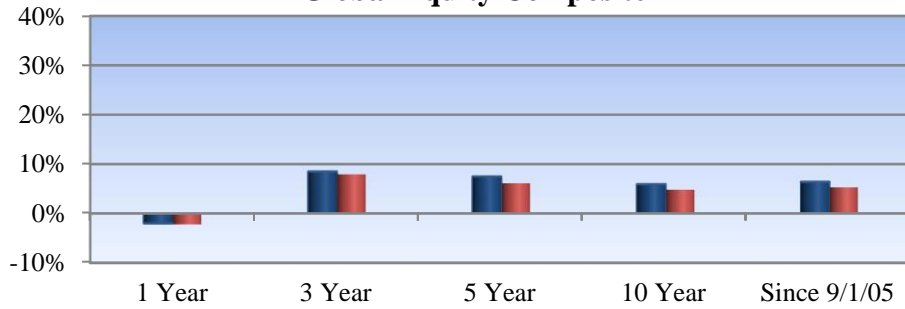


*This is a blended benchmark. As of October 2015, 31.5% of the DJ U.S. Total Stock Market Index, 15% of the MSCI All Country World IMI, 13.5% of the MSCI All Country World ex-U.S. IMI, 30% of the fixed income component, 6% of the real estate component, and 4% of the private equity component.



The U.S. Equity Portfolio slightly outperformed its benchmark, 0.6% vs. 0.4% respectively.

Global Equity Composite

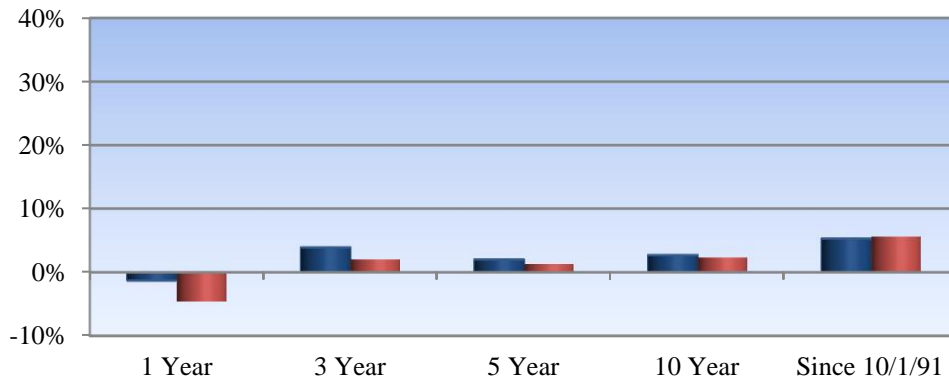


The Global Equity Composite returned -2.0% while its benchmark returned -2.2%.

	1 Year	3 Year	5 Year	10 Year	Since 9/1/05
■ Global Equity Composite	-2.0%	8.5%	7.5%	5.9%	6.4%
■ MSCI All Country World IMI *	-2.2%	7.9%	6.1%	4.8%	5.3%

* The MSCI All Country World IMI . Prior to August 2010, MSCI All Country World Index.

Non-U.S. Equity Composite

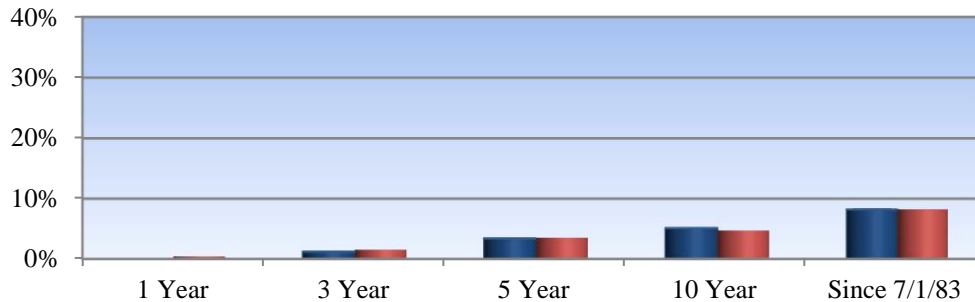


The Non-U.S. Equity Portfolio struggled at -1.3% compared to its benchmark at -4.6%.

	1 Year	3 Year	5 Year	10 Year	Since 10/1/91
■ Non-U.S. Equity Composite	-1.3%	3.9%	2.0%	2.7%	5.3%
■ MSCI All Country World Ex-U.S. IMI*	-4.6%	2.0%	1.3%	2.3%	5.6%

*MSCI All Country World ex-U.S. IMI. Prior to Aug. 2010, the MSCI All Country World ex-US Index, Gross of Dividends. Prior to Oct. 2000, MSCI EAFE Index.

Fixed Income Composite



The Fixed Income Portfolio was flat for the year, compared to the benchmark return of 0.4%.

	1 Year	3 Year	5 Year	10 Year	Since 7/1/83
■ Fixed Income Composite	0.0%	1.2%	3.4%	5.1%	8.2%
■ Barclays Universal Bond Index *	0.4%	1.5%	3.5%	4.7%	8.2%

*Beginning 1/1/05, the fixed income benchmark is solely the Barclays Universal Index. From 9/1/04 to 12/31/04, the fixed income benchmark is a compilation of both the Citigroup LPF and the Barclays Universal Index. Prior to September 2004, the Citigroup LPF Index.

PORTFOLIO MANAGERS

The performance of all managers is monitored quarterly. All managers are subject to thorough review at least annually. Aon Hewitt Investment Consulting, Inc., (Aon Hewitt) the investment consultant to the Council, assists in the performance analysis and review process.

MANAGER PERFORMANCE

U.S. Equity	1 Year	3 Years	5 Years	10 Years	Market Value as of 12/31/15 (in millions)
BlackRock Russell 1000 Index <i>Russell 1000 Index</i>	1.0% 0.9%	15.0% 15.0%	12.5% 12.4%	NA NA	\$ 3,111
Dimensional Fund Advisors, Inc. <i>Russell 2000 Index¹</i>	-2.6% -4.4%	13.1% 10.7%	10.3% 8.7%	7.5% 5.6%	333

1. Russell 2000 Index. Prior to April 2014 the Russell 2000 Value Index. Prior to August 2006 the Wilshire Small-Cap Value Style Index.

Global Equity	1 Year	3 Years	5 Years	10 Years	Market Value as of 12/31/15 (in millions)
Acadian Global Equity <i>MSCI All-Country World IMI¹</i>	-5.4% -2.2%	8.6% 7.9%	7.4% 6.2%	4.5% 4.8%	\$ 278
Ironbridge <i>MSCI All-Country World IMI¹</i>	0.7% -2.2%	9.7% 7.9%	6.9% 6.2%	NA NA	296
MFS Institutional Advisors, Inc. <i>MSCI All-Country World IMI¹</i>	-0.9% -2.2%	10.2% 7.9%	9.8% 6.2%	8.3% 4.8%	291
Mondrian <i>MSCI All-Country World IMI¹</i>	-2.5% -2.2%	5.8% 7.9%	5.9% 6.2%	NA NA	274
Blackrock ACWI IMI <i>MSCI All-Country World IMI</i>	-1.8% -2.2%	8.3% 7.9%	NA NA	NA NA	381

1. MSCI All-Country World IMI. Prior to May 2012, the MSCI All Country World Index

Non-U.S. Equity	1 Year	3 Years	5 Years	10 Years	Market Value as of 12/31/15 (in millions)
BlackRock World ex-U.S. IMI <i>MSCI World ex-U.S. IMI¹</i>	-1.7% -2.0%	4.7% 4.4%	3.2% 2.9%	3.3% 3.0%	\$ 617
Baillie Gifford <i>MSCI Emerging Markets Index</i>	-8.2% -14.9%	-1.4% -6.8%	-2.9% -4.8%	6.1% 3.6%	157
Gryphon <i>MSCI All-Country World ex U.S. IMI</i>	3.9% -4.6%	5.6% 2.0%	NA NA	NA NA	270

1. MSCI World ex- U.S. IMI. From May 2011 to January 2013 the MSCI All Country World ex-U.S. IMI. Prior to May 2011 the MSCI World ex-U.S. Index.

Fixed Income	1 Year	3 Years	5 Years	10 Years	Market Value as of 12/31/15 (in millions)
BlackRock Core Plus Universal <i>Barclays Universal Bond Index¹</i>	1.1% 0.4%	1.8% 1.5%	4.1% 3.5%	5.0% 4.7%	\$ 374
BlackRock Aggregate Bond Index <i>Barclays Aggregate Bond Index</i>	0.6% 0.5%	1.6% 1.4%	3.4% 3.2%	NA NA	580
PIMCO Core Plus <i>Barclays Universal Bond Index¹</i>	-0.1% 0.4%	1.0% 1.5%	3.1% 3.5%	5.1% 4.7%	500
Loomis Sayles <i>Barclays Universal Bond Index²</i>	-2.8% 0.4%	3.3% 1.5%	6.2% 3.5%	NA NA	136
Wellington Global⁵ <i>Barclays Global Aggregate</i>	-2.8% -3.2%	NA NA	NA NA	NA NA	267
Loomis Sayles Bank Loans <i>S&P / LSTA Leveraged Loan Index</i>	1.1% -0.7%	NA NA	NA NA	NA NA	238
Franklin Templeton <i>Credit Suisse Leveraged Loan (Split BB)</i>	0.0% 1.5%	NA NA	NA NA	NA NA	235
Neuberger Berman Core Plus⁵ <i>Barclays Universal Bond Index</i>	NA NA	NA NA	NA NA	NA NA	428
Opportunistic - PIMCO Bravo II⁴	NA NA	NA NA	NA NA	NA NA	76
Opportunistic – Oaktree⁴	NA NA	NA NA	NA NA	NA NA	13
Operating Investment Pool <i>Benchmark³</i>	1.5% 1.3%	1.1% 1.1%	1.9% 2.3%	3.4% 3.7%	6

1. Beginning 1/1/05, the benchmark is the Barclays Capital Universal Index. Prior to September 2004, the benchmark was the Citigroup LPF. Beginning September 2004, the benchmark was transitioned from the Citigroup LPF to the Barclays Capital Universal Index and was as follows: September 2004, 80% Citigroup LPF/20% Barclays Capital Universal Index; October 2004, 60% Citigroup LPF/40% Barclays Capital Universal Index; November 2004, 40% Citigroup LPF/60% Barclays Capital Universal Index; December 2004, 20% Citigroup LPF/80% Barclays Capital Universal Index.

2. Barclays Universal Bond Index. Prior to July 31, 2010 the Barclays High Yield Index.

3. See Operating Investment Pool section.

4. Added during 2013

5. Added during 2015.

The table below represents the investments in open end core funds for the private real estate portfolio. Time-weighted rates of return through 12/31/15 for the five investments are shown separately below.

Real Estate	1 Year	3 Years	5 Years	Market Value as of 12/31/15 (in millions)
Cornerstone Patriot Fund <i>NFI-ODCE Index</i>	13.3% 14.0%	10.7% 12.8%	NA 12.6%	\$ 114
UBS Trumbull Property Fund <i>NFI-ODCE Index</i>	11.8% 14.0%	10.5% 12.8%	10.5% 12.6%	125
Prudential (PRISA) <i>NFI-ODCE Index</i>	14.5% 14.0%	13.6% 12.8%	13.5% 12.6%	146
Prudential (PRISA) II <i>NFI-ODCE Index</i>	16.5% 14.0%	14.5% 12.8%	15.2% 12.6%	49
UBS Trumbull Property Income Fund¹ <i>NFI-ODCE Index</i>	NA NA	NA NA	NA NA	53

1. Added during 2015

Investments in several closed end funds have also been made. Private real estate reports are available on a quarter lag and therefore figures shown in the following table are as of 9/30/15. The detail encompasses our total private real estate commitments (open and closed end funds) for both the Defined Benefit Plans and the Cash Balance Plan as those assets are commingled for investment purposes.

Portfolio Detail DB & CBB	Direct as of 9/30/15
Number of Investments	18
Total Commitments	\$870,250,000
Total Paid-In	\$676,452,329
IRR since inception	6.78%
Partnerships	AG Realty Fund VIII, L.P.
	Almanac Realty Securities Fund V, L.P.
	Almanac Realty Securities Fund VII, L.P.
	Beacon Capital Strategic Partners Fund V, L.P.
	CB Richard Ellis Strategic partners U. S. Opportunity Fund V, L.P.
	Cornerstone Patriot Fund, L.P.
	Heitman Value Partners Fund II, L.P.
	Landmark Real Estate Partners VI, L.P.
	Landmark Real Estate Partners VII, L.P.
	Prudential – PRISA I
	Prudential – PRISA II
	Rockpoint Real Estate Fund III, L.P.
	Rockwood Capital Real Estate Partners Fund IX, L.P.
	Rockwood Capital Real Estate Partners Fund X, L.P.
	Torchlight Debt Opportunity Fund IV
	Torchlight Debt Opportunity Fund V
	UBS Trumbull Property Fund
	UBS Trumbull Property Income Fund

Performance shown above is measured as an internal rate of return not a time-weighted rate of return. A majority of the portfolio at this time is invested in open end funds. The real estate portfolio is in the investment stage for many of its closed end funds and will continue to invest in closed end funds over time.

Private Equity

The Council began allocating to private equity in 2005 with the initial commitment to fund of funds. Starting in 2007 and thereafter, commitments have been made to direct funds. The following table shows detail on the total private equity portfolio. Private equity reports are on a quarter lag and are shown as of 9/30/15. The detail that follows includes our private equity commitments for both the Defined Benefit Plans and the Cash Balance Plan as those assets are commingled for investment purposes.

Portfolio Detail DB & CBB	Direct as of 9/30/15	Fund of Funds as of 9/30/15	Total as of 9/30/15
Number of Investments	36	2	38
Total Commitments	\$779,672,399	\$150,000,000	\$929,672,399
Total Paid-In	\$522,414,313	\$146,062,581	\$668,476,894
IRR since inception	11.67%	7.88%	10.22%
Partnerships	Accel-KKR Capital Partners III, L.P.	Abbott Capital Private Equity Fund V, L.P.	
	Accel-KKR Capital Partners IV, L.P.	Pathway Private Equity Fund XVIII, LLC	
	Ares Corporate Opp. Fund III, L.P.		
	Ares Corporate Opp. Fund IV, L.P.		
	Ares Mezzanine Partners, L.P.		
	Beecken Petty O'Keefe Fund IV, L.P.		
	Bridgepoint Europe IV, L.P.		
	Bridgepoint Europe V, L.P.		
	CVC Capital Partners VI, L.P.		
	CVC European Equity Partners V, L.P.		
	Dover Street VIII, L.P.		
	EIF United States Power Fund IV, L.P.		
	Fulcrum Growth Partners IV, L.P.		
	Francisco Partners IV, L.P.		
	Green Equity Investors VI, L.P.		
	Lightyear Fund III, L.P.		
	Lincolnshire Equity Fund IV, L.P.		
	Longroad Capital Partners III, L.P.		
	McCarthy Capital V, L.P.		
	Merit Mezzanine Fund V, L.P.		
	New Enterprise Associates 13, L.P.		
	New Enterprise Associates 14, L.P.		
	New Mountain Partners III, L.P.		
	New Mountain Partners IV, L.P.		
	Pine Brook Capital Partners II, L.P.		
	Presidio Partners 2007, L.P.		
	Quantum Energy Partners V, L.P.		
	Quantum Energy Partners VI L.P.		
	Sun Capital Partners V, L.P.		
	The EMG Fund III, L.P.		
	The Resolute Fund II, L.P.	.	
	The Resolute Fund III, L.P.		
	TRG Growth Partnership II, L.P.		
	Wayzata Opportunities Fund II, L.P.		
	Wayzata Opportunities Fund III, L.P.		
	Wynnchurch Capital Partners IV, L.P.		

Performance shown above is measured as an internal rate of return not a time-weighted rate of return. At this point, performance is starting to become meaningful even though a fairly large amount of capital has yet to be called and the portfolio is still developing.

Defined Benefit Plans – School, State Patrol, and Judges Funding Status

		<u>School</u>	<u>Patrol</u>	<u>Judges</u>	<u>Total</u>
		(millions of dollars)			
June 30, 2015	Assets (actuarial value)	\$ 9,485	\$ 356	\$ 157	\$ 9,998
	Liabilities (AAL)	<u>10,778</u>	<u>410</u>	<u>162</u>	<u>11,350</u>
	Surplus	- \$ 1,293	- \$ 54	- \$ 5	- \$ 1,352
	Funded Ratio	88%	87%	97%	88%
June 30, 2014	Assets (actuarial value)	\$ 8,622	\$ 326	\$ 145	\$ 9,093
	Liabilities (AAL)	<u>10,426</u>	<u>401</u>	<u>156</u>	<u>10,983</u>
	Surplus	- \$ 1,804	- \$ 75	- \$ 11	- \$ 1,890
	Funded Ratio	83%	81%	93%	83%
June 30, 2013	Assets (actuarial value)	\$ 7,703	\$ 294	\$ 130	\$ 8,127
	Liabilities (AAL)	<u>9,985</u>	<u>387</u>	<u>148</u>	<u>10,520</u>
	Surplus	- \$ 2,282	- \$ 93	- \$ 18	- \$ 2,393
	Funded Ratio	77%	76%	88%	77%
June 30, 2012	Assets (actuarial value)	\$ 7,359	\$ 283	\$ 126	\$ 7,768
	Liabilities (AAL)	<u>9,609</u>	<u>362</u>	<u>137</u>	<u>10,108</u>
	Surplus	- \$ 2,250	- \$ 79	- \$ 11	- \$ 2,340
	Funded Ratio	77%	78%	92%	77%
June 30, 2011	Assets (actuarial value)	\$ 7,267	\$ 279	\$ 125	\$ 7,671
	Liabilities (AAL)	<u>9,040</u>	<u>339</u>	<u>128</u>	<u>9,507</u>
	Surplus	- \$ 1,772	- \$ 60	- \$ 3	- \$ 1,836
	Funded Ratio	80%	82%	98%	81%
June 30, 2010	Assets (actuarial value)	\$ 7,041	\$ 273	\$ 121	\$ 7,435
	Liabilities (AAL)	<u>8,542</u>	<u>322</u>	<u>121</u>	<u>8,985</u>
	Surplus	- \$ 1,501	- \$ 49	\$ 0	- \$ 1,550
	Funded Ratio	82%	85%	100%	83%
June 30, 2009	Assets (actuarial value)	\$ 7,007	\$ 274	\$ 121	\$ 7,403
	Liabilities (AAL)	<u>8,092</u>	<u>305</u>	<u>119</u>	<u>8,516</u>
	Surplus	- \$ 1,085	- \$ 31	\$ 2	- \$ 1,113
	Funded Ratio	87%	90%	102%	87%

Annual actuarial valuations of the three largest Defined Benefit Plans are performed as of June 30. The table compares the actuarial market values of the assets to the actuary's estimate of the liability at June 30 of each year. The actuarial reports use a smoothing technique for the return on the assets. The information in the tables is from the Nebraska Public Employees Retirement System.

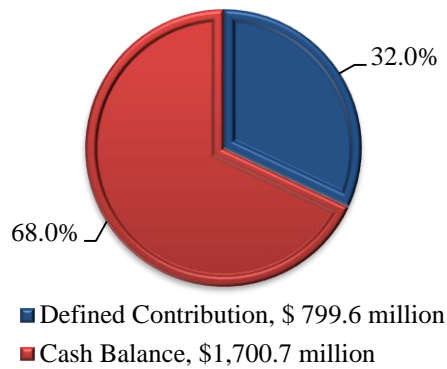
State and County Retirement Systems & State Deferred Compensation Plan

OVERVIEW

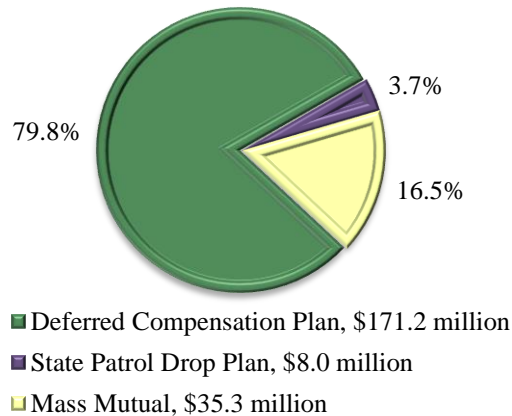
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The Nebraska Investment Council oversees the investments for the State Employees Retirement System of the State of Nebraska, the Retirement System for Nebraska Counties, and the State Deferred Compensation Plan. In the Retirement System for Nebraska Counties, all counties are included except Lancaster and Douglas counties. Prior to 1997, the State Deferred Compensation Plan was managed by Hartford Life Insurance Company (now Mass Mutual). Some assets still remain with Mass Mutual. A voluntary Deferred Retirement Option Plan (DROP) was added to the State Patrol Retirement Plan in 2008. For investment purposes, the assets are commingled with assets in the State Deferred Compensation Plan.

State & County Retirement Systems



State Deferred Compensation Plan & State Patrol DROP Plan



State and County Retirement Systems

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.

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 is reset each calendar quarter.

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.

Mass Mutual Deferred Compensation Plan (Previously Hartford)

In January 1, 1997, the investment management of the State Deferred Compensation Plan assets was changed from Hartford Life Insurance Company to the Nebraska Investment Council, with different investment options. Contributions in the Hartford investment options were not allowed after the transition. As of January 2, 2013, Massachusetts Mutual Life Insurance Company has acquired the Hartford Retirement Plans Group. Participants remaining in the Mass Mutual Deferred Compensation Plan cannot make new contributions into the plan, but may transfer their balances at any time to the current State Deferred Compensation Plan. Given the absence of new cash flows, the Council expects the Mass Mutual investment options to lose assets over time.

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.

2015 HIGHLIGHTS

Defined Contribution Plan/Deferred Compensation Plan

- Within the Mass Mutual Deferred Compensation Plan the Davis NY Venture Fund and the AllianceBernstein International Value Fund will no longer be offered as investment options.

Cash Balance Plan

- The Council added an active fixed income manager, Neuberger Berman. Funding for Neuberger Berman came from an offsetting reduction to other fixed income managers in the portfolio. This action was designed to reduce manager concentration and allow for greater risk-adjusted return for the portfolio.
- The Council made commitments to two real estate funds. These commitments were related to the 2013 decision to increase the strategic target for real estate from 5% to 7.5% of total portfolio. The first commitment was a \$40 million commitment to Torchlight Debt Opportunity Fund V, L.P. in March. In May, the Council committed \$40 million to Rockwood Capital Real Estate Partners Fund X, L.P.
- The Council made two private equity commitments. One was a \$50 million commitment to Dover Street IX, L.P. made in September. Also in September, the Council made a \$50 million commitment to Ares Corporate Opportunities Fund V, L.P.
- In September, Staff began a strategic review of the portfolio's global equity asset class. Staff will use a "blank sheet" approach that does not simply target underperforming managers. The review includes the asset class's place in the total portfolio, styles to consider, weighting, and manager structure. Staff has used both existing and potential investment managers as an extension of staff and asked them the simple question, "What type of global equity portfolio would best serve Nebraska's needs over the next five-year period?" The intention is that after five years Staff will repeat the review. The investment team has sent the best of the ideas to our consultant Aon Hewitt for analysis. Together, Staff and consultant will devise a final structure and select best-in-class managers to implement. Staff is targeting July for completion of the review, but will present it to the Council if prepared sooner.
- In 2015, the Public Employees Retirement Board voted to issue a 5.81% dividend for County Cash Balance Plan members and a 4.53% dividend for State Cash Balance Plan members for the time period 1/1/14 through 12/31/14. As of December 31, 2014 the County Cash Balance Plan had a funded status of 105.4% and the State Cash Balance Plan had a funded status of 103.9%. The plans must be 100% actuarially funded before and after the dividend to be eligible.

TRANSACTION SUMMARY¹

	Beginning Balance	Net Contributions	Investment Results	Closing Balance
	(millions of dollars)			
Defined Contribution Plan/State Deferred Comp. ²	\$ 1,012	- \$ 36	\$ 3	\$ 978
Cash Balance Plan	1,686	- 5	19	1,701
Mass Mutual ³	38	- 3	0	35
2015 Totals	\$ 2,736	- \$ 44	\$ 22	\$ 2,714
2014 Totals	\$ 2,570	- \$ 15	\$ 181	\$ 2,736
2013 Totals	2,189	- 10	391	2,570
2012 Totals	1,954	4	231	2,189
2011 Totals	1,935	- 1	18	1,954
2010 Totals	1,696	- 32	271	1,935
2009 Totals	1,371	- 151	476	1,696
2008 Totals	1,788	282	- 699	1,371
2007 Totals	1,663	11	114	1,788
2006 Totals	1,456	20	187	1,663
2005 Totals	1,355	23	79	1,456
2004 Totals	1,202	31	121	1,355
2003 Totals	973	42	187	1,202
2002 Totals	1,035	21	- 83	973
2001 Totals	1,045	15	- 25	1,035
2000 Totals	1,057	3	- 15	1,045
1999 Totals	934	- 4	127	1,057
1998 Totals	849	- 5	91	934
1997 Totals	765	- 6	89	849

1. Consistently prepared figures are not available prior to 1997.

2. Includes the State Patrol "DROP" plan.

3. Includes the General Account which receives a variable crediting rate each quarter.

State and County Retirement Systems

Defined Contribution & State Deferred Compensation Plan

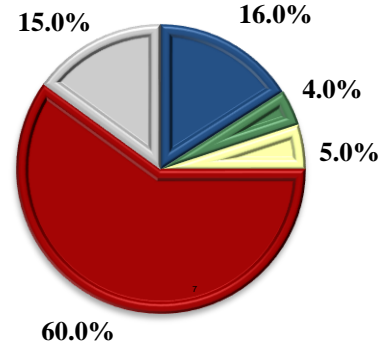
ASSET ALLOCATION

For both employee and employer contributions, a participant selects among thirteen 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. Prior to July 1, 1999, participants did not determine the investment option for the employer contributions into the Plans. In 1999, the Nebraska State Legislature, in coordination with the Council and the Public Employees Retirement Board, changed the provisions to allow participant direction over employer contributions.

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.

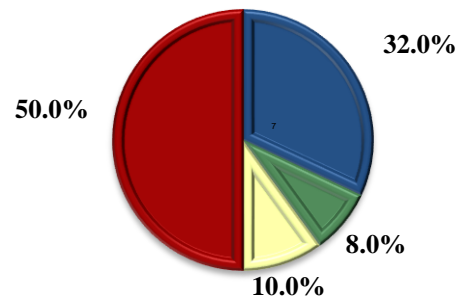
Participants may choose to invest in eight individual investment funds, four premixed funds, or the Age-based option. Assets in the premixed funds are invested in several of the other fund offerings according to target allocations. The Age-based option utilizes these existing premixed funds to function together as a “life cycle” fund. This means that asset allocations will automatically become more conservative as the member gets closer to retirement age. The target allocations are displayed for the premixed funds.

Conservative Premixed Fund

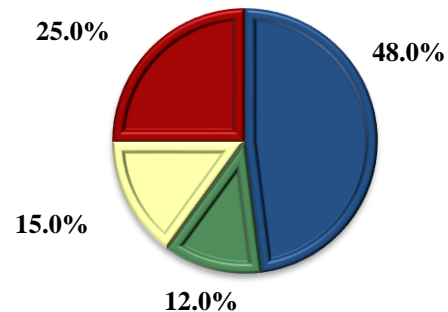


- S&P 500 Index Fd.
- Small Company Stock Fd.
- International Stock Index Fd.
- Bond Market Index Fd.
- Money Market Fund

Moderate Premixed Fund

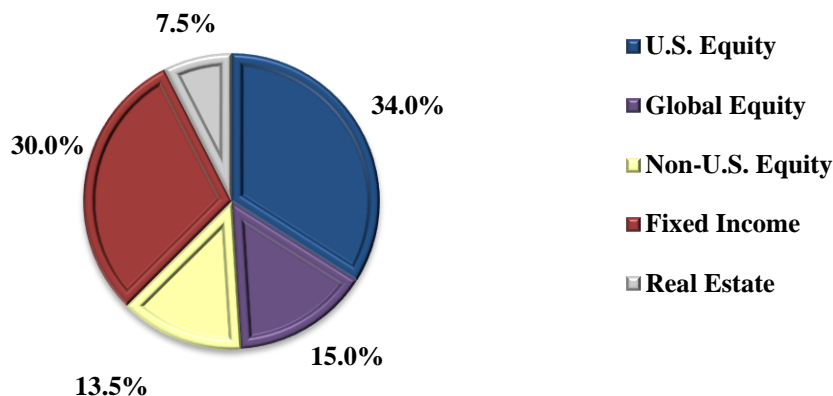


Aggressive Premixed Fund



The Investor Select Fund is invested substantially similar to the Defined Benefit Plans for the School Retirement System of the State of Nebraska, the Nebraska State Patrol Retirement System, the Nebraska Judges' Retirement System, and the Omaha Schools Service Annuity Fund.

Investor Select Fund



PERFORMANCE SUMMARY

Each participant chooses his or her own investment strategy. Therefore, performance measurement for the State and County Retirement Plans and the State Deferred Compensation Plan is limited to manager performance.

PORTFOLIO MANAGERS

The performance of all managers is monitored quarterly. All managers are subject to thorough reviews at least annually. Aon Hewitt, the investment consultant for the Council, also assists in the performance analysis and review. The market value for each manager and their fund is listed below.

MANAGER PERFORMANCE

U.S. Equity	1 Year	3 Years	5 Years	10 Years	Market Value as of 12/31/15 (in millions)
S&P 500 Stock Index	1.4%	15.2%	12.6%	7.4%	\$ 159
<i>S&P 500 Index</i>	<i>1.4%</i>	<i>15.1%</i>	<i>12.6%</i>	<i>7.3%</i>	
Large Growth Stock Index Fund	5.7%	16.9%	13.6%	8.6%	48
<i>Russell 1000 Growth Index</i>	<i>5.7%</i>	<i>16.8%</i>	<i>13.5%</i>	<i>8.5%</i>	
Large Value Stock Index Fund	-3.6%	13.2%	11.4%	6.3%	38
<i>Russell 1000 Value Index</i>	<i>-3.8%</i>	<i>13.1%</i>	<i>11.3%</i>	<i>6.2%</i>	
Small Company Stock Fund	-3.3%	12.8%	10.5%	7.8%	49
<i>Russell 2000 Index</i>	<i>-4.4%</i>	<i>11.7%</i>	<i>9.2%</i>	<i>6.8%</i>	

Non-U.S. Equity	1 Year	3 Years	5 Years	10 Years	Market Value as of 12/31/15 (in millions)
International Stock Index	-5.8%	1.0%	1.0%	3.0%	\$ 29
<i>MSCI All Country World ex-U.S. Index</i>	<i>-5.7%</i>	<i>1.5%</i>	<i>1.1%</i>	<i>2.9%</i>	

Fixed Income	1 Year	3 Years	5 Years	10 Years	Market Value as of 12/31/15 (in millions)
Bond Market Index <i>Barclays Capital Aggregate Bond Index</i>	0.6% 0.5%	1.5% 1.4%	3.3% 3.2%	4.6% 4.5%	\$ 16
Stable Value Fund <i>Benchmark¹</i>	1.6% 1.8%	1.6% 1.8%	2.0% 2.0%	3.1% 3.1%	126
Money Market Fund <i>90-Day Treasury Bill</i>	0.1% 0.1%	0.1% 0.1%	0.1% 0.1%	1.4% 1.3%	6

1. The Hueler Index. Prior to June 1, 2004 the 90-day Treasury Bill.

Premixed Funds	1 Year	3 Years	5 Years	10 Years	Market Value as of 12/31/15 (in millions)
Conservative Premixed Fund <i>Custom Benchmark¹</i>	0.1% 0.3%	4.1% 3.9%	4.6% 4.5%	5.0% 4.7%	\$ 33
Moderate Premixed Fund <i>Custom Benchmark²</i>	-0.1% 0.1%	6.9% 6.7%	6.8% 6.7%	6.2% 5.8%	377
Aggressive Premixed Fund <i>Custom Benchmark³</i>	-0.3% -0.4%	9.5% 9.3%	8.5% 8.2%	6.6% 6.2%	80
Investor Select Fund <i>Custom Benchmark⁴</i>	-0.4% -0.1%	8.2% 8.0%	7.8% 7.4%	6.5% 5.9%	17

1. A composite of 16% of S&P 500 Index, 4% of Russell 2000 Index, 60% of the Barclays Aggregate Bond Index, 5% of the MSCI All Country World ex-U.S. Index and 15% of the 90-day T-Bill.

2. A composite of 32% of S&P 500 Index, 8% of Russell 2000 Index, 50% of the Barclays Aggregate Bond Index, 10% of the MSCI All Country World ex-U.S. Index.

3. A composite of 48% of S&P 500 Index, 12% of Russell 2000 Index, 25% of the Barclays Aggregate Bond Index, 15% of the MSCI All Country World ex-U.S. Index.

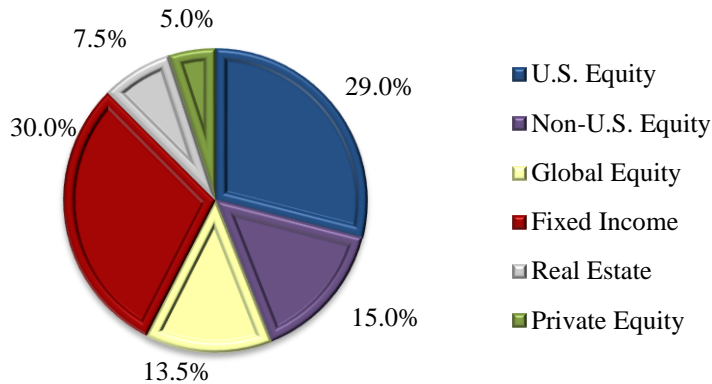
4. A composite of 34% of the DJ U.S. Total Stock Market Index, 30% of the Barclays Universal Bond Index, 13.5% of the MSCI All Country World ex-U.S. IMI, 15% of the MSCI All Country World IMI, and 7.5% of the DJ Wilshire Real Estate Securities Index.

State and County Retirement Systems

Cash Balance Plan

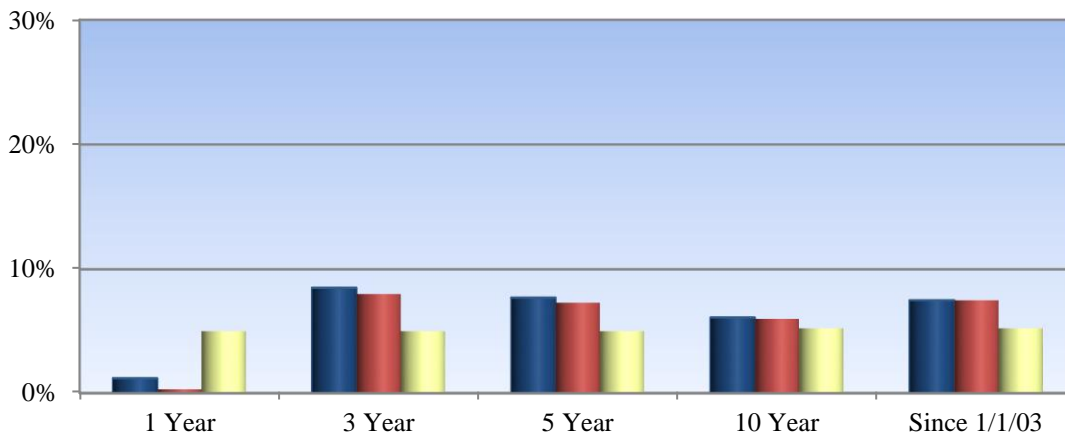
ASSET ALLOCATON

The Nebraska Investment Council has chosen the following investment strategy for the Cash Balance Plan. This strategy is designed to mirror the investment strategy of the Defined Benefit Plans.



PERFORMANCE SUMMARY

Cash Balance Plan



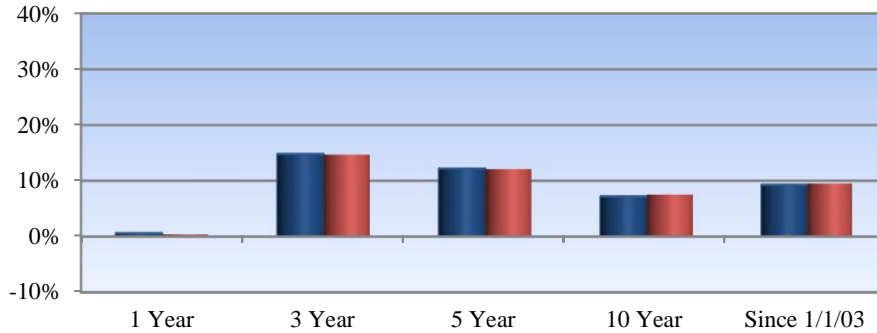
	1 Year	3 Year	5 Year	10 Year	Since 1/1/03
■ Cash Balance Plan	1.2%	8.5%	7.7%	6.1%	7.5%
■ Benchmark	0.3%	8.0%	7.3%	6.0%	7.5%
■ Interest Credit Rate	5.0%	5.0%	5.0%	5.2%	5.2%

*This is a blended benchmark. As of October 2015, 31.5% DJ U.S. Total Stock Market Index, 15% MSCI All Country World IMI, 13.5% MSCI All Country World ex-U.S. IMI, 30% of the Fixed Income component, 6% of the Real Estate component, and 4% of the Private Equity component.

The investments in the Cash Balance Plan returned 1.2% in 2015. This return is above the crediting rate earned by participants during the year. In 2015, participants in the Cash Balance Plan earned an average of 5.0% as the federal mid-term rate plus 1.5% was at or below 5.0%, the guaranteed minimum crediting rate. When investment performance results are above the interest credit rate plus the required reserve, the

Public Employees Retirement Board (PERB) has the option to issue a dividend to plan members, or the Nebraska State Legislature may pass legislation to improve plan benefits. In 2015, the Public Employees Retirement Board voted to issue a 5.81% dividend for County Cash Balance Plan members and a 4.53% dividend for State Cash Balance Plan members for the time period 1/1/14 through 12/31/14. PERB will review the 1/1/15 through 12/31/15 time period during calendar year 2016.

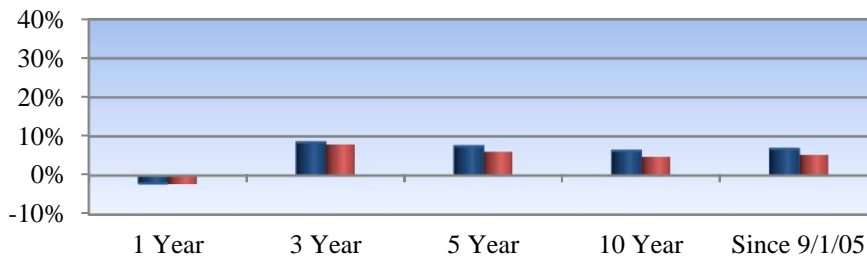
U.S. Equity Composite



The U.S. Equity Portfolio and its benchmark had a return of 0.6% and 0.4% respectively.

	1 Year	3 Year	5 Year	10 Year	Since 1/1/03
■ U.S. Equity Composite	0.6%	14.8%	12.2%	7.2%	9.3%
■ DJ U.S. Total Stock Market Index	0.4%	14.7%	12.1%	7.5%	9.5%

Global Equity Composite

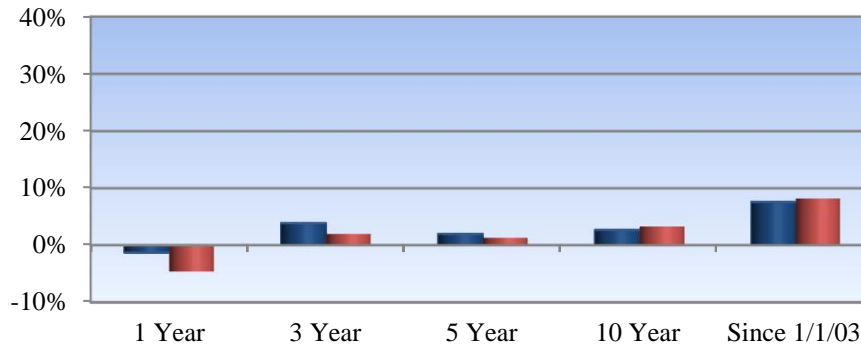


The Global Equity Portfolio returned -2.0% while its benchmark returned -2.2%.

	1 Year	3 Year	5 Year	10 Year	Since 9/1/05
■ Global Equity Composite	-2.0%	8.5%	7.5%	6.3%	6.8%
■ MSCI All Country World IMI*	-2.2%	7.9%	6.1%	4.8%	5.3%

*As of August 2010, MSCI All Country World IMI Index. Prior to August 2010, MSCI All Country World Index.

Non-U.S. Equity Composite

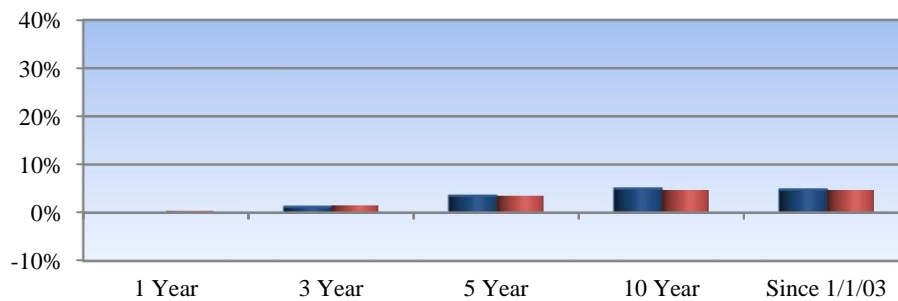


The non-U.S. Equity Portfolio struggled during 2015 at -1.3% while its benchmark was -4.6%.

	1 Year	3 Year	5 Year	10 Year	Since 1/1/03
■ Non-U.S. Equity Composite	-1.3%	3.9%	2.0%	2.7%	7.6%
■ MSCI All Country World ex-U.S. IMI*	-4.6%	2.0%	1.3%	3.3%	8.2%

*As of August 2010 MSCI All Country World ex-U.S. IMI. Prior to August 2010, the MSCI All Country World ex-U.S. Index, Gross Dividends. Prior to October 2000, MSCI EAFE Index.

Fixed Income Composite



The Fixed Income Portfolio was flat for the year, while the benchmark return was slightly positive 0.4%.

	1 Year	3 Year	5 Year	10 Year	Since 1/1/03
■ Fixed Income Composite	0.0%	1.2%	3.5%	5.0%	4.8%
■ Barclays Universal Bond Index*	0.4%	1.5%	3.5%	4.7%	4.7%

*Beginning 1/1/05, the fixed income benchmark is solely the Barclays Universal Index. From 9/1/04 to 12/31/04, the fixed income benchmark is a compilation of both the Citigroup LPF and the Barclays Universal Index. Prior to September 2004, the Citigroup LPF Index.

PORTFOLIO MANAGERS

The performance of all managers is monitored quarterly. All managers are subject to thorough review at least annually. Aon Hewitt Investment Consulting, Inc., the investment consultant to the Council, assists in the performance analysis and review process.

MANAGER PERFORMANCE

U.S. Equity	1 Year	3 Years	5 Years	10 Years	Market Value as of 12/31/15 (in millions)
BlackRock Russell 1000 Index <i>Russell 1000 Index</i>	1.0% 0.9%	15.0% 15.0%	12.5% 12.4%	NA NA	\$ 528
Dimensional Fund Advisors, Inc. <i>Russell 2000 Index¹</i>	-2.6% -4.4%	13.1% 10.7%	10.3% 8.7%	7.5% 5.6%	57

1. Russell 2000 Index. Prior to April 2014 the Russell 2000 Value Index. Prior to August 2006 the Wilshire Small Cap Value Style Index.

Global Equity	1 Year	3 Years	5 Years	10 Years	Market Value as of 12/31/15 (in millions)
Acadian Global Equity <i>MSCI All-Country World IMI¹</i>	-5.4% -2.2%	8.6% 7.9%	7.4% 6.2%	4.5% 4.8%	\$ 47
Ironbridge <i>MSCI All-Country World IMI¹</i>	0.7% -2.2%	9.7% 7.9%	6.9% 6.2%	NA NA	50
MFS Institutional Advisors, Inc. <i>MSCI All-Country World IMI¹</i>	-0.9% -2.2%	10.2% 7.9%	9.8% 6.2%	8.3% 4.8%	49
Mondrian <i>MSCI All-Country World IMI¹</i>	-2.5% -2.2%	5.8% 7.9%	5.9% 6.2%	NA NA	46
Blackrock ACWI IMI <i>MSCI All-Country World IMI</i>	-1.8% -2.2%	8.3% 7.9%	NA NA	NA NA	65

1. The MSCI All Country World IMI. Prior to May 2012 the MSCI All Country World Index.

Non-U.S. Equity	1 Year	3 Years	5 Years	10 Years	Market Value as of 12/31/15 (in millions)
BlackRock World ex-U.S. IMI <i>MSCI World ex-U.S. IMI¹</i>	-1.7% -2.0%	4.7% 4.4%	3.2% 2.9%	3.3% 3.0%	\$ 105
Baillie Gifford Overseas Ltd. <i>MSCI Emerging Markets Index</i>	-8.2% -14.9%	-1.4% -6.8%	-2.9% -4.8%	6.1% 3.6%	27
Gryphon <i>MSCI All Country World ex-U.S. IMI</i>	3.9% -4.6%	5.6% 2.0%	N/A N/A	NA NA	46

1. The MSCI World ex-U.S. IMI. From May 2011 to January 2013 the MSCI All Country World ex-U.S. IMI. Prior to May 2011 the MSCI World ex-U.S. Index.

Fixed Income	1 Year	3 Years	5 Years	10 Years	Market Value as of 12/31/15 (in millions)
BlackRock (Core Plus) <i>Barclays Universal Bond Index</i> ¹	1.1% 0.4%	1.8% 1.5%	4.1% 3.5%	5.0% 4.7%	\$ 63
BlackRock Aggregate Bond Index <i>Barclays Aggregate Bond Index</i>	0.6% 0.5%	1.6% 1.5%	3.4% 3.2%	NA NA	98
PIMCO (Core Plus) <i>Barclays Universal Bond Index</i> ¹	-0.1% 0.4%	1.0% 1.5%	3.1% 3.5%	5.1% 4.7%	85
Loomis Sayles <i>Barclays Universal Bond Index</i> ²	-2.8% 0.4%	3.3% 1.5%	6.2% 3.5%	NA NA	23
Wellington Global <i>Barclays Global Aggregate</i>	-2.8% -3.2%	NA NA	NA NA	NA NA	45
Loomis Sayles Bank Loans <i>S&P/LSTA Leveraged Loan Index</i>	1.1% -0.7%	NA NA	NA NA	NA NA	40
Franklin Templeton <i>Credit Suisse Leveraged Loan (Split BB)</i>	0.0% 1.5%	NA NA	NA NA	NA NA	40
Neuberger Berman Core Plus ⁴ <i>Barclays Universal Bond Index</i>	NA NA	NA NA	NA NA	NA NA	73
Opportunistic - PIMCO Bravo II ³	N/A N/A	N/A N/A	N/A N/A	N/A N/A	13
Opportunistic - Oaktree ³	N/A N/A	N/A N/A	N/A N/A	N/A N/A	2

1. Beginning 1/1/05, the benchmark is the Barclays Capital Universal Index. Prior to September 2004, the benchmark was the Citigroup LPF. Beginning September 2004, the benchmark was transitioned from the Citigroup LPF to the Barclays Capital Universal Index and was as follows: September 2004, 80% Citigroup LPF/20% Barclays Capital Universal Index; October 2004, 60% Citigroup LPF/40% Barclays Capital Universal Index; November 2004, 40% Citigroup LPF/60% Barclays Capital Universal Index; December 2004, 20% Citigroup LPF/80% Barclays Capital Universal Index. .

2. Barclays Universal Bond Index. Prior to July 31, 2010 the Barclays High Yield Index.

3. Added during 2013.

4. Added during 2015

The table below represents the investments in open end core funds for the private real estate portfolio. Time-weighted rates of return through 12/31/15 for the five investments are shown separately below.

Real Estate	1 Year	3 Years	5 Years	Market Value as of 12/31/15 (in millions)
Cornerstone Patriot Fund <i>NFI-ODCE Index</i>	13.3% 14.0%	10.7% 12.8%	NA 12.6%	\$ 19
UBS Trumbull Property Fund <i>NFI-ODCE Index</i>	11.8% 14.0%	10.5% 12.8%	10.5% 12.6%	21
Prudential (PRISA) <i>NFI-ODCE Index</i>	14.5% 14.0%	13.6% 12.8%	13.5% 12.6%	25
Prudential (PRISA) II <i>NFI-ODCE Index</i>	16.5% 14.0%	14.5% 12.8%	15.2% 12.6%	8
UBS Trumbull Property Income Fund ¹ <i>NFI-ODCE Index</i>	NA NA	NA NA	NA NA	9

1. Added during 2015

Investments in several closed end funds have also been made. Private real estate reports are available on a quarter lag and therefore figures shown below are as of 9/30/15. The detail encompasses our total

private real estate commitments (open and closed end funds) for both the Defined Benefit Plans and the Cash Balance Plan as those assets are commingled for investment purposes.

Portfolio Detail – DB & CBB	Direct as of 9/30/15
Number of Investments	18
Total Commitments	\$870,250,000
Total Paid-In	\$676,452,329
IRR since inception	6.78%
Partnerships	AG Realty Fund VIII, L.P.
	Almanac Realty Securities Fund V, L.P.
	Almanac Realty Securities Fund VII, L.P.
	Beacon Capital Strategic Partners Fund V, L.P.
	CB Richard Ellis Strategic partners U. S. Opportunity Fund V, L.P.
	Cornerstone Patriot Fund, L.P.
	Heitman Value Partners Fund II, L.P.
	Landmark Real Estate Partners VI, L.P.
	Landmark Real Estate Partners VII, L.P.
	Prudential – PRISA I
	Prudential – PRISA II
	Rockpoint Real Estate Fund III, L.P.
	Rockwood Capital Real Estate Partners Fund IX, L.P.
	Rockwood Capital Real Estate Partners Fund X, L.P.
	Torchlight Debt Opportunity Fund IV
	Torchlight Debt Opportunity Fund V
	UBS Trumbull Property Fund
	UBS Trumbull Property Income Fund

Performance shown above is measured as an internal rate of return not a time-weighted rate of return. A majority of the portfolio at this time is invested in open end funds. The real estate portfolio is in the investment stage for many of its closed end funds and will continue to invest in closed end funds over time.

Private Equity

The Council began allocating to private equity in 2005 with the initial commitment to fund of funds. Starting in 2007 and thereafter, commitments have been made to direct funds. The table that follows shows detail on the private equity portfolio. Private equity reports are on a quarter lag and are shown as of 9/30/15. The detail includes our private equity commitments for both the Defined Benefit Plans and the Cash Balance Plan as those assets are commingled for investment purposes.

Portfolio Detail – DB & CBB	Direct as of 9/30/15	Fund of Funds as of 9/30/15	Total as of 9/30/15
Number of Investments	36	2	38
Total Commitments	\$779,672,399	\$150,000,000	\$929,672,399
Total Paid-In	\$522,414,313	\$146,062,581	\$668,476,894
IRR since inception	11.67%	7.88%	10.22%
Partnerships	Accel-KKR Capital Partners III, L.P.	Abbott Capital Private Equity Fund V, L.P.	
	Accel-KKR Capital Partners IV, L.P.	Pathway Private Equity Fund XVIII, LLC	
	Ares Corporate Opp. Fund III, L.P.		
	Ares Corporate Opp. Fund IV, L.P.		
	Ares Mezzanine Partners, L.P.		
	Beecken Petty O’Keefe Fund IV, L.P.		
	Bridgepoint Europe IV, L.P.		
	Bridgepoint Europe V, L.P.		
	CVC Capital Partners VI, L.P.		
	CVC European Equity Partners V, L.P.		
	Dover Street VIII, L.P.		
	EIF United States Power Fund IV, L.P.		
	Fulcrum Growth Partners IV, L.P.		
	Francisco Partners IV, L.P.		
	Green Equity Investors VI, L.P.		
	Lightyear Fund III, L.P.		
	Lincolnshire Equity Fund IV, L.P.		
	Longroad Capital Partners III, L.P.		
	McCarthy Capital V, L.P.		
	Merit Mezzanine Fund V, L.P.		
	New Enterprise Associates 13, L.P.		
	New Enterprise Associates 14, L.P.		
	New Mountain Partners III, L.P.		
	New Mountain Partners IV, L.P.		
	Pine Brook Capital Partners II, L.P.		
	Presidio Partners 2007, L.P.		
	Quantum Energy Partners V, L.P.		
	Quantum Energy Partners VI L.P.		
	Sun Capital Partners V, L.P.		
	The EMG Fund III, L.P.		
	The Resolute Fund II, L.P.		
	The Resolute Fund III, L.P.		
	TRG Growth Partnership II, L.P.		
	Wayzata Opportunities Fund II, L.P.		
	Wayzata Opportunities Fund III, L.P.		
	Wynnchurch Capital Partners IV, L.P.		

Performance shown above is measured as an internal rate of return versus a time-weighted rate of return. At this point, performance is starting to become meaningful even though a fairly large amount of capital has yet to be called and the portfolio is still developing.

Deferred Compensation Plan: Mass Mutual Life Insurance Company Investment Options Prior to 1997

ASSET ALLOCATION

Investment options with Mass Mutual (previously Hartford) consist of interest bearing deposits in the General Account plus a large number of mutual funds. Some of the mutual funds are managed by Hartford, frequently using a sub advisor. Some are managed by other mutual fund companies. No new contributions are allowed into the funds. Participants in the investments have the choice of leaving their balances at Mass Mutual or transferring them to one or more of the current State Deferred Compensation investment fund options.

PERFORMANCE SUMMARY

Performance measurement for the Mass Mutual options of the State Deferred Compensation Plan is limited to manager performance. For reference, up to ten years of historical performance is shown for each fund if available.

MANAGER PERFORMANCE

U.S. Equity	1 Year	3 Years	5 Years	10 Years	Market Value as of 12/31/15 (in 000's)
American Century Investment Mgmt.					
-Value	-3.4%	12.5%	10.4%	6.2%	\$ 258
<i>DJ U.S. Large Value Index</i>	<i>-1.0%</i>	<i>13.0%</i>	<i>11.5%</i>	<i>6.0%</i>	
American Funds					
-Growth Fund of America	5.0%	15.2%	11.9%	7.1%	772
<i>Russell 3000 Growth Index</i>	<i>5.1%</i>	<i>16.6%</i>	<i>13.3%</i>	<i>8.5%</i>	
Goldman Sachs					
-Mid-Cap Value	-9.8%	10.5%	8.2%	6.3%	110
<i>Russell Mid-Cap Value Index</i>	<i>-4.8%</i>	<i>13.4%</i>	<i>11.3%</i>	<i>7.6%</i>	
Hartford					
-Capital Appreciation HLS ¹	0.7%	14.4%	9.4%	7.0%	16,778
<i>DJ U.S. Total Stock Market Index</i>	<i>0.4%</i>	<i>14.7%</i>	<i>12.1%</i>	<i>7.5%</i>	
-Dividend & Growth HLS ¹	-1.2%	13.6%	11.0%	7.7%	569
<i>DJ U.S. Large Value Index</i>	<i>-1.0%</i>	<i>13.0%</i>	<i>11.5%</i>	<i>6.0%</i>	
-Small Company HLS ¹	-8.5%	12.1%	9.5%	7.0%	392
<i>Russell 2000 Index</i>	<i>-4.4%</i>	<i>11.7%</i>	<i>9.2%</i>	<i>6.8%</i>	
Munder Capital Management					
-Mid-Cap Core Growth	-4.9%	11.6%	9.7%	7.2%	193
<i>Russell Mid-Cap Growth Index</i>	<i>-0.2%</i>	<i>14.9%</i>	<i>11.5%</i>	<i>8.2%</i>	

1. Wellington Management is the sub advisor

U.S. Equity	1 Year	3 Years	5 Years	10 Years	Market Value as of 12/31/15 (in 000's)
Skyline Asset Management					
- Special Equities Portfolio <i>DJ U.S. Small Value Index</i>	-6.4% -6.6%	13.7% 10.7%	11.5% 9.3%	7.8% 7.1%	\$ 439
State Street Global Advisors					
-Russell 2000 Index <i>Russell 2000 Index</i>	-4.9% -4.4%	9.8% 11.7%	8.3% 9.2%	6.1% 6.8%	23
-S&P 500 Flagship <i>S&P 500 Index</i>	0.7% 1.4%	14.3% 15.1%	12.1% 12.6%	6.8% 7.3%	622
-Mid-Cap Index <i>Russell Mid-Cap Index</i>	-2.9% -2.4%	11.9% 14.2%	9.6% 11.4%	7.3% 8.0%	146
T.Rowe Price					
- Growth Stock <i>Russell 1000 Growth Index</i>	10.2% 5.7%	18.3% 16.8%	14.2% 13.5%	8.9% 8.5%	653

Non-U.S. Equity	1 Year	3 Years	5 Years	10 Years	Market Value as of 12/31/15 (in 000's)
American Funds					
-EuroPacific Growth <i>MSCI EAFE Index (net)</i>	-1.2% -0.8%	4.8% 5.0%	3.5% 3.6%	4.5% 3.0%	226
Franklin Mutual Advisors					
-Mutual Discovery <i>MSCI All Country World Index (net)</i>	-4.0% -2.4%	8.0% 7.7%	6.7% 6.1%	6.4% 4.8%	277
Hartford					
-International Opportunities HLS ¹ <i>MSCI EAFE Index (net)</i>	1.5% -0.8%	5.7% 5.0%	4.1% 3.6%	5.5% 3.0%	906

1. Wellington Management is the sub advisor

Fixed Income	1 Year	3 Years	5 Years	10 Years	Market Value as of 12/31/15 (in 000's)
Hartford					
-Total Return Bond HLS ¹ <i>Barclays Aggregate Bond Index</i>	-0.9% 0.5%	1.0% 1.4%	3.5% 3.2%	4.0% 4.5%	\$ 807
- General Account ²	NA	NA	NA	NA	7,878
Loomis Sayles					
-Bond Fund <i>Barclays Aggregate Bond Index</i>	-7.4% 0.5%	0.6% 1.4%	3.9% 3.2%	5.8% 4.5%	291
Putnam Retail Management, Inc.					
-High Yield Advantage <i>CS First Boston High Yield Index</i>	-5.7% 3.2%	0.7% 1.4%	4.0% 1.3%	6.0% 4.5%	184

1. Wellington Management is the sub advisor

2. The general account has a quarterly declared rate which is credited to each member's account.

Balanced Funds	1 Year	3 Years	5 Years	10 Years	Market Value as of 12/31/15 (in 000's)
Hartford					
-Hartford Balance HLS¹ <i>Conservative Lifestyle Index²</i>	-0.2% 1.2%	9.8% 8.8%	8.6% 8.1%	5.9% 6.0%	\$ 3,106
Oakmark					
-Equity & Income <i>Russell 1000 Value Index</i>	-5.2% -3.8%	7.6% 13.1%	6.3% 11.3%	6.2% 6.2%	553
Tempton					
-Foreign Fund <i>MSCI EAFE Index</i>	-7.1% -0.4%	1.8% 5.5%	1.8% 4.1%	3.0% 3.5%	8
State Street Global Advisors					
-DJ Target 2015 Fund <i>DJ Target 2015 Benchmark</i>	-2.1% -1.6%	1.7% 4.2%	2.8% 6.5%	NA NA	16
-DJ Target 2025 Fund <i>DJ Target 2025 Benchmark</i>	-2.3% -2.0%	4.2% 6.7%	4.3% 7.8%	4.1% 5.9%	33
-DJ Target 2035 Fund <i>DJ Target 2035 Benchmark</i>	-2.8% -2.1%	6.3% 7.8%	5.6% 8.0%	4.7% 5.9%	92
-DJ Target 2045 Fund <i>DJ Target 2045 Benchmark</i>	-2.3% -2.4%	7.7% 8.1%	6.4% 8.0%	5.1% 6.1%	6

1. Wellington Management is the sub advisor

2. The conservative lifestyle index consists of 55% S&P 500/35% Barclays Aggregate Bond Index/10% 91-Day T-bill

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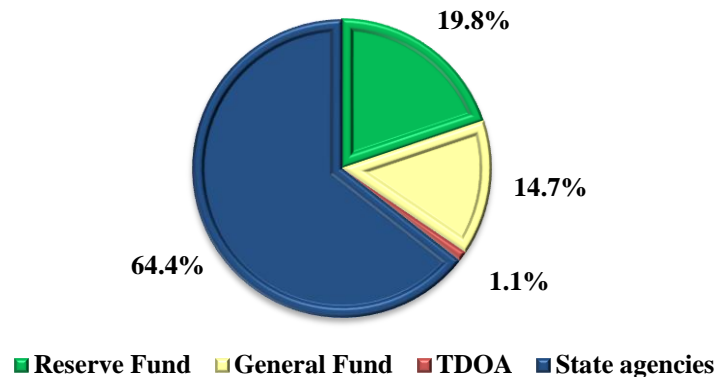
Operating Investment Pool

OVERVIEW

Overview	43	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
2015 Highlights	44	Department of Administrative Services calculates the average daily balance for each participant and distributes the earned income monthly on a pro-rata share basis.
Transaction Summary	44	
Asset Allocation	45	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 six million dollars.
Performance Summary	46	
Portfolio Managers	46	
Manager Performance	46	

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 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.

**Operating Investment Pool
12/31/15**



2015 HIGHLIGHTS

- During 2015, the Nebraska Investment Council staff held informational sessions for the staff of the agencies that invest in the Operating Investment Pool. The purpose of these sessions was to educate them on how the OIP works and to give them an opportunity to ask any questions about the OIP.
- In the 3rd quarter of 2015, \$95 million was moved from the Short-Term Liquidity portion of the Operating Investment Pool to the Intermediate Government/Corporate portion of the Operating Investment Pool.
- Meetings were held with the State Treasurer's office in 2015 to help the Nebraska Investment Council coordinate with the Treasurer's office on the cash flows for the Operating Investment Pool. These meetings led to a better understanding of the cash flows and allow more efficient portfolio management of the Operating Investment Pool.

TRANSACTION SUMMARY

	Beginning Balance	Net Contributions	Investment Results	Closing Balance
	(millions of dollars)			
OIP Short Term Liquidity	\$ 520	- \$ 172	\$ 3	\$ 351
OIP Intermediate Gov./ Corp.	3,408	65	59	3,532
Nebraska Bank Deposit (TDOA)	40	5	0	45
2015 Totals	\$ 3,968	- \$ 102	\$ 62	\$ 3,928
Less DB assets	7	- 1	0	6
2015 Totals	\$ 3,961	- \$ 101	\$ 62	\$ 3,922
2014 Totals	\$ 3,684	\$ 161	\$ 115	\$ 3,961
2013 Totals	3,349	381	- 46	3,684
2012 Totals	3,006	247	96	3,349
2011 Totals	2,783	127	96	3,006
2010 Totals	2,778	- 117	122	2,783
2009 Totals	2,832	- 168	114	2,778
2008 Totals	2,772	- 93	153	2,832
2007 Totals	2,377	223	171	2,772
2006 Totals	2,059	218	100	2,377
2005 Totals	1,860	153	47	2,059
2004 Totals ¹	1,370	447	43	1,860
2003 Totals ²	1,455	- 122	43	1,375
2002 Totals	1,726	- 297	77	1,507
2001 Totals	1,652	- 45	119	1,726
2000 Totals	1,477	57	118	1,652
1999 Totals	1,471	- 43	49	1,477
1998 Totals	1,343	45	83	1,471
1997 Totals	1,186	81	76	1,343
1996 Totals	1,003	122	59	1,186

1. The DB cash is invested in the OIP for short-term cash flow needs as determined by the Nebraska Public Employees Retirement Systems. The beginning balance for 2004 has been adjusted by the amount of DB assets.

2. Prior to 2003, the OIP included the fixed income portion of the Health Care Endowment Fund. 2002 ending balances included these assets; however, beginning in 2003, these assets are included in the Health Care Endowment section of the Annual Report.

ASSET ALLOCATION

The portfolio 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, agencies, and commercial paper whereas the Intermediate Government / Corporate portion is invested in 10 year or shorter treasuries, agencies, and domestic corporate bonds. Money market funds are used to provide 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 with the OIP, and return on investment.

Below are the Short-term Liquidity portfolio constraints.

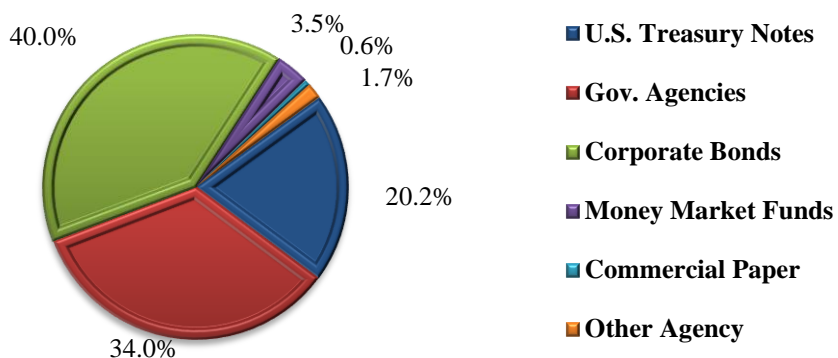
- Money Market Funds – 100% maximum, 25% to any single Money Market Fund
- Commercial Paper – 3% maximum per issue

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 – 25% maximum in total, 2% maximum per issuer
- Industry – 5% maximum per industry

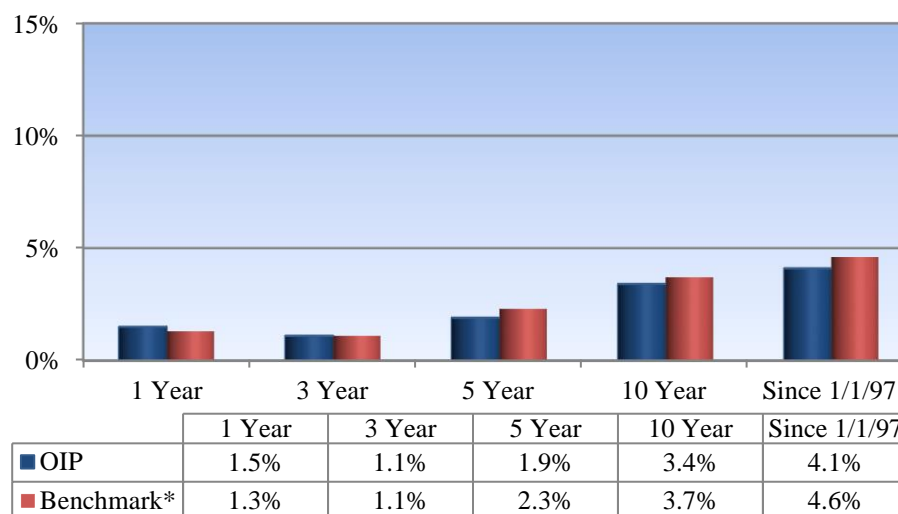
Below is a pie chart reflecting the asset allocation of the OIP.

**Asset Allocation
Operating Investment Pool 12/31/15**



PERFORMANCE SUMMARY

For 2015, the total portfolio rate of return was 1.5% compared to the benchmark of 1.3%. The Short Term Liquidity Pool had a return of 0.2% compared to the benchmark of 0.2% while the OIP Intermediate Government / Corporate had a return of 1.7% compared to 1.5% for the benchmark.



*As of March 2014 15% Citigroup 1 Month CD, 51% BofA 1-10 year U.S. Treasury & Agency Index, 34% BofA 1-10 year AAA-A Corporate Index. Oct 2011-Feb 2014, 85% Barclays US Gov/Corp Intern. (UOW), 15% Citigroup 1 Month CD (YIM). July 2003-Sept 2011, 90% BC Int Gov/Credit (X14), 10% 90 Citigroup 30 day CD (YIM). Oct 1997 - June 2003, 85% ML 1-3 Yr Gov/Credit 15% 90 day T-bill +15 bpt s Inception to Sept 1997, 50% ML 1-3 Yr Gov/Credit, 50% 90 day Tbill +90bps.

PORTFOLIO MANAGER

As of December 31, 2015 all Operating Investment Pool assets are managed internally.

MANAGER PERFORMANCE

Fixed Income	1 Year	3 Years	5 Years	10Years	Market Value as of 12/31/15 (in millions)
Short Term Portfolio <i>Citigroup 30 Day CD Index</i>	0.2% <i>0.2%</i>	0.1% <i>0.2%</i>	NA <i>NA</i>	NA <i>NA</i>	\$ 351
Intermediate Gov't / Corp Portfolio <i>Custom Benchmark¹</i>	1.7% <i>1.5%</i>	1.2% <i>1.3%</i>	NA <i>NA</i>	NA <i>NA</i>	3,532

1. As of March 2014, 60% BofA 1-10 year U.S. Treasury & Agency Index and 40% BofA 1-10 year AAA-A Corporate Index. Prior to March 2014 Barclays Intermediate Gov/ Corp. Index.

Nebraska Educational Savings Plan Trust

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State Farm College Savings Plan of NE

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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, First National Bank of Omaha serves as the Program Manager, and all investments are approved by the Nebraska Investment Council.

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 Portfolios: Participant contributions are invested based on the current age of the child and the type of investment style elected. Investments are automatically changed as the child moves from one age bracket to the next.

Age of Beneficiary	Age-Based Aggressive	Age-Based Growth	Age-Based Index	Age-Based Conservative
	(Equity/Fixed Income/Real Estate/Cash Equivalents)			
Ages 0-5	90/5/5/0	80/15/5/0	60/31/5/4	40/46/5/9
Ages 6-10	80/15/5/0	60/31/5/4	40/46/5/9	20/61/5/14
Ages 11-14	60/31/5/4	40/46/5/9	20/61/5/14	13/52/2/33
Ages 15-18	40/46/5/9	20/61/5/14	13/52/2/33	5/40/0/55
Ages 19+	20/61/5/14	13/52/2/33	5/39/0/56	0/25/0/75

Static Portfolios: These portfolios provide a static asset allocation over the life of the account.

	Equity	Fixed Income	Real Estate	Cash Equivalents
Growth	80%	15%	5%	0%
Balanced Index	45%	45%	5%	5%
Conservative	20%	61%	5%	14%

Individual Fund Portfolios: Participants may choose from 16 individual fund portfolios for their investment. These portfolios invest in the underlying investment fund.

Overall, seven fund families with sixteen investment funds are utilized within the program, either offered as an individual portfolio and/or used in the static and age-based portfolios. In addition to any manager fees within the funds selected, the Plan imposes a 0.27% annual program management fee, and a 0.03% state administration fee to cover administrative costs of overseeing, distributing and marketing the Plan. For complete detailed information on the program and additional fees, refer to the Plan's Program Disclosure Statement and Participation Agreement.

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.

Age-based Portfolios: Participant contributions are invested based on the current age of the child and the type of investment style elected. Investments are automatically changed as the child moves from one age bracket to the next.

Age of Beneficiary	Age-Based Aggressive	Age-Based Growth	Age-Based Index	Age-Based Conservative
	(Equity/Fixed Income/Real Estate/Cash Equivalents)			
Ages 0-5	90/5/5/0	80/15/5/0	60/31/5/4	40/46/5/9
Ages 6-10	80/15/5/0	60/31/5/4	40/46/5/9	20/61/5/14
Ages 11-14	60/31/5/4	40/46/5/9	20/61/5/14	13/52/2/33
Ages 15-18	40/46/5/9	20/61/5/14	13/52/2/33	5/40/0/55
Ages 19+	20/61/5/14	13/52/2/33	5/39/0/56	0/25/0/75

Static Portfolios: These portfolios provide a static asset allocation over the life of the account.

	Equity	Fixed Income	Real Estate	Cash Equivalents
Growth	80%	15%	5%	0%
Balanced Index	45%	45%	5%	5%
Conservative	20%	61%	5%	14%

Individual Fund Portfolios: Participants may choose from 19 individual fund portfolios for their investment. These portfolios invest in the underlying investment fund.

Participants must elect which fee structure they wish to purchase: Fee Structure A or Fee Structure C. Annual fees and initial sales charges vary depending on which fee structure the participant chooses. A table outlining some of the Plan's fees is included. For complete detailed information on the program and additional fees, refer to the Plan's Program Disclosure Statement and Participation Agreement.

	Initial Sales Charge	Contingent Deferred Sales Charge (CDSC)	Servicing Fee	Annual Program Management Fee	State Admin. Charge
Fee Structure A	4.75%	0.00%	0.25%	0.27%	0.03%
Fee Structure C	0.00%	1.00%	1.00%	0.27%	0.03%

Investment fund expenses will also apply.

TD Ameritrade 529 College Savings Plan

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.

Age-based Portfolios: Participant contributions are invested based on the current age of the child and the type of investment style elected. Investments are automatically changed as the child moves from one age bracket to the next.

Age of Beneficiary	Age-Based Aggressive	Age-Based Growth	Age-Based Index	Age-Based Conservative
	(Equity/Fixed Income/Real Estate/Cash Equivalents)			
Ages 0-5	90/5/5/0	80/15/5/0	60/31/5/4	40/46/5/9
Ages 6-10	80/15/5/0	60/31/5/4	40/46/5/9	20/61/5/14
Ages 11-14	60/31/5/4	40/46/5/9	20/61/5/14	13/52/2/33
Ages 15-18	40/46/5/9	20/61/5/14	13/52/2/33	5/40/0/55
Ages 19+	20/61/5/14	13/52/2/33	5/39/0/56	0/25/0/75

Static Portfolios: These portfolios provide a static asset allocation over the life of the account.

	Equity	Fixed Income	Real Estate	Cash Equivalents
Growth	80%	15%	5%	0%
Balanced Index	45%	45%	5%	5%
Conservative	20%	61%	5%	14%

Individual Fund Portfolios: Participants may choose from 17 individual fund portfolios for their investment. These portfolios invest in the underlying investment fund.

Each account is assessed a 0.27% program management fee, a 0.19% TD Ameritrade distribution fee, and a 0.03% State administration fee to cover administrative costs of overseeing, distributing, and marketing the Plan. Applicable investment fund fees will vary by investment choice. For complete detailed information on the program and additional fees, refer to the Plan's Program Disclosure Statement and Participation Agreement.

State Farm College 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, of which the majority are Oppenheimer mutual funds managed by OFI Private Investments Inc.

Static Portfolios: These portfolios provide a static asset allocation over the life of the account. The equity allocation includes domestic and international equities.

- Growth 529 Portfolio (100% Equity)
- Moderate Growth 529 Portfolio (80% Equity/20% Fixed Income)
- Balanced 529 Portfolio (60% Equity/40% Fixed Income)
- Money Market 529 Portfolio (100% Money Market)

Enrollment-based Portfolios: Investments in these portfolios are based on the anticipated time to college enrollment of the beneficiary. Participant accounts are automatically transferred to the appropriate portfolios as the beneficiary ages to the next tier.

	Equity ¹	Fixed Income	Money Market
13+ Years to College Portfolio	100%	0%	0%
7-12 Years to College Portfolio	80%	20%	0%
4-6 Years to College Portfolio	60%	40%	0%
1-3 Years to College Portfolio	40%	45%	15%
College Now Portfolio	10%	65%	25%

1. Equity allocation includes domestic and international except for the college now portfolio which is domestic equity only.

At this time, State Farm does not offer an investment option consisting of individual fund portfolios. Annual fees and initial sales charges vary depending on which class of shares the participant is invested in. The plan ceased offering Class B shares on February 27, 2012. Account owners were permitted to remain invested in Class B units that were purchased prior to February 24, 2012 until such time as Class B units convert to Class A units. The fees are illustrated in the following table. Each account will also bear its pro-rata share of the fees and expenses charged within the investment funds that make up each 529 portfolio.

	Annual Fee ¹	Initial Sales Charge ²	Contingent Deferred Sales Charges ^{3,4}	
<i>Class A</i>	0.25%	5.50%	0.0%	Held < 18 months
		0.00%	1.0%	Held < 18 months
<i>Class B</i>	1.00%	0.00%	5.0%	Redeemed year 1
			4.0%	Redeemed year 2
			3.0%	Redeemed year 3 or 4
			2.0%	Redeemed year 5
			1.0%	Redeemed year 6
			0.0%	Redeemed year 7 or after

1. The annual fee on Class B shares is 1.10% for the first eight years and 0.35% thereafter.

2. The initial sales charge varies for Class A shares based on the portfolio category of the purchase and the amount of the purchase. The charge listed for Class A shares is based on a purchase under \$25,000 of Class A shares in a Category 1 portfolio. There are also other situations in which the sale charge may be waived. Please see the State Farm enrollment handbook for further details.

3. A deferred sales charge of 1.0% is imposed for Class A shares if the initial purchase was part of an initial investment over \$1,000,000 or more made on a single day with the initial sales charge waived. Otherwise, no deferred sales charge is imposed.

4. Deferred sales charges for Class B shares vary depending on the original purchase and what year the redemption occurs. Please see the State Farm enrollment handbook for further details.

The plan imposes a 0.02% management fee paid to the Program Manager, a 0.05% State Administrative Fee to cover the administration and marketing of the plan, and a management fee of 0.15% paid to the servicing agent. For complete detailed information on the program and all fees refer to the Plan's Program Disclosure Statement and Participation Agreement.

2015 HIGHLIGHTS

- In November 2014, the Nebraska Investment Council voted to replace the PIMCO Total Return Fund with the MetWest Total Return Bond Plan Fund. The investment change was effective as of February 6, 2015 in the NEST 529 Direct Plan, the NEST 529 Advisor Plan, and the TD Ameritrade Plan.

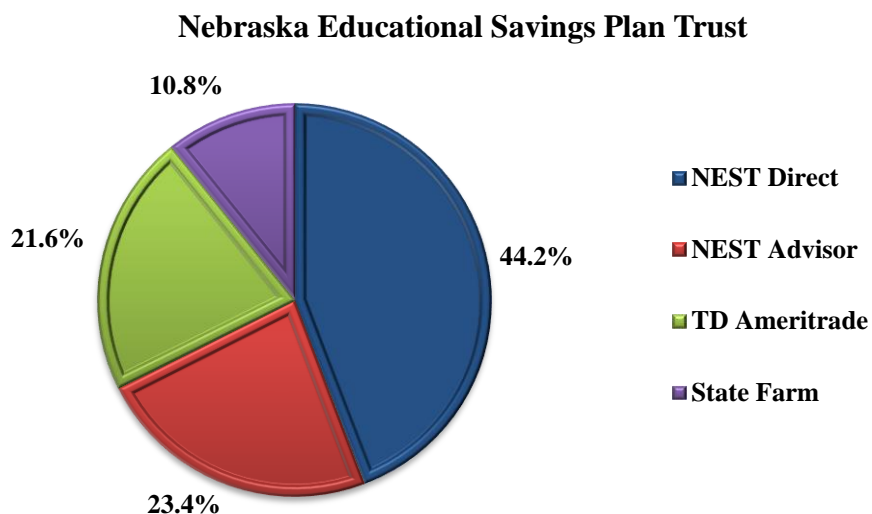
TRANSACTION SUMMARY

	Beginning Balance	Net Contributions	Investment Results	Closing Balance
	(millions of dollars)			
NEST				
Direct	\$ 1,687	\$ 8	\$ 6	\$ 1,701
Advisor	895	7	- 1	901
TD Ameritrade	781	53	- 2	832
State Farm College Savings Plan				
OFI Private Investments	393	24	- 3	414
2015 Totals	\$ 3,756	\$ 92	\$ 0	\$ 3,848
2014 Totals	\$ 3,406	\$ 120	\$ 230	\$ 3,756
2013 Totals	2,853	113	440	3,406
2012 Totals	2,474	99	280	2,853
2011 Totals	2,392	86	- 4	2,474
2010 Totals	2,035	109	249	2,393
2009 Totals	1,595	102	338	2,035
2008 Totals	2,018	183	- 606	1,595
2007 Totals	1,648	256	115	2,018
2006 Totals	1,256	223	169	1,648
2005 Totals	955	220	81	1,256
2004 Totals	613	280	62	955
2003 Totals ¹	271	260	83	613
2002 Totals	55	235	- 19	271

1. Revised to include the contributions postmarked on or before 12/31/03 but received after that date. Ending value changed from \$603.3 million to \$613.4 million.

ASSET ALLOCATION

Within the Nebraska Educational Savings Plan Trust, each participant elects the program series in which they wish to invest. The following is a graphical representation of where participants have chosen to invest their assets as of December 31, 2015.



Within each program series, participants choose their own investment strategy. Please refer to the manager performance section of each series for the return on the portfolios.

PERFORMANCE SUMMARY

Performance for the NEST Direct College Savings Plan, the NEST Advisor College Saving Plan, and the TD Ameritrade 529 College Savings Plan is based on manager performance measurement.

PORTFOLIO MANAGERS

Various investment funds are utilized within each Plan, either offered as an individual fund portfolio and / or used in the Age-Based or Static portfolios. Each plan has a different fund line-up available. Some of the fund families represented in the plans includes American Century, Dreyfus, Goldman Sachs, Oppenheimer, T. Rowe Price and Vanguard.

MANAGER PERFORMANCE

First National Bank of Omaha is the Program Manager of the Plans.

Nest Direct	1 Year	3 Years	Market Value 12/31/15 (in millions)
Age-based Investment Options			
Aggressive 0-5	0.2%	11.0%	\$ 26
<i>Aggressive 0-5 Benchmark</i>	<i>-0.7%</i>	<i>10.8%</i>	
Aggressive 6-10	0.1%	9.6%	91
<i>-Aggressive 6-10 Benchmark</i>	<i>-0.7%</i>	<i>9.5%</i>	
Aggressive 11-14	0.2%	7.3%	134
<i>Aggressive 11-14 Benchmark</i>	<i>-0.5%</i>	<i>7.3%</i>	
Aggressive 15-18	0.1%	4.9%	119
<i>Aggressive 15-18 Benchmark</i>	<i>-0.3%</i>	<i>5.0%</i>	
Aggressive 19+	-0.2%	2.6%	44
<i>Aggressive 19+ Benchmark</i>	<i>-0.1%</i>	<i>2.8%</i>	
Growth 0-5	0.1%	9.6%	22
<i>Growth 0-5 Benchmark</i>	<i>-0.7%</i>	<i>9.5%</i>	
Growth 6-10	0.2%	7.3%	74
<i>Growth 6-10 Benchmark</i>	<i>-0.5%</i>	<i>7.3%</i>	
Growth 11-14	0.1%	4.9%	124
<i>Growth 11-14 Benchmark</i>	<i>-0.3%</i>	<i>5.0%</i>	
Growth 15-18	-0.2%	2.6%	112
<i>Growth 15-18 Benchmark</i>	<i>-0.1%</i>	<i>2.8%</i>	
Growth 19+	-0.3%	0.2%	48
<i>Growth 19+ Benchmark</i>	<i>-0.1%</i>	<i>0.4%</i>	
Index 0-5	-0.5%	7.4%	6
<i>Index 0-5 Benchmark</i>	<i>-0.2%</i>	<i>7.7%</i>	
Index 6-10	-0.1%	5.3%	16
<i>Index 6-10 Benchmark</i>	<i>0.1%</i>	<i>5.6%</i>	
Index 11-14	-0.1%	3.1%	25
<i>Index 11-14 Benchmark</i>	<i>0.1%</i>	<i>3.4%</i>	
Index 15-18	-0.2%	0.6%	25
<i>Index 15-18 Benchmark</i>	<i>0.2%</i>	<i>1.0%</i>	
Index 19+	0.0%	0.3%	13
<i>Index 19+ Benchmark</i>	<i>0.2%</i>	<i>0.6%</i>	
Conservative 0-5	0.1%	5.0%	2
<i>Conservative 0-5 Benchmark</i>	<i>-0.3%</i>	<i>5.0%</i>	
Conservative 6-10	-0.2%	2.6%	3
<i>Conservative 6-10 Benchmark</i>	<i>-0.1%</i>	<i>2.8%</i>	
Conservative 11-14	-0.3%	0.2%	4
<i>Conservative 11-14 Benchmark</i>	<i>-0.1%</i>	<i>0.4%</i>	
Conservative 15-18	-0.1%	0.1%	11
<i>Conservative 15-18 Benchmark</i>	<i>0.1%</i>	<i>0.3%</i>	
Conservative 19+	0.2%	0.1%	9
<i>Conservative 19+ Benchmark</i>	<i>0.3%</i>	<i>0.3%</i>	

Nest Direct	1 Year	3 Years	Market Value 12/31/15 (in millions)
Static Investment Options			
Growth	0.1%	9.6%	\$ 190
<i>Growth Benchmark</i>	<i>-0.7%</i>	<i>9.5%</i>	
Balanced Index	-0.2%	6.0%	65
<i>Balanced Index Benchmark</i>	<i>0.1%</i>	<i>6.4%</i>	
Conservative	-0.2%	2.6%	21
<i>Conservative Benchmark</i>	<i>-0.1%</i>	<i>2.8%</i>	
Individual Fund Investment Options			
Goldman Sachs Prime Money Market	0.0%	0.0%	\$ 19
<i>Citigroup 90-Day T-Bill Index</i>	<i>0.0%</i>	<i>0.0%</i>	
iShares Russell 2000 Growth Index ETF	-1.4%	13.9%	30
<i>Russell 2000 Growth Index</i>	<i>-1.4%</i>	<i>14.3%</i>	
MetWest Total Return	NA	NA	32
<i>Barclays Aggregate Bond Index</i>	<i>NA</i>	<i>NA</i>	
SPDR Barclays Int'l Treasury Bond ETF	-6.8%	-4.5%	1
<i>Barclays Global Treasury ex-U.S. Capped</i>	<i>-4.8%</i>	<i>-4.2%</i>	
State Street MSCI ACWI ex-U.S. Index	-6.1%	1.1%	49
<i>MSCI All Country World ex-U.S. Index</i>	<i>-5.7%</i>	<i>1.5%</i>	
State Street S&P 500 Index	1.1%	14.8%	57
<i>S&P 500 Index</i>	<i>1.4%</i>	<i>15.1%</i>	
T.Rowe Price Large Cap Growth	9.7%	19.7%	50
<i>Russell 1000 Growth Index</i>	<i>5.7%</i>	<i>16.8%</i>	
Tributary Small Company	-0.7%	12.4%	19
<i>Russell 2000 Value Index</i>	<i>-7.5%</i>	<i>9.1%</i>	
Vanguard Equity Income	0.5%	13.3%	40
<i>FTSE High Dividend Yield Index</i>	<i>0.4%</i>	<i>14.1%</i>	
Vanguard Extended Market Index	-3.5%	12.6%	48
<i>DJ US Completion Total Stock Market Index</i>	<i>-3.4%</i>	<i>12.8%</i>	
Vanguard Inflation-Protected Securities	-1.9%	-2.6%	6
<i>Barclays US TIPS</i>	<i>-1.4%</i>	<i>-2.3%</i>	
Vanguard REIT Index	2.2%	10.7%	25
<i>MSCI USA REIT Index</i>	<i>2.5%</i>	<i>11.1%</i>	
Vanguard Short-term Bond Index	0.7%	0.5%	20
<i>Barclays 1-5yr. Govt/Credit</i>	<i>1.0%</i>	<i>0.9%</i>	
Vanguard Total Bond Market Index	0.1%	1.1%	16
<i>Barclays Aggregate Bond Index</i>	<i>0.5%</i>	<i>1.4%</i>	
Vanguard Total Stock Market Index	0.2%	14.4%	66
<i>CRSP US Total Market Index</i>	<i>0.4%</i>	<i>14.7%</i>	
Bank Savings Individual Invest. Option	0.6%	0.5%	39
<i>1 Month US Bank Deposit Index</i>	<i>0.3%</i>	<i>0.2%</i>	

NEST Advisor¹	1 Year	3 Years	Market Value 12/31/15 (in millions)
Age-based Investment Options			
Aggressive 0-5	-0.7%	10.6%	\$ 21
<i>Aggressive 0-5 Benchmark</i>	<i>-0.7%</i>	<i>10.8%</i>	
Aggressive 6-10	-0.8%	9.2%	55
<i>Aggressive 6-10 Benchmark</i>	<i>-0.7%</i>	<i>9.5%</i>	
Aggressive 11-14	-0.7%	6.9%	100
<i>Aggressive 11-14 Benchmark</i>	<i>-0.5%</i>	<i>7.3%</i>	
Aggressive 15-18	-0.7%	4.6%	81
<i>Aggressive 15-18 Benchmark</i>	<i>-0.3%</i>	<i>5.0%</i>	
Aggressive 19+	-0.8%	2.2%	37
<i>Aggressive 19+ Benchmark</i>	<i>-0.1%</i>	<i>2.8%</i>	
Growth 0-5	-0.8%	9.2%	24
<i>Growth 0-5 Benchmark</i>	<i>-0.7%</i>	<i>9.5%</i>	
Growth 6-10	-0.7%	6.9%	50
<i>Growth 6-10 Benchmark</i>	<i>-0.5%</i>	<i>7.3%</i>	
Growth 11-14	-0.7%	4.6%	67
<i>Growth 11-14 Benchmark</i>	<i>-0.3%</i>	<i>5.0%</i>	
Growth 15-18	-0.8%	2.2%	69
<i>Growth 15-18 Benchmark</i>	<i>-0.1%</i>	<i>2.8%</i>	
Growth 19+	-0.7%	-0.1%	28
<i>Growth 19+ Benchmark</i>	<i>-0.1%</i>	<i>0.4%</i>	
Index 0-5	-0.8%	7.1%	4
<i>Index 0-5 Benchmark</i>	<i>-0.2%</i>	<i>7.7%</i>	
Index 6-10	-0.5%	5.0%	7
<i>Index 6-10 Benchmark</i>	<i>0.1%</i>	<i>5.6%</i>	
Index 11-14	-0.4%	2.8%	9
<i>Index 11-14 Benchmark</i>	<i>0.1%</i>	<i>3.4%</i>	
Index 15-18	-0.5%	0.3%	11
<i>Index 15-18 Benchmark</i>	<i>0.2%</i>	<i>1.0%</i>	
Index 19+	-0.3%	0.0%	5
<i>Index 19+ Benchmark</i>	<i>0.2%</i>	<i>0.6%</i>	
Conservative 0-5	-0.7%	4.6%	1
<i>Conservative 0-5 Benchmark</i>	<i>-0.3%</i>	<i>5.0%</i>	
Conservative 6-10	-0.8%	2.2%	1
<i>Conservative 6-10 Benchmark</i>	<i>-0.1%</i>	<i>2.8%</i>	
Conservative 11-14	-0.7%	-0.1%	2
<i>Conservative 11-14 Benchmark</i>	<i>-0.1%</i>	<i>0.4%</i>	
-Conservative 15-18	-0.4%	-0.2%	4
<i>Conservative 15-18 Benchmark</i>	<i>0.1%</i>	<i>0.3%</i>	
Conservative 19+	0.1%	0.1%	3
<i>Conservative 19+ Benchmark</i>	<i>0.3%</i>	<i>0.3%</i>	

1. Returns are based on Class A Portfolio. Market Values are a combination of both A & C portfolios

NEST Advisor¹	1 Year	3 Years	Market Value 12/31/15 (in millions)
Static Investment Options			
Growth	-0.8%	9.2%	\$ 141
<i>Growth Benchmark</i>	<i>-0.7%</i>	<i>9.5%</i>	
Balanced Index	-0.4%	5.7%	47
<i>Balanced Index Benchmark</i>	<i>0.1%</i>	<i>6.4%</i>	
Conservative	-0.7%	2.3%	10
<i>Conservative Benchmark</i>	<i>-0.1%</i>	<i>2.8%</i>	
Individual Fund Investment Options			
American Century Inflation-Adjusted Bond	-2.5%	-3.3%	\$ 1
<i>Barclays US TIPS</i>	<i>-1.4%</i>	<i>-2.3%</i>	
Dreyfus Bond Market Index Basic	-0.1%	0.7%	4
<i>Barclays Aggregate Bond Index</i>	<i>0.5%</i>	<i>1.4%</i>	
Federated Total Return Bond	-0.8%	0.8%	2
<i>Barclays Aggregate Bond Index</i>	<i>0.5%</i>	<i>1.4%</i>	
Goldman Sachs Prime Money Market	0.0%	0.0%	7
<i>Citigroup 90-Day T-Bill Index</i>	<i>0.0%</i>	<i>0.0%</i>	
iShares Russell 2000 Growth Index ETF	-1.7%	13.6%	6
<i>Russell 2000 Growth Index</i>	<i>-1.4%</i>	<i>14.3%</i>	
MetWest Total Return A	NA	NA	10
<i>Barclays Aggregate Bond Index</i>	<i>NA</i>	<i>NA</i>	
SPDR Barclays Int'l Treasury Bond ETF	-7.1%	-4.7%	0
<i>Barclays Global Treasury ex-US Capped</i>	<i>-4.8%</i>	<i>-4.2%</i>	
SPDR S&P Dividend ETF	-1.4%	12.7%	4
<i>Russell 1000 Index</i>	<i>0.9%</i>	<i>15.0%</i>	
State Street MSCI ACWI Ex-US Index	-6.2%	0.8%	11
<i>MSCI All Country World ex-U.S. Index</i>	<i>-5.7%</i>	<i>1.5%</i>	
State Street S&P 500 Index	0.8%	14.5%	10
<i>S&P 500 Index</i>	<i>1.4%</i>	<i>15.1%</i>	
Dodge & Cox Stock	-5.0%	NA	9
<i>Russell 1000 Value Index</i>	<i>-3.8%</i>	<i>NA</i>	
Tributary Small Company	-1.0%	12.1%	5
<i>Russell 2000 Value Index</i>	<i>-7.5%</i>	<i>9.1%</i>	
T.Rowe Price Large Cap Growth	9.4%	19.4%	14
<i>Russell 1000 Growth Index</i>	<i>5.7%</i>	<i>16.8%</i>	
Vanguard Extended Market ETF	-3.7%	12.0%	9
<i>DJ U.S. Completion Total Stock Market Index</i>	<i>-3.4%</i>	<i>12.8%</i>	
Vanguard FTSE Emerging Markets ETF	-15.9%	-7.6%	2
<i>FTSE Emerging Markets Index</i>	<i>-15.5%</i>	<i>-6.6%</i>	
Vanguard REIT ETF	1.8%	10.1%	4
<i>MSCI U.S. REIT Index</i>	<i>2.5%</i>	<i>11.1%</i>	
Vanguard Short-Term Bond ETF	0.4%	0.2%	3
<i>Barclays 1-5 Yr. Govt/Credit</i>	<i>1.0%</i>	<i>0.9%</i>	
Vanguard Total Stock Market ETF	-0.2%	13.7%	12
<i>CRSP U.S. Total Market Index</i>	<i>0.4%</i>	<i>14.7%</i>	
Bank Savings Individual Invest. Option	0.6%	0.5%	11
<i>1 month US Bank Deposit Index</i>	<i>0.3%</i>	<i>0.2%</i>	

1. Returns are based on Class A Portfolio. Market Values are a combination of both A & C portfolios

TD Ameritrade	1 Year	3 Years	Market Value 12/31/15 (in millions)
Age-based Investment Options			
Aggressive 0-5	-0.5%	10.8%	\$ 23
<i>Aggressive 0-5 Benchmark</i>	<i>-0.7%</i>	<i>10.8%</i>	
Aggressive 6-10	-0.7%	9.3%	45
<i>Aggressive 6-10 Benchmark</i>	<i>-0.7%</i>	<i>9.5%</i>	
Aggressive 11-14	-0.4%	7.1%	56
<i>Aggressive 11-14 Benchmark</i>	<i>-0.5%</i>	<i>7.3%</i>	
Aggressive 15-18	-0.5%	4.7%	40
<i>Aggressive 15-18 Benchmark</i>	<i>-0.3%</i>	<i>5.0%</i>	
Aggressive 19+	-0.6%	2.3%	13
<i>Aggressive 19+ Benchmark</i>	<i>-0.1%</i>	<i>2.8%</i>	
Growth 0-5	-0.7%	9.3%	17
<i>Growth 0-5 Benchmark</i>	<i>-0.7%</i>	<i>9.5%</i>	
Growth 6-10	-0.4%	7.1%	41
<i>Growth 6-10 Benchmark</i>	<i>-0.5%</i>	<i>7.3%</i>	
Growth 11-14	-0.5%	4.7%	52
<i>Growth 11-14 Benchmark</i>	<i>-0.3%</i>	<i>5.0%</i>	
Growth 15-18	-0.6%	2.3%	41
<i>Growth 15-18 Benchmark</i>	<i>-0.1%</i>	<i>2.8%</i>	
Growth 19+	-0.7%	-0.3%	14
<i>Growth 19+ Benchmark</i>	<i>-0.1%</i>	<i>0.4%</i>	
Index 0-5	-0.7%	7.2%	5
<i>Index 0-5 Benchmark</i>	<i>-0.2%</i>	<i>7.7%</i>	
Index 6-10	-0.4%	5.1%	9
<i>Index 6-10 Benchmark</i>	<i>0.1%</i>	<i>5.6%</i>	
Index 11-14	-0.3%	2.9%	10
<i>Index 11-14 Benchmark</i>	<i>0.1%</i>	<i>3.4%</i>	
Index 15-18	-0.5%	0.3%	11
<i>Index 15-18 Benchmark</i>	<i>0.2%</i>	<i>1.0%</i>	
Index 19+	-0.3%	0.0%	5
<i>Index 19+ Benchmark</i>	<i>0.2%</i>	<i>0.6%</i>	
Conservative 0-5	-0.5%	4.8%	2
<i>Conservative 0-5 Benchmark</i>	<i>-0.3%</i>	<i>5.0%</i>	
Conservative 6-10	-0.6%	2.3%	2
<i>Conservative 6-10 Benchmark</i>	<i>-0.1%</i>	<i>2.8%</i>	
Conservative 11-14	-0.7%	-0.2%	4
<i>Conservative 11-14 Benchmark</i>	<i>-0.1%</i>	<i>0.4%</i>	
Conservative 15-18	-0.4%	-0.1%	6
<i>Conservative 15-18 Benchmark</i>	<i>0.1%</i>	<i>0.3%</i>	
Conservative 19+	-0.1%	-0.2%	4
<i>Conservative 19+ Benchmark</i>	<i>0.3%</i>	<i>0.3%</i>	

TD Ameritrade	1 Year	3 Years	Market Value 12/31/15 (in millions)
Static Investment Options			
Growth	-0.7%	9.3%	\$ 62
<i>Growth Benchmark</i>	-0.7%	9.5%	
Balanced Index	-0.4%	5.8%	29
<i>Balanced Index Benchmark</i>	0.1%	6.4%	
Conservative	-0.5%	2.4%	11
<i>Conservative Benchmark</i>	-0.1%	2.8%	
TD Ameritrade (Continued)			
Individual Fund Investment Options			
American Century Inflation-Adjusted Bond	-2.4%	-3.2%	\$ 5
<i>Barclays US TIPS</i>	-1.4%	-2.3%	
Goldman Sachs Prime Money Market	0.0%	0.0%	26
<i>Citigroup 90-Day T-bill Index</i>	0.0%	0.0%	
iShares Russell 2000 Growth Index ETF	-1.7%	13.6%	21
<i>Russell 2000 Growth Index</i>	-1.4%	14.3%	
MetWest Total Return	NA	NA	18
<i>Barclays Aggregate Bond Index</i>	NA	NA	
SPDR Barclays Int'l Treasury Bond ETF	-7.0%	-4.7%	1
<i>Barclays Global Treasury ex-U.S Capped</i>	-4.8%	-4.2%	
State Street MSCI ACWI Ex-US Index	-6.3%	0.9%	28
<i>MSCI All Country World Ex-US Index</i>	-5.7%	1.5%	
State Street S&P 500 Index	0.9%	14.6%	36
<i>S&P 500 Index</i>	1.4%	15.1%	
Tributary Small Company	-0.9%	12.2%	11
<i>Russell 2000 Value Index</i>	-7.5%	9.1%	
T.Rowe Price Large Cap Growth	9.6%	19.4%	32
<i>Russell 1000 Growth Index</i>	5.7%	16.8%	
Vanguard Equity Income	0.3%	13.0%	11
<i>FTSE High Dividend Yield Index</i>	0.4%	14.1%	
Vanguard Extended Market Index	-3.7%	12.4%	26
<i>DJ U.S. Completion Total Stock Market Index</i>	-3.4%	12.8%	
Vanguard FTSE Emerging Markets ETF	-15.8%	-7.4%	8
<i>FTSE Emerging Markets Index</i>	-15.5%	-6.6%	
Vanguard REIT	1.9%	10.5%	19
<i>DJ U.S. Select Real Estate Securities Index</i>	4.5%	11.7%	
Vanguard Russell 1000 Value Index	-4.3%	12.5%	21
<i>Russell 1000 Value Index</i>	-3.8%	13.1%	
Vanguard Short-term Bond Index	0.5%	0.4%	13
<i>Barclays 1-5 yr. Govt/Corp</i>	1.0%	0.9%	
Vanguard Total Bond Market Index	0.0%	0.9%	14
<i>Barclays Aggregate Bond Index</i>	0.5%	1.4%	
Vanguard Total Stock Market	-0.1%	14.1%	40
<i>CRSP US Total Market Index</i>	0.4%	14.7%	

Nebraska Educational Savings Plan Trust State Farm College Savings Plan

PERFORMANCE SUMMARY

Performance is shown below for each portfolio offered as an investment option.

PORTFOLIO MANAGERS

The Plan's investment options include four fixed-allocation portfolios that range from conservative to growth and five enrollment-based portfolios. These portfolios each invest in several underlying funds.

MANAGER PERFORMANCE

	<i>1 Year¹</i>	<i>3 Years¹</i>	<i>5 Years¹</i>	<i>Market Value 12/31/15 (in millions)</i>
Fixed-allocation Portfolios				
Growth Allocation 529 Portfolio <i>Growth Allocation Policy</i>	-1.3% 2.2%	10.5% 12.6%	8.2% 10.2%	\$ 57
Moderate Growth Allocation 529 Portfolio <i>Moderate Growth Allocation Policy</i>	-1.4% 1.2%	8.4% 9.9%	7.3% 8.4%	29
Balanced Allocation 529 Portfolio <i>Balanced Allocation Policy</i>	-0.5% 0.1%	6.8% 7.7%	6.4% 7.4%	14
Money Market 529 Portfolio <i>Money Market Policy</i>	0.0% 0.0%	0.0% 0.0%	0.0% 0.0%	6
Enrollment-based Portfolios				
13 + Years to College 529 Portfolio <i>13+ Policy</i>	-1.2% 2.2%	10.6% 12.4%	7.7% 10.1%	37
7-12 Years to College 529 Portfolio <i>7-12 Policy</i>	-1.4% 1.2%	8.4% 9.9%	7.2% 8.7%	94
4-6 Years to College 529 Portfolio <i>4-6 Policy</i>	-0.5% 0.1%	6.8% 7.7%	6.5% 7.4%	75
1-3 Years to College 529 Portfolio <i>1-3 Policy</i>	0.3% 0.5%	4.6% 5.5%	4.6% 5.4%	64
College Now 529 Portfolio <i>College Now Policy</i>	0.0% -0.4%	1.1% 1.7%	1.9% 2.6%	38

1. Returns shown are for Class A shares and net of mutual fund fees. Sales charges and the annual fee the Plan imposes (0.25% Class A and 1.00% Class B) have not been deducted.

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General Endowments

OVERVIEW

Overview	61	Endowment funds are used to provide a perpetual source of funding for the
2015 Highlights	62	activities of the entities they support. Generally there are two investment
Transaction Summary	63	objectives – providing some funds for the current year’s operations and
Asset Allocation	63	increasing the portfolio to support future needs. The financial management of
Performance Summary	64	an endowment fund consists of a contribution strategy, a distribution strategy,
Portfolio Managers	66	and an investment strategy. Although these strategies are interrelated, the
Manager Performance	66	Nebraska Investment 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 investment strategy is described later in this section.
		The basic purpose of each endowment is described below.
		<u>The Permanent School Fund</u>
		The endowment receives proceeds from the sales of school land held in trust
		for 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 net income earned on this fund is distributed annually to the
		K-12 public schools.
		<u>The Nebraska Early Childhood Education Endowment Fund</u>
		The endowment provides funding for grants to schools and community partners
		to provide programs serving at-risk children birth to age three.
		<u>The Nebraska Veterans’ Aid Fund</u>
		The endowment provides emergency financial assistance to eligible veterans
		and dependents.
		<u>The Cultural Preservation Endowment Fund</u>
		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.
		<u>The Agricultural Endowment Fund</u>
		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.
		<u>The Permanent Endowment Fund</u>
		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.

2015 HIGHLIGHTS

- The Council added an active fixed income manager, Neuberger Berman. Funding for Neuberger Berman came from an offsetting reduction to other fixed income managers in the portfolio. This action was designed to reduce manager concentration and allow for greater risk-adjusted return for the portfolio.
- In the Real Estate portfolio, the Council made a commitment to the UBS Trumbull Property Income Fund L.P. in August. In November, the Council made a commitment to the Metropolitan Real Estate Partners Secondaries and Co-Investments Fund, L.P.
- In September, Staff began a strategic review of the portfolio's global equity asset class. Staff will use a "blank sheet" approach that does not simply target underperforming managers. The review includes the asset class's place in the total portfolio, styles to consider, weighting, and manager structure. Staff has used both existing and potential investment managers as an extension of staff and asked them the simple question, "What type of global equity portfolio would best serve Nebraska's needs over the next five-year period?" The intention is that after five years Staff will repeat the review. The investment team has sent the best of the ideas to our consultant Aon Hewitt for analysis. Together, Staff and consultant will devise a final structure and select best-in-class managers to implement. Staff is targeting July for completion of the review, but will present it to the Council if prepared sooner.

TRANSACTION SUMMARY¹

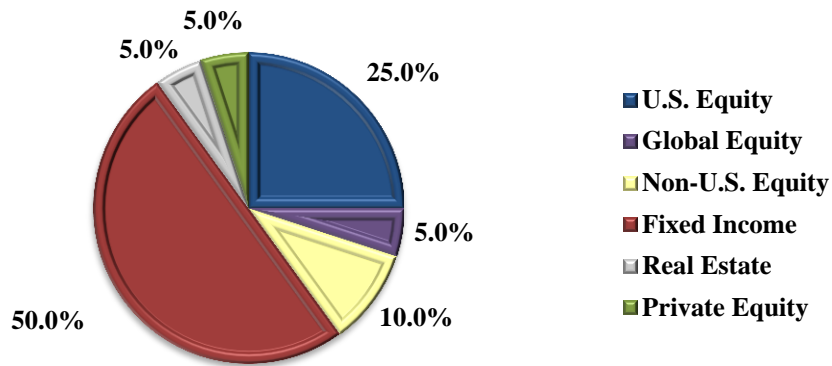
	Beginning Balance	Net Contributions	Investment Results	Closing Balance
	(millions of dollars)			
Permanent Endowment Fund	\$ 657.90	\$ 3.26	- \$ 3.26	\$ 657.90
Early Childhood Education Endowment Fund	50.02	- 1.16	- 0.24	48.62
Nebraska Veterans' Aid Fund	47.25	- 1.09	- 0.23	45.93
Cultural Preservation Endowment Fund	8.19	0.09	- 0.05	8.23
Agricultural Endowment Fund	2.66	- 0.06	- 0.01	2.59
Permanent University Endowment Fund	1.21	- 0.03	- 0.01	1.17
Normal School Endowment Fund	0.29	- 0.01	0.00	0.28
Nebraska Environmental Endowment Fund	1.39	0.00	- 0.01	1.38
Bessey Memorial Fund	0.02	0.00	0.00	0.02
2015 Totals	\$ 768.93	\$ 1.00	- \$ 3.81	\$ 766.12
2014 Totals	\$ 718.76	- \$ 1.40	\$ 51.57	\$ 768.93
2013 Totals	636.2	2.6	80.0	718.8
2012 Totals	562.3	4.9	69.0	636.2
2011 Totals	546.7	4.5	11.2	562.3
2010 Totals	494.3	- 6.0	58.4	546.7
2009 Totals ²	415.9	- 10.4	88.8	494.3
2008 Totals	520.9	20.1	- 133.9	407.1
2007 Totals	478.0	4.6	38.3	520.9
2006 Totals	354.7	82.4	40.9	478.0
2005 Totals	343.0	- 8.8	20.6	354.7
2004 Totals	324.1	- 11.7	30.6	343.0
2003 Totals	282.5	- 9.5	51.2	324.1
2002 Totals	312.6	- 9.9	- 20.2	282.5
2001 Totals	329.9	- 12.3	- 5.1	312.6
2000 Totals	333.6	- 5.5	1.8	329.9
1999 Totals	304.7	- 3.9	32.7	333.6
1998 Totals	253.6	2.6	48.5	304.7
1997 Totals	212.8	- 5.2	46.0	253.6

1. Reported collectively because it represents nine endowments with identical investment strategies.

2. Due to a restatement of December assets, the beginning balances have changed since the annual report. The fiscal year-end of the plan is June 30.

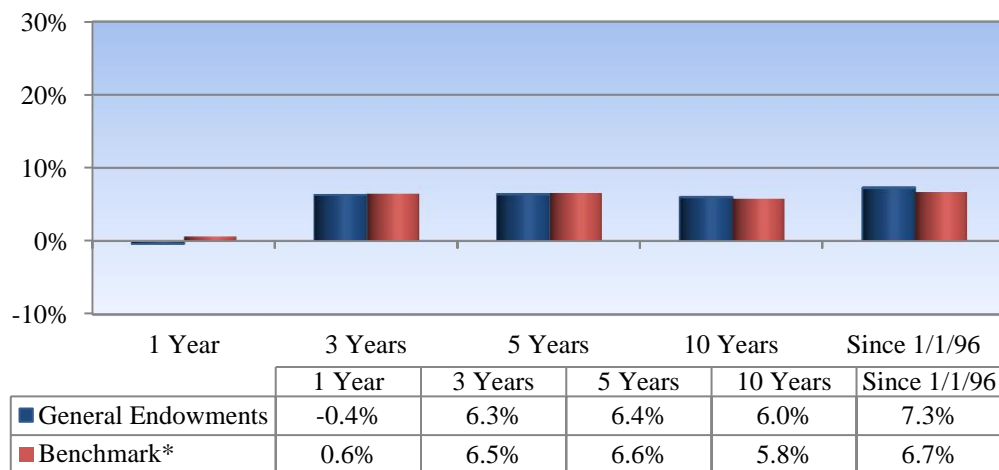
ASSET ALLOCATION

For all of these Funds the Council has selected an investment strategy consisting of U.S. equity, global equity, non-U.S. equity, fixed income, real estate, and private equity. A portion of the assets designated for real estate and private equity investment are currently invested in the U.S. equity portfolio.



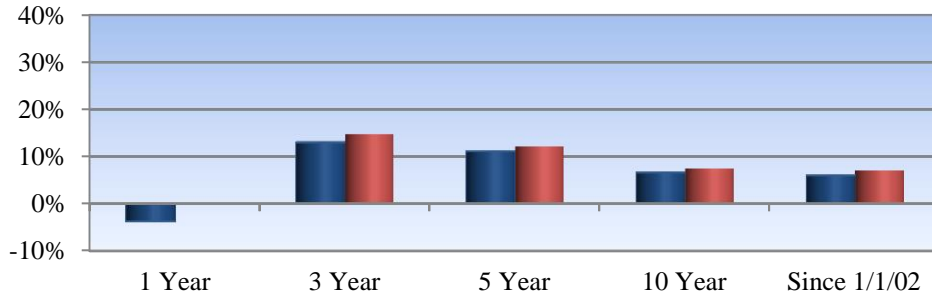
PERFORMANCE SUMMARY

The rate of return for the total portfolio was slightly negative for the year, -0.4%, while the benchmark had a return of 0.6%. The total portfolio performance has slightly underperformed the benchmark in the 1 year, 3 year and 5 year time frame. In the 10 year and since inception (1/1/96) time horizons the total portfolio has exceeded the benchmark.



* As of July 2015, a composite of 26.0% of the DJ U.S. Total Stock Market, 10.0% of the MSCI All Country World ex-U.S. IMI, 5.0% of the MSCI All Country World IMI, 50.0% of the fixed income component benchmark, 4.0% of the real estate component benchmark, and 5.0% of the DJ U.S. Total Stock Market Index + 3%.

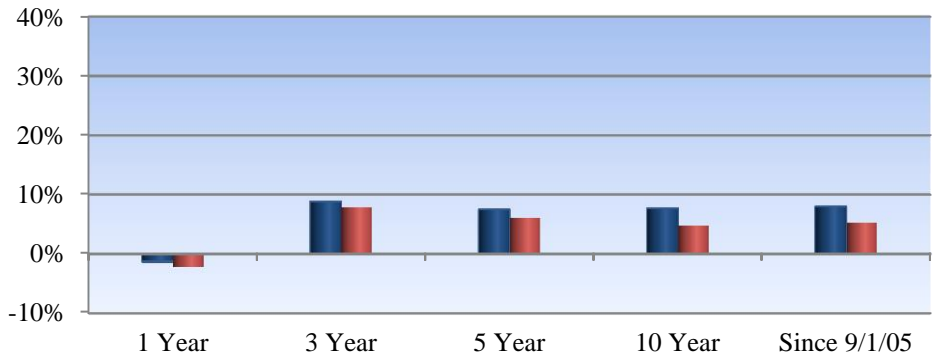
U.S. Equity Composite



	1 Year	3 Year	5 Year	10 Year	Since 1/1/02
■ U.S. Equity Composite	-3.7%	13.0%	11.1%	6.6%	6.0%
■ DJ U.S. Total Stock Market Index	0.4%	14.7%	12.1%	7.5%	7.0%

The U.S. Equity Portfolio had a return of -3.7% while its benchmark was slightly positive 0.4%.

Global Equity Composite

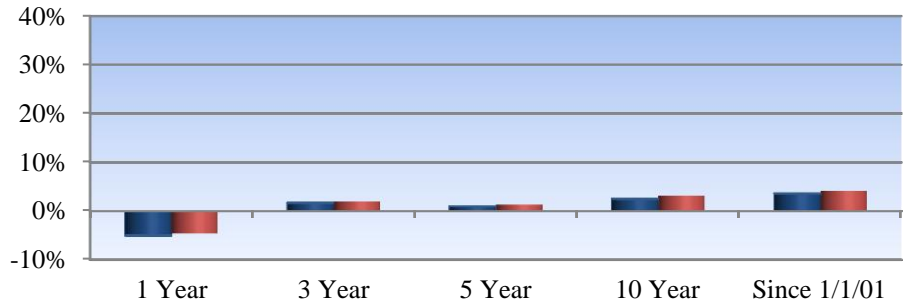


	1 Year	3 Year	5 Year	10 Year	Since 9/1/05
■ Global Equity Composite	-1.3%	8.8%	7.5%	7.7%	8.0%
■ MSCI All-Country World IMI*	-2.2%	7.9%	6.1%	4.8%	5.3%

* The MSCI All Country World IMI. Prior to August 2010, the MSCI All Country World Index.

The Global Equity Portfolio returned -1.3% while its benchmark returned -2.2%.

Non - U.S. Equity Composite

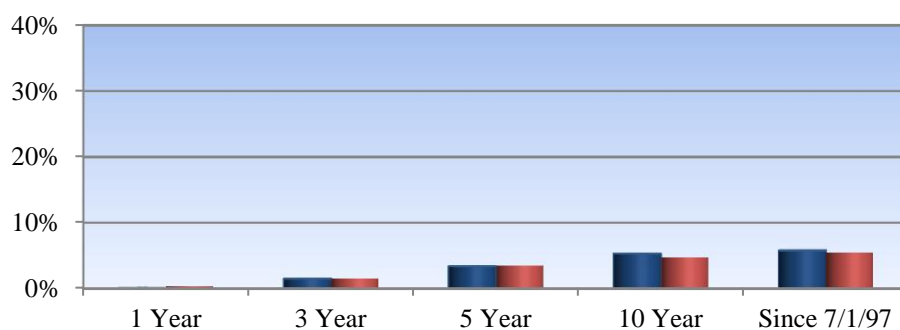


	1 Year	3 Year	5 Year	10 Year	Since 1/1/01
■ Non-U.S. Equity Composite	-5.0%	1.7%	1.0%	2.5%	3.6%
■ Benchmark*	-4.6%	2.0%	1.3%	3.1%	4.2%

* The MSCI All Country World ex-U.S. IMI. Prior to August 2010, the MSCI All Country World ex-U.S. Index.

The non-U.S. Equity Portfolio struggled during 2015 posting a -5.0%, while the benchmark returned -4.6%.

Fixed Income Composite



The Fixed Income Portfolio had a return of **0.1%**, while the benchmark returned **0.4%**.

	1 Year	3 Year	5 Year	10 Year	Since 7/1/97
■ Fixed Income	0.1%	1.5%	3.4%	5.3%	5.8%
■ Benchmark*	0.4%	1.5%	3.5%	4.7%	5.5%

* Blended benchmark: 6/30/97 to 3/31/05 Barclays Capital Aggregate Bond Index; 3/31/05 to present Barclays Capital Universal Bond Index

PORTFOLIO MANAGERS

The performance of all managers is monitored quarterly. All managers are subject to thorough review at least annually. Aon Hewitt, the investment consultant to the Council, assists in the performance analysis and review process. The market value for each manager and their fund is listed in the following tables.

MANAGER PERFORMANCE

U.S. Equity	1 Year	3 Years	5 Years	10 Years	Market Value 12/31/15 (in millions)
Dimensional Fund Advisors, Inc. <i>Russell 2000 Index¹</i>	-3.3% -4.4%	13.0% 10.7%	10.2% 8.7%	6.9% 5.6%	\$ 23
Blackrock Russell 1000 Value Index <i>Russell 1000 Value Index</i>	-3.7% -3.8%	13.1% 13.1%	NA NA	NA NA	180

1. Russell 2000 Index. Prior to April 2014 the Russell 200 Value Index, prior to August 2006 the Wilshire Small-Cap Value Style Index.

Global Equity	1 Year	3 Years	5 Years	10 Years	Market Value 12/31/15 (in millions)
Acadian Global Equity <i>MSCI All-Country World IMI¹</i>	-1.9% -2.2%	10.3% 7.9%	9.8% 6.2%	7.3% 4.8%	\$ 7
Ironbridge <i>MSCI All-Country World IMI¹</i>	0.7% -2.2%	9.6% 7.9%	6.9% 6.2%	NA NA	7
MFS Institutional Advisors, Inc. <i>MSCI All-Country World IMI¹</i>	-0.9% -2.2%	10.2% 7.9%	9.6% 6.2%	8.1% 4.8%	7
Mondrian <i>MSCI All-Country World IMI¹</i>	-2.5% -2.2%	5.7% 7.9%	5.9% 6.2%	NA NA	7
Blackrock ACWI IMI <i>MSCI All-Country World IMI</i>	-1.8% -2.2%	8.3% 7.9%	NA NA	NA NA	10

1. MSCI All Country World IMI. Prior to May 2012, the MSCI All Country World Index.

Non-U.S. Equity	1 Year	3 Years	5 Years	10 Years	Market Value 12/31/15 (in millions)
Blackrock AWCI ex-US IMI <i>MSCI All Country World ex U.S. IMI</i>	-4.6% -4.6%	2.1% 2.0%	1.5% 1.5%	2.3% 2.3%	\$ 59
Baillie Gifford Overseas Ltd. <i>MSCI Emerging Markets Index</i>	-8.2% -14.9%	-1.4% -6.8%	-2.9% -4.8%	6.2% 3.6%	6

Fixed Income	1 Year	3 Years	5 Years	10 Years	Market Value 12/31/15 (in millions)
BlackRock Aggregate Bond Index <i>Barclays Aggregate Bond Index</i>	0.6% 0.5%	1.5% 1.4%	3.3% 3.2%	NA NA	\$ 182
Loomis Sayles <i>Benchmark¹</i>	-3.7% 0.4%	2.1% 1.5%	5.3% 3.5%	NA NA	23
PIMCO <i>Benchmark²</i>	-0.3% 0.4%	0.7% 1.5%	3.0% 3.5%	5.4% 4.7%	90
Neuberger Berman Core Plus³ <i>Barclays Universal Bond Index</i>	NA NA	NA NA	NA NA	NA NA	88

1. Barclays Universal Bond Index. Prior to August 2010 the Barclays High Yield Index.

2. Barclays Universal Bond Index. 6/30/97 to 3/31/05 Barclays Capital Aggregate Bond Index.

3. Added during 2015.

Real Estate

The table below represents the three investments in open end core funds for the private real estate portfolio. UBS and Prudential were hired in 2009 and Cornerstone was added during 2010. Time-weighted rates of return through 12/31/15 are shown separately below.

	1 Year	3 Years	5 Years	Market Value 12/31/15 (in millions)
Cornerstone Patriot Fund <i>NFI - ODCE Index</i>	13.3% 14.0%	10.7% 12.8%	11.5% 12.6%	\$ 9
UBS Trumbull Property Fund <i>NFI - ODCE Index</i>	11.8% 14.0%	10.5% 12.8%	10.6% 12.6%	7
Prudential (PRISA) <i>NFI - ODCE Index</i>	13.3% 14.0%	13.2% 12.8%	13.2% 12.6%	5

In addition to the core open end funds, investments in three closed end funds have been made. Private real estate reports are available on a quarter lag and figures are shown as of 9/30/15. The detail encompasses our total private real estate commitments for both the General Endowments and the Health Care Endowment as those assets are commingled for investment purposes.

Portfolio Detail – GE & Health Care Endowments	Direct as of 9/30/15
Number of Investments	6
Total Commitments	\$63,500,000
Total Paid-In	\$52,863,348
IRR since inception	11.32%
Partnerships	Cornerstone Patriot Fund, L.P. Landmark Real Estate Partners VII, L.P. Metropolitan MREP VI Metropolitan MREP International III Prudential – PRISA I UBS Trumbull Property Fund

Performance shown above is measured as an internal rate of return not a time-weighted rate of return. The real estate portfolio is in the investment stage for many of its closed end funds and will continue to invest in closed end funds over time.

Private Equity

The Nebraska Investment Council began allocating to private equity with the initial commitment to a fund of funds. Private equity reports are on a quarter lag and are shown as of 9/30/15. The detail below includes our private equity commitments for both the General Endowments and the Health Care Endowment as those assets are commingled for investment purposes.

Portfolio Detail – GE & Health Care Endowment	Fund of Funds as of 9/30/15
Number of Investments	5
Total Commitments	\$110,000,000
Total Paid-In	\$69,217,444
IRR since inception	11.54%
Partnerships	Abbott Capital Private Equity Fund VI, L.P. Abbott Capital Private Equity Fund VII, L.P. Dover Street VIII, L.P. RCP Fund VII, L.P. RCP Fund VIII, L.P.

Performance shown is measured as an internal rate of return not a time-weighted rate of return. At this point, time-weighted rates of return are not meaningful since a fairly large amount of capital has yet to be called and the portfolio is still in its early stages of development.

Health Care Endowment Fund

OVERVIEW

Overview 69

The Health Care Endowment Fund is comprised of two distinct state trust funds.

2015 Highlights 69

These two are the Nebraska Tobacco Settlement Trust Fund and the Nebraska Medicaid Intergovernmental Trust Fund (IGT). Although their external contributions are different, the investments are the same and the spending policy is similar. The Nebraska Investment Council's responsibility is managing the investments only.

Transaction Summary 70

Asset Allocation 70

Performance Summary 71

2015 HIGHLIGHTS

Portfolio Managers 73

➤ In the Real Estate portfolio, the Council made a commitment to the UBS Trumbull Property Income Fund L.P. in August. In November, the Council made a commitment to the Metropolitan Real Estate Partners Secondaries and Co-Investments Fund, L.P.

Manager Performance 73

➤ In September, Staff began a strategic review of the portfolio's global equity asset class. Staff will use a "blank sheet" approach that does not simply target underperforming managers. The review includes the asset class's place in the total portfolio, styles to consider, weighting, and manager structure. Staff has used both existing and potential investment managers as an extension of staff and asked them the simple question, "What type of global equity portfolio would best serve Nebraska's needs over the next five-year period?" The intention is that after five years Staff will repeat the review. The investment team has sent the best of the ideas to our consultant Aon Hewitt for analysis. Together, Staff and consultant will devise a final structure and select best-in-class managers to implement. Staff is targeting July for completion of the review, but will present it to the Council if prepared sooner.

TRANSACTION SUMMARY

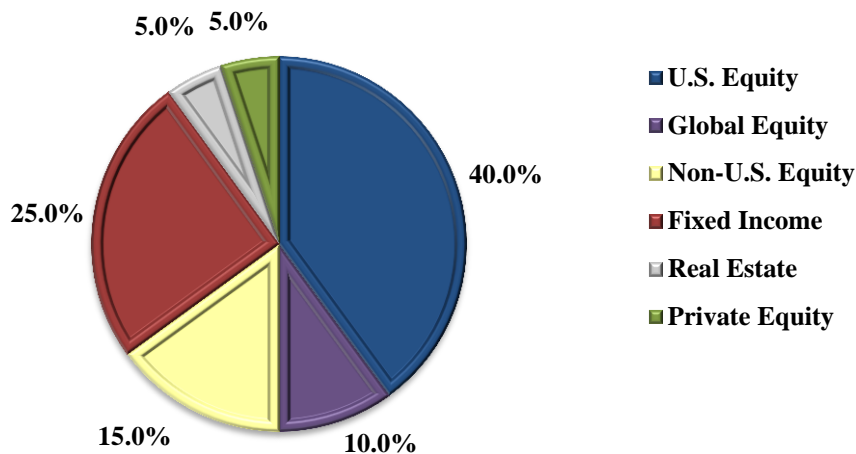
	Beginning Balance	Net Contributions	Investment Results	Closing Balance
	(millions of dollars)			
2015 Totals	\$ 394	- \$ 21	\$ 4	\$ 377
2014 Totals	\$ 390	- \$ 22	\$ 26	\$ 394
2013 Totals	327	- 1	64	390
2012 Totals	311	- 19	35	327
2011 Totals	339	- 22	- 6	311
2010 Totals	317	- 17	38	339
2009 Totals ²	267	- 10	60	317
2008 Totals	391	69	- 178	283
2007 Totals	364	- 4	31	391
2006 Totals	313	4	47	364
2005 Totals	309	- 17	21	313
2004 Totals	263	18	28	309
2003 Totals ¹	177	37	49	263
2002 Totals	180	15	- 19	176

1. The fixed income beginning balance has been adjusted from cash basis to accrual basis.

2. Due to a restatement of December 2008 assets, the beginning balances have changed since the 2008 annual report. The fiscal year-end of the plan is June 30, 2009.

ASSET ALLOCATION

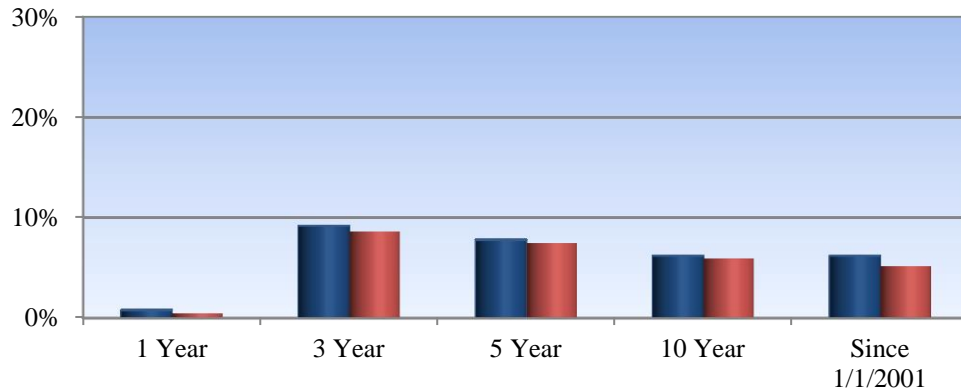
There are no specific statutory or contractual restrictions on the investment of the Health Care Endowment Fund. For this Fund, the Council has selected an investment strategy consisting of 40% U.S. equity, 10% global equity, 15% non-U.S. equity, 25% fixed income, 5% real estate, and 5% private equity.



PERFORMANCE SUMMARY

The rate of return for the total portfolio was 0.8% for the year, while the benchmark had a return of 0.5%. The total portfolio performance has exceeded the benchmark in the 1 year, 3 year, 5 year, and 10 year horizons as well as “since inception” basis (1/1/2001).

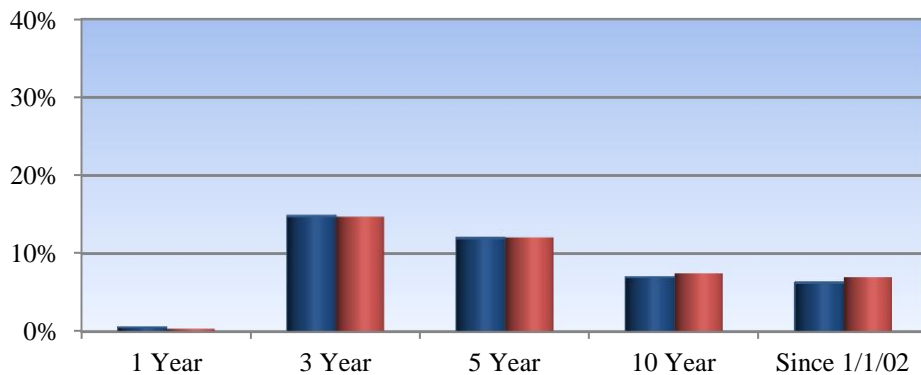
Health Care Endowment



	1 Year	3 Year	5 Year	10 Year	Since 1/1/2001
■ Health Care	0.8%	9.2%	7.8%	6.2%	6.2%
■ Benchmark*	0.5%	8.6%	7.5%	5.9%	5.2%

* As of October 2015, a composite of 40.0% of the DJ U.S. Total Stock Market Index, 15.0% of the MSCI All Country World ex-U.S. IMI, 10.0% of the MSCI All Country World IMI, 22.5% of the Barclays Intermediate Gov/Credit index, 2.5% of the Citigroup 30-day CD, 5.0% of the Real Estate component benchmark and 5.0% of the DJ U.S. Total Stock Market Index +3%

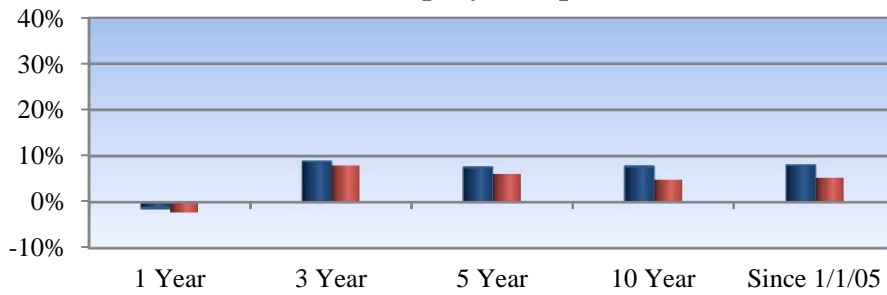
U.S. Equity Composite



The U.S. Equity Portfolio had a return of 0.6% while the benchmark was 0.4%.

	1 Year	3 Year	5 Year	10 Year	Since 1/1/02
■ U.S. Equity Composite	0.6%	14.8%	12.0%	7.0%	6.3%
■ DJ U.S. Total Stock Market Index	0.4%	14.7%	12.1%	7.5%	7.0%

Global Equity Composite

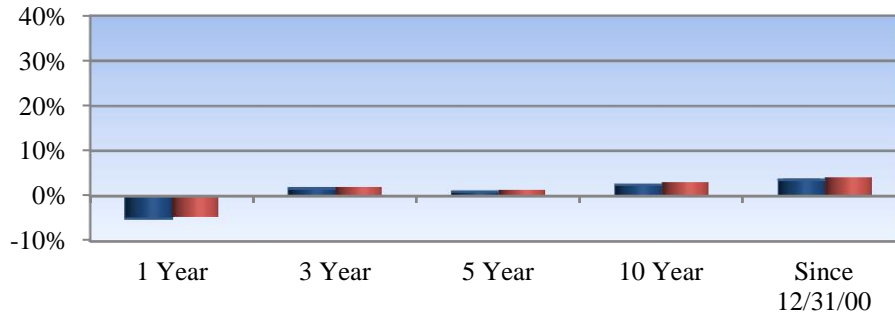


	1 Year	3 Year	5 Year	10 Year	Since 1/1/05
■ Global Equity Composite	-1.3%	8.8%	7.5%	7.7%	8.0%
■ MSCI All-Country World IMI	-2.2%	7.9%	6.1%	4.8%	5.3%

* The MSCI All Country World IMI. Prior to August 2010, the MSCI All Country World Index.

Global Equity has outperformed its benchmark for the calendar year -1.3% vs. -2.2% respectively.

Non-U.S. Equity Composite

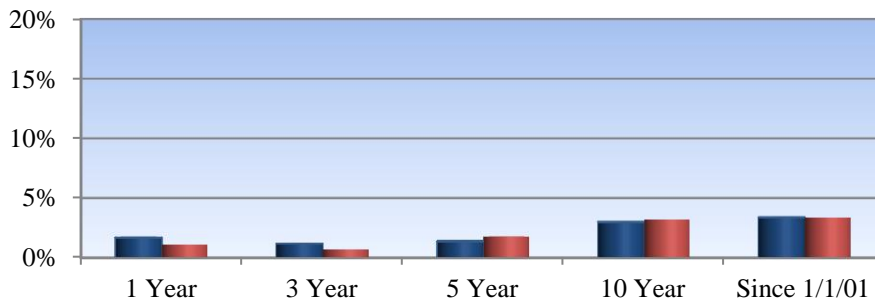


	1 Year	3 Year	5 Year	10 Year	Since 12/31/00
■ Non-U.S. Equity Composite	-5.0%	1.7%	1.0%	2.5%	3.6%
■ Benchmark*	-4.6%	2.0%	1.3%	3.1%	4.2%

* The MSCI All Country World ex-U.S. IMI. Prior to August 2010 the MSCI All Country World ex-U.S. Index

The non-U.S. Equity Portfolio had a return of -5.0% while the benchmark returned -4.6%.

Fixed Income Composite



	1 Year	3 Year	5 Year	10 Year	Since 1/1/01
■ Fixed Income	1.7%	1.2%	1.4%	3.0%	3.4%
■ Benchmark*	1.1%	0.7%	1.8%	3.2%	3.4%

*As of 7/1/03, the benchmark is 90% Barclays Capital Intermediate G/C /10% Citigroup 30-Day CD

The Fixed Income Portfolio had a return of 1.7%, while the benchmark had a return of 1.1%.

PORTFOLIO MANAGERS

The performance of all managers is monitored quarterly. All managers are subject to thorough reviews at least annually. Aon Hewitt investment consultant for the Council, also assists in the performance analysis and review.

MANAGER PERFORMANCE

U.S. Equity	1 Year	3 Years	5 Years	10 Years	Market Value 12/31/15 (in millions)
Dimensional Fund Advisors, Inc. <i>Russell 2000 Value Index¹</i>	-3.3% -4.4%	13.0% 10.7%	10.2% 8.7%	6.9% 5.6%	\$ 13
Blackrock Russell 1000 Index <i>Russell 1000 Index</i>	1.0% 0.9%	NA NA	NA NA	NA NA	131

1. Russell 2000 Index. Prior to April 2014 the Russell 200 Value Index, prior to August 2006 the Wilshire Small-Cap Value Style Index.

Global Equity	1 Year	3 Years	5 Years	10 Years	Market Value 12/31/15 (in millions)
Acadian Global Equity <i>MSCI All-Country World IMI¹</i>	-1.9% -2.2%	10.3% 7.9%	9.8% 6.2%	7.3% 4.8%	\$ 9
Ironbridge <i>MSCI All-Country World IMI¹</i>	0.7% -2.2%	9.6% 7.9%	6.9% 6.2%	NA NA	9
MFS Institutional Advisors, Inc. <i>MSCI All-Country World IMI¹</i>	-0.9% -2.2%	10.2% 7.9%	9.6% 6.2%	8.1% 4.8%	9
Mondrian <i>MSCI All-Country World IMI¹</i>	-2.5% -2.2%	5.7% 7.9%	5.9% 6.2%	NA NA	8
Blackrock ACWI IMI <i>MSCI All-Country World IMI</i>	-1.8% -2.2%	8.3% 7.9%	NA NA	NA NA	12

1. MSCI All Country World IMI. Prior to May 2012, the MSCI All Country World Index.

Non-U.S. Equity	1 Year	3 Years	5 Years	10 Years	Market Value 12/31/15 (in millions)
Blackrock AWCI ex-US IMI <i>MSCI All Country World ex US IMI</i>	-4.6% -4.6%	2.1% 2.0%	1.5% 1.5%	2.3% 2.3%	\$ 49
Baillie Gifford Overseas Ltd. <i>MSCI EMF Index</i>	-8.2% -14.9%	-1.4% -6.8%	-2.9% -4.8%	6.2% 3.6%	5

Fixed Income	1 Year	3 Years	5 Years	10 Years	Market Value 12/31/15 (in millions)
Health Care Fixed Income Fund¹ <i>Benchmark²</i>	1.7% 1.1%	1.2% 0.7%	1.4% 1.8%	3.0% 3.2%	\$ 88

1. Moved from the OIP to a separate account in March of 2004.

2. 90% Barclays Intermediate Gov/Credit Index and 10% Citigroup 30-day CD Index.

Real Estate

The table below represents the three investments in open end core funds for the private real estate portfolio. UBS and Prudential were hired in 2009 and Cornerstone was added during 2010. Time-weighted returns through 12/31/15 are shown separately below.

	1 Year	3 Years	5 Years	Market Value 12/31/15 (in millions)
Cornerstone Patriot Fund <i>NFI - ODCE Index</i>	13.3% 14.0%	10.7% 12.8%	11.5% 12.6%	\$ 6
UBS Trumbull Property Fund <i>NFI - ODCE Index</i>	11.8% 14.0%	10.5% 12.8%	10.6% 12.6%	4
Prudential (PRISA) <i>NFI - ODCE Index</i>	13.3% 14.0%	13.2% 12.8%	13.2% 12.6%	3

In addition to the core open-end funds, investments in two closed end funds have been made. Private real estate reports are available on a quarter lag and figures are shown below as of 9/30/15. The detail encompasses our private real estate commitments for both the General Endowments and the Health Care Endowment as those assets are commingled for investment purposes.

Portfolio Detail – GE & Health Care Endowments	Direct as of 9/30/15
Number of Investments	6
Total Commitments	\$63,500,000
Total Paid-In	\$52,863,348
IRR since inception	11.32%
Partnerships	Cornerstone Patriot Fund, L.P. Landmark Real Estate Partners VII, L.P. Metropolitan MREP VI Metropolitan MREP International III Prudential – PRISA I UBS Trumbull Property Fund

Performance shown above is measured as an internal rate of return not a time-weighted rate of return. The real estate portfolio is in the investment stage for many of its closed end funds and will continue to invest in closed end funds over time.

Private Equity

The Council began allocating to private equity with the initial commitment to a fund of funds. Private equity reports are on a quarter lag and are shown as of 9/30/15. The detail in the table that follows includes our private equity commitments for both the General Endowments and the Health Care Endowment as those assets are commingled for investment purposes.

Portfolio Detail – GE & Health Care Endowment	Fund of Funds as of 9/30/15
Number of Investments	5
Total Commitments	\$110,000,000
Total Paid-In	\$69,217,444
IRR since inception	11.54%
Partnerships	Abbott Capital Private Equity Fund VI, L.P.
	Abbott Capital Private Equity Fund VII, L.P.
	Dover Street VIII, L.P.
	RCP Fund VII, L.P.
	RCP Fund VIII, L.P.

Performance shown is measured as an internal rate of return not a time-weighted rate of return. At this point, time-weighted rates of return are not meaningful since a fairly large amount of capital has yet to be called and the portfolio is still in its early stages of development.

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University Funds

OVERVIEW

Overview	77	The University Funds are comprised of the University of Nebraska Fund N and the Restricted Fund. The investment manager for Fund N and the Restricted Fund is the University of Nebraska Foundation.
Transaction Summary	77	
Asset Allocation	78	<u>Fund N</u> Fund N was established from the Othmer-Topp Endowment Fund received from the estates of Mildred Topp Othmer and Donald F. Othmer, and approximately 225 permanent and quasi endowments. The Othmer-Topp bequests are to be held in perpetuity and used in accordance with the last will and testament of Mildred Topp Othmer for University purposes as directed by the Board of Regents.
Performance Summary	78	
Portfolio Managers	78	

Permanent and Quasi Endowments

The Permanent and Quasi Endowments represent the commingled investments of approximately 80 individual permanent endowments and 145 quasi endowments. The Permanent Endowments includes funds for which the benefactors and donors have directed the corpus be held in perpetuity, invested, and the income spent for the purposes designated by them. The Quasi Endowments contain funds that the Board of Regents has designated to function as endowments, with the income to be spent for the purposes designated by the Board.

Restricted Fund

The Restricted Fund is comprised of several funds that are restricted by the benefactors to be invested in U.S. Government and U.S Agency fixed income securities only. This is a permanent endowment fund.

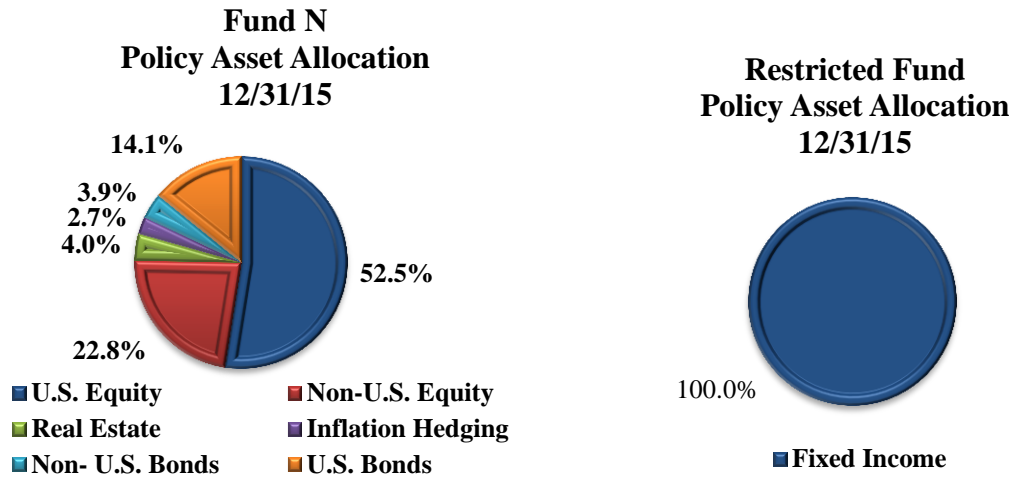
TRANSACTION SUMMARY¹

	Beginning Balance	Net Contributions	Investment Results	Closing Balance
	(thousands of dollars)			
Fund N	\$ 307,031	- \$ 11,416	- \$ 9,172	\$ 286,443
Restricted Pool	979	- 23	23	979
2014 Totals	\$ 308,010	- \$ 11,439	- \$ 9,149	\$ 287,422
2014 Totals	\$ 308,556	- \$ 7,595	\$ 7,049	\$ 308,010
2013 Totals	270,463	- 8,269	46,362	308,556
2012 Totals	245,209	- 6,062	31,316	270,463
2011 Totals	257,564	- 5,982	- 6,373	245,209
2010 Totals	228,044	- 2,303	31,823	257,564
2009 Totals	185,331	- 3,657	46,370	228,044

1. All information above excludes accrued income to be distributed January of the following year.

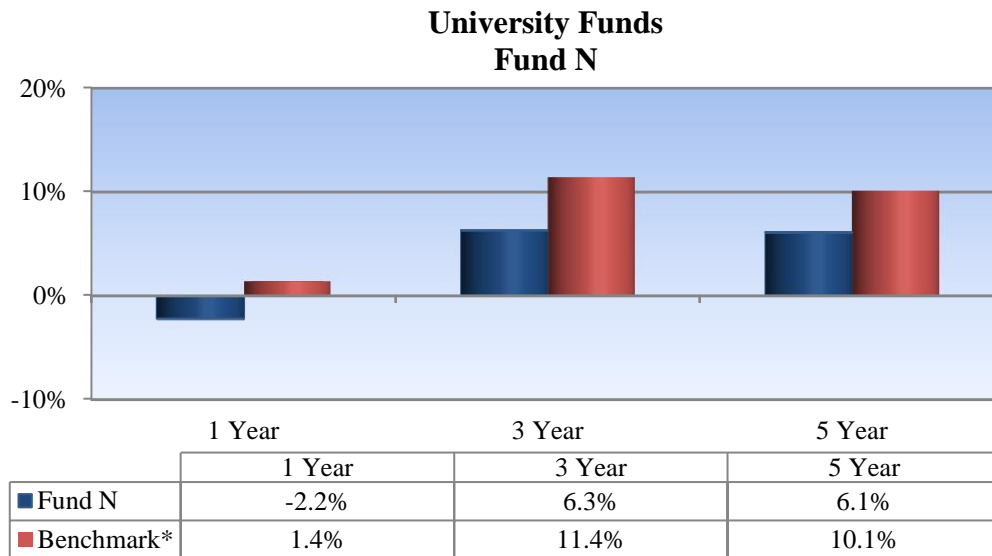
ASSET ALLOCATION

The asset allocation strategies for the University Funds are displayed below.



PERFORMANCE SUMMARY

Performance information for the University of Nebraska Fund N is presented below. Fund N performance information was provided by the investment manager – the University of Nebraska Foundation. At this time, the performance information for the Restricted Fund is not available.



*The benchmark is a weighted average comprised of 73% S&P 500 and 27% Barclays Capital Aggregate Bond Index.

PORTFOLIO MANAGERS

Fund N and the Restricted Fund are managed by the University of Nebraska Foundation.

Miscellaneous Trusts Excess Liability Fund

OVERVIEW

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 Nebraska Investment Council does not determine the distribution policy.

2015 HIGHLIGHTS

The Council added an active fixed income manager, Neuberger Berman. Funding for Neuberger Berman came from an offsetting reduction to other fixed income managers in the portfolio. This action was designed to reduce manager concentration and allow for greater risk-adjusted return for the portfolio.

TRANSACTION SUMMARY

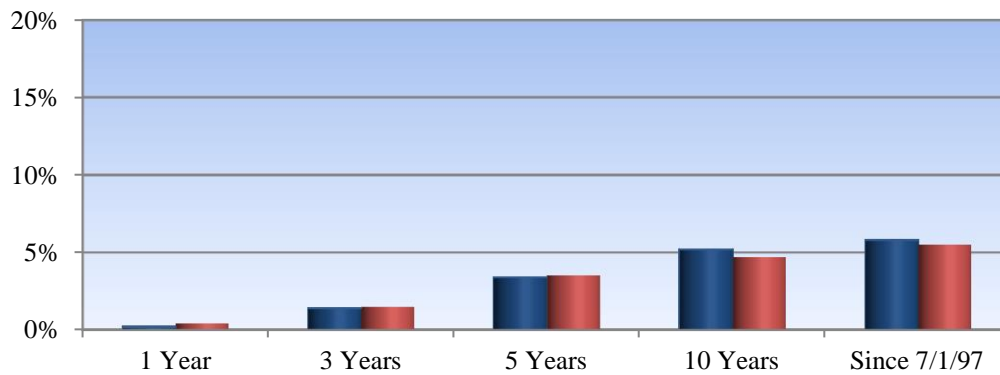
	Beginning Balance ¹	Net Contributions	Investment Results	Closing Balance
	(millions of dollars)			
Excess Liability Fund	\$ 67.4	- \$ 1.8	\$ 0.0	\$ 65.6

ASSET ALLOCATION

This Fund is invested exclusively in fixed income securities. The assets of the Excess Liability Fund are commingled with the fixed income assets of the General Endowment Funds.

PERFORMANCE SUMMARY

The portfolio's rate of return for 2015 was 0.2% vs. a benchmark return of 0.4%. The 3 year return was 1.4% versus the 1.5% benchmark return. The 10 year and "since inception" (12/30/1997) portfolio returns outpaced benchmark returns.



	1 Year	3 Years	5 Years	10 Years	Since 7/1/97
■ Excess Liability Fund	0.2%	1.4%	3.4%	5.2%	5.8%
■ Barclays Universal Bond Index*	0.4%	1.5%	3.5%	4.7%	5.5%

* Blended benchmark: 6/30/97 to 3/31/05 Barclays Capital Aggregate Bond Index; 4/1/05 to present Barclays Capital Universal Bond Index.

PORTFOLIO MANAGERS

External portfolio managers are chosen by means of a thorough search process. The performance of all managers is monitored quarterly. All managers are subject to thorough reviews at least annually. Aon Hewitt Investment Consulting, investment consultant for the Council, assists in manager searches, performance analysis and review.

MANAGER PERFORMANCE

For individual investment manager performance, see the General Endowment manager performance section. The assets of the Excess Liability Fund are commingled with the fixed income assets of the General Endowment Funds for investment purposes.

Miscellaneous Trusts Aeronautics Trust Fund

OVERVIEW

This Fund receives the proceeds from the sale of state-owned airfields. Investment income is used to pay expenses of the Department of Aeronautics. 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.

2015 HIGHLIGHTS

- There were no changes in the investment policy during 2015.

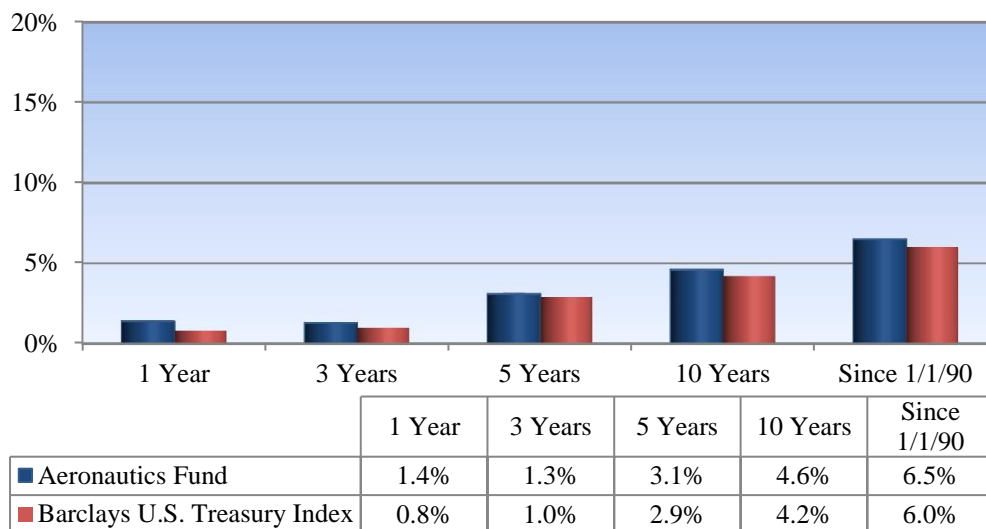
TRANSACTION SUMMARY

	Beginning Balance	Net Contributions	Investment Results	Closing Balance
	(millions of dollars)			
Aeronautics Trust Fund	\$ 6.7	- \$ 0.2	\$ 0.1	\$ 6.6

ASSET ALLOCATION

Pursuant to contractual restrictions, these assets are invested in securities issued by the U.S. government or its agencies only. The assets are not commingled with other entities.

PERFORMANCE SUMMARY



PORTFOLIO MANAGER

The Aeronautics Trust Fund is 100% internally managed.

MANAGER PERFORMANCE

Manager performance is equal to the performance summary above.

Miscellaneous Trusts Agriculture Trust Fund

OVERVIEW

This Fund consists of money received from the U.S. Department of Agriculture. Income from the Fund is used to pay expenses of the Nebraska Department of Agriculture. The Nebraska Investment Council does not determine the distribution policy.

2015 HIGHLIGHTS

- There were no changes in the investment policy during 2015.

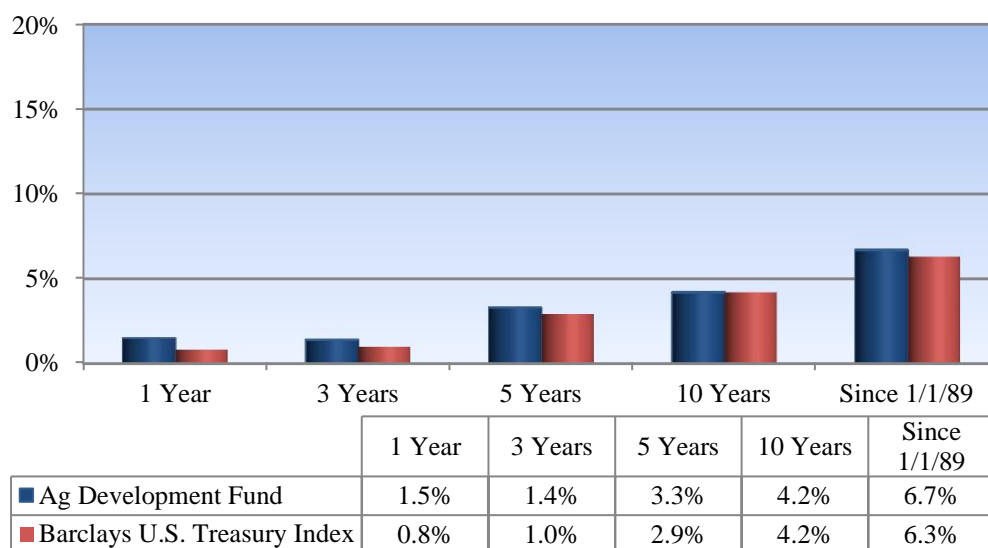
TRANSACTION SUMMARY

	Beginning Balance	Net Contributions	Investment Results	Closing Balance
	(millions of dollars)			
Agricultural Development Fund	\$ 2.8	- \$ 0.1	\$ 0.0	\$ 2.7

ASSET ALLOCATION

Pursuant to contractual restrictions, these assets are invested in securities backed by the full faith and credit of the United States government only. The assets are not commingled with other entities.

PERFORMANCE SUMMARY



PORTFOLIO MANAGER

The Agricultural Development Fund is 100% internally managed.

MANAGER PERFORMANCE

Manager performance is equal to the performance summary above.

Nebraska Investment Council
Code of Ethics, Policy on Conflicts of Interest, and Council Procedures
Amended March 7, 2007

ARTICLE I

Code of Ethics

Members of the Nebraska Investment Council and Council employees shall:

- Act with integrity, competence, dignity, and in an ethical manner when dealing with the participants, public, consultants, managers and fellow Council members and Council employees.
- Strive to maintain and improve their competence.
- Use reasonable care and exercise independent professional judgment.

ARTICLE II

Conflict of Interest

Definition of a potential conflict. Any Council member or Council employee has a potential conflict of interest when the member or employee, in the discharge of his or her official duties, would be required to take an action or make any decision, or participate in a discussion of either, that may cause financial benefit or detriment to him or her, a member of his or her immediate family, or a business with which he or she is associated, or a campaign for an elective office he or she seeks, which is distinguishable from the effects of such action on the public generally, or a broad segment of the public.

Disclosure of a potential conflict. Council members or Council employees are required to file a Potential Conflict of Interest Statement (NADC Form C-2) whenever a potential conflict of interest arises. All Council members and Council employees shall disclose to the full Council all items that involve entities doing business with the Council that must be disclosed by state statute when appropriate or at least annually.

Deliberations and Voting. Any Council member or Council employee who declares or has been found to have an actual conflict of interest by the Council shall be absent from any deliberations and shall not vote on the matter determined to be a conflict, and shall not take any action to influence the outcome of the matter.

Gifts. Council members and Council employees should limit the acceptance of gratuities and/or gifts from entities doing business with the Council. US\$100 is the maximum acceptable value for a gift or gratuity. This standard does not preclude customary, ordinary, business-related entertainment so long as its purpose is not to influence or reward members. Campaign contributions from entities (or employees thereof) doing business with the Council may exceed the US\$100 maximum, but shall be regarded as a potential conflict of interest and shall be disclosed to the full Council.

ARTICLE III

Council Procedures

Council Meetings. The manner in which meetings are to be conducted shall be at the discretion of the Council.

Council Chair. The Council Chair works with the State Investment Officer to plan the meeting agenda and conducts the meeting in the manner agreed to by the Council. The Chair may appoint Council members and others to committees or task forces with Council consent.

Council Member authority. Individual Council members have no legal authority to act for the Council. Individual Council members can exercise authority only by making decisions together.

Council agenda. The Council meeting will run according to an agenda plan prepared by the Council Chair and the State Investment Officer. All Council members can request that issues be placed on the agenda by bringing those issues to the attention of the State Investment Officer or Council Chair in writing no later than 14 days prior to the date the meeting is scheduled. The Council may modify the agenda to include items of an emergency nature only at its scheduled meeting.

Council Spokesperson. The Council may designate specific person(s) to speak on its behalf on a particular issue. When this designation is made, Council members shall refer the media and other parties to the Council's designee(s).

Executive session. The Council may hold an executive (closed) session as provided by state law. Deliberations during executive session shall be confidential and any person attending an executive session shall refrain from disclosing outside of executive session any information discussed therein, except information that was already in the public domain or required to be disclosed by law or by order of a court of competent jurisdiction. The Council shall be empowered to review any alleged disclosure of confidential information, and any person deemed by the Council to have violated this confidentiality requirement shall be subject to such censure as may be imposed by the Council, including but not limited to public censure.

Statement of Investment Philosophy

Amended November 21, 2011

INTRODUCTION

The Nebraska Investment Council (“Council”) has been empowered by Neb Rev. Stat. § 72-1239.01 to act as fiduciary on behalf of the State’s Retirement Plans, Operating Investment Pool, College Savings Plan, and other Trusts and Endowments. The mission of the Council is as follows:

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.

PURPOSE

The Council has developed this Statement of Investment Philosophy to provide clear articulation of the Council’s long-term investment philosophy regarding return and risk objectives for the various investment pools to which the Council has fiduciary obligations.

INVESTMENT PHILOSOPHY

The guiding philosophy is to allow sufficient flexibility in the management process while maintaining reasonable parameters to ensure prudence and care in the execution of the investment program. The Council will comply with all existing and future applicable State and Federal regulations and will administer its duties solely for the benefit of the plan participants and State agencies with the care, skill, prudence and diligence under the prevailing circumstances that a prudent expert acting in like capacity and familiar with such matters would use in the conduct of an enterprise of like character, purposes and aims.

The Council believes that its long-term investment objectives will be achieved through emphasizing equity-oriented investments and through prudent management of those risks which do not offer sufficient long-term rewards. Thus, investment strategies will be developed to provide consistent value-added relative to relevant market-based benchmarks and will incorporate effective risk controls. The Council’s investment philosophy is based upon a set of factors that have widely accepted theoretical and empirical bases.

1. Asset allocation has the most significant impact on investment results. The Council will focus significant efforts on the development and maintenance of asset allocation strategies that will optimally fulfill investment objectives.
2. Some markets are efficient while others are less so or inefficient. Investment strategies will reflect a mix of active and passive investments, with passive investments being emphasized in the more efficient markets.
3. Capital markets revert to the mean over long-time periods. Investment strategies will generally be long-term in nature and will avoid ad hoc decision-making based upon short-term factors.
4. Costs have a meaningful impact on returns. Investment strategies will utilize cost effective approaches.
5. Valuation and analysis based upon fundamentals generally produce superior return/risk results. Investment strategies will focus on fundamentally-based processes.

6. Performance measurement and monitoring activities provide assessment of success of the Council's investment strategies and implementation of those strategies. Clear, unambiguous market-based benchmarks will be selected for each investment strategy. Performance reviews of all investment strategies will be conducted at least annually.
7. When hiring investment managers, the Council prefers to utilize Nebraska-based investment advisers licensed by the State of Nebraska as long as the manager satisfies the criteria, State statutes, etc., established for the selection process.
8. In order to achieve prudent diversification in the Defined Benefit Plans, the Cash Balance Benefit, the General Endowment Funds and the Health Care Endowment, the maximum target allocation that will be allowed to any one active equity investment manager is 10% of the total portfolio, except in unusual, and most likely temporary circumstances.
9. No contributions of any kind will be made to the portfolios of investment managers in the Defined Benefit Plans, the Cash Balance Benefit, the General Endowment Funds and the Health Care Endowment which are on the Council's watch list. An index fund corresponding to the specific mandate of the manager on watch will be used for the contributions instead.

DESCRIPTION OF ASSETS

The assets to which this Statement of Investment Philosophy applies are defined as follows:

- 1) Defined benefit plans
 - a) The School Retirement System
 - b) The State Patrol Retirement System
 - c) The Judges' Retirement System
- 2) The State Employees Retirement System of the State of Nebraska
 - a) Defined Contribution
 - b) Cash Balance Benefit
- 3) The Retirement System for Nebraska Counties
 - a) Defined Contribution
 - b) Cash Balance Benefit
- 4) The State of Nebraska Deferred Compensation Plan
- 5) The Nebraska Educational Savings Plan Trust
 - a) NEST Direct College Savings Plan
 - b) NEST Advisor College Savings Plan
 - c) TD Ameritrade 529 College Savings Plan
 - d) State Farm College Savings Plan
- 6) Operating Investment Pool
- 7) Trusts and Endowments
 - a) Health Care Endowment Fund
 - b) Permanent School Fund
 - c) Early Childhood Education Endowment Fund
 - d) Nebraska Veteran's Aid Fund
 - e) Cultural Preservation Endowment Fund

- f) Agricultural College Endowment Fund
- g) Nebraska Environmental Endowment Fund
- h) State College Endowment Fund
- i) Bessey Memorial Fund
- j) Agricultural Development Fund
- k) Excess Liability Fund
- l) Aeronautics Fund

Private Equity Investment Policy Statement

Amended February 25, 2016

I. PURPOSE AND OBJECTIVES

The purpose of this Private Equity Policy is to formalize the Nebraska Investment Council's ("Council") investment objectives and policy with respect to the Private Equity asset class and to define the duties and responsibilities of the various entities involved in the Private Equity investment process. This policy is to be considered an extension of the Council's various Investment Policy Statements. Every provision of this Private Equity Policy is intended to be in accordance with Nebraska state law.

II. INVESTMENT PHILOSOPHY

The Council allocates a portion of its total assets to the Private Equity asset class. The Council defines its Private Equity asset class by investments made in the equity or debt securities of privately owned operating companies and allocates assets to Private Equity with the following goals:

Diversification with Other Asset Classes

Private Equity returns have historically performed differently than the returns of other asset classes in which the Council invests. The Council believes that Private Equity returns will continue to behave differently from other asset class returns, allowing the Council to lower the risk of its overall portfolio through diversification by allocating to the Private Equity asset class.

Return Enhancement

Private Equity partnership total rates of return are expected to be greater than those that are expected from traditional equity investments. To help the Council portfolio's ability to outperform and produce excess returns, an allocation is made to the Private Equity asset class.

III ALLOCATION

The Council controls allocation risk at the plan level as shown below. The allocation establishes a 5.0% target for Private Equity.

Private Equity Target Allocations

Defined Benefit	5.0%
Cash Balance Benefit	5.0%
General Endowment	5.0%
Health Care Endowment	5.0%

Asset allocation is a critical driver for the long-term success of the Private Equity program. Modern portfolio theory suggests that asset allocation risk is managed by establishing target portfolio exposure parameters and optimizing the portfolio along risk and return expectations. Private Equity is not conducive to a rigorous quantitative approach and asset allocation risk is controlled through long-term, subjective market value approach.

Long-term market value targets are established below. The Private Equity portfolio will achieve diversification beyond geographic focus by investing in partnerships that are complementary in nature regarding fund size, sector and strategic focus.

Private Equity Sub Sector Allocations and Ranges

Buyouts/Corporate Finance	40.0-50.0%
Venture Capital	up to 25.0%
Special Situations	25.0-40.0%

IV. PERFORMANCE OBJECTIVES & BENCHMARKING

At the total Private Equity portfolio level, performance is benchmarked against the DJ US Total Stock Market Index plus 300 basis points per annum, net of fees. At the individual fund level, performance is benchmarked against the pooled average return of Burgiss Private iQ, net of fees.

V. RISK MANAGEMENT

For Private Equity investments, the following sections identify the most significant risks and the method of control. Compliance with the following risk parameters shall be based on percent (%) of the Private Equity portfolio's Net Asset Value or Fair Value as of each quarter end.

Investment Type

The Council seeks to minimize the risk of its Private Equity portfolio by allocating its assets across the spectrum of sub sectors.

Geography

The Council seeks to minimize the risks of its Private Equity portfolio by allocating its investments across the geographic spectrum. No more than 35% of the Private Equity portfolio may be invested outside of the United States.

Manager Concentration

Manager risk consists of two elements: the exposure to a manager and the number of managers in the Private Equity portfolio. To control manager exposure, the allocation to a single Private Equity manager is limited to 20% of the Private Equity allocation.

Industry

Industry exposure will be controlled through appropriate diversification across a broad cross-section of funds which focus on specific industries and through commitments to funds whose objectives include industry diversification objectives. No more than 30% of the Private Equity portfolio may be invested in any single industry.

VI. APPENDIX

The Nebraska Investment Council has granted the State Investment Officer the authority to make commitments and fund follow-on private equity partnerships (partnerships) and private closed-end real estate funds (funds) on behalf of the Council if, and only if time is of the essence, and there is a risk that the most favorable terms for the investment will not be obtained if the SIO waits until the next regularly scheduled Council meeting to make a commitment on behalf of the Council. In addition, the following conditions also apply to this delegation of authority:

1. The amount of the commitment is in line with the respective target asset allocation for private equity or real estate funds, the sub-asset class limitations, and the respective pacing schedules set by the Council;

2. The investment is with the same partnership or fund that the Council currently has a private equity or private real estate investment with;
3. The investment is in a partnership or fund that has a similar focus, risk profile, and strategy as that of the Council's prior investments in the respective partnership or fund;
4. A majority of the general partners or the leadership teams has remained the same;
5. The standard approach to investment and legal due diligence has been completed and documented and no material adverse findings exist beyond those that were in existence when the Council made prior investments with the same general partnership or fund;
6. The amount to be committed to a follow-on partnership or fund shall not be larger than any prior single commitment the Council has made to any partnership or fund, as the case may be (excluding fund-of-fund investments);
7. The commitments shall not result in the Council owning more than 10% of the follow-on partnership or fund; and
8. The investment decision is communicated to all members of the Council in writing, along with supporting documentation, before a commitment is made.

The Council reserves the right to change this delegation of authority at any time.

Policy approved March 2009
Amended September 2011
Amended August 2012
Amended February 2016

Real Estate Investment Policy Statement

Amended February 25, 2016

I. PURPOSE AND OBJECTIVES

The purpose of this Real Estate Policy is to formalize the Nebraska Investment Council's ("Council") investment objectives and policy with respect to the Real Estate asset class and to define the duties and responsibilities of the various entities involved in the Real Estate investment process. This statement is to be considered an extension of the Council's overall Statement of Investment Philosophy. No provision of this Real Estate Policy shall be construed in contravention of the enabling legislation found in the Nebraska State Funds Investment Act and the Nebraska Capital Expansion Act.

II. INVESTMENT PHILOSOPHY

The Council allocates a portion of its total assets to the Real Estate asset class. The Council defines its Real Estate asset class by its investment values directly relating to the ownership or operation of commercial or residential Real Estate investments. The Council also includes investments in agriculture and natural resources within the Real Estate asset class. The Council allocates assets to Real Estate with the following goals:

Diversification with Other Asset Classes

Real Estate returns have historically performed differently than the returns of other asset classes in which The Council invests. The Council believes that Real Estate returns will continue to behave differently from other asset class returns, allowing The Council to lower the risk of its overall portfolio through diversification by allocating to the Real Estate asset class.

Potential Inflation Hedge

Real Estate returns have historically shown the ability to provide a hedge against rising inflation. By allocating a portion of its investments to an asset class with these characteristics, the overall risk of rising inflation to the portfolio is reduced.

Current Income and Appreciation

Core and Value-Added Real Estate strategies have historically shown the ability to maintain a moderate current income component with a modest appreciation component. As such, an appropriate proportion of the Real Estate portfolio is targeted to be allocated to each of these strategies.

Return Enhancement

Value-Added and Opportunistic Real Estate strategies have historically shown the ability to deliver higher degrees of appreciation and higher total returns relative to Real Estate industry benchmarks. To help the portfolio's ability to outperform and produce excess returns, an allocation is made to the Real Estate asset class in these styles.

III. ALLOCATION

The Council controls allocation risk at the fund level as shown below.

Real Estate Target Allocations

Defined Benefit (“DB/CBB”)	7.5%
General Endowment	5.0%
Health Care Endowment	5.0%
Investor Select Program	7.50%

Asset allocation is a critical driver for the long-term success of the Real Estate program. Modern portfolio theory suggests that asset allocation risk is managed by establishing target portfolio exposure parameters and optimizing the portfolio along risk and return expectations. Real Estate is not conducive to a rigorous quantitative approach and asset allocation risk is controlled through long-term subjective market value parameters.

Long-term market value targets are established below. The Real Estate portfolio will achieve diversification beyond geographic focus by making investments that are complementary in nature regarding fund size, style, and strategic focus.

Real Estate Style Allocations

Core	50% to 80%
Value-Added	10% to 30%
Opportunistic	10% to 30%

IV. PERFORMANCE OBJECTIVES & BENCHMARKING

The Real Estate portfolio performance is benchmarked against the National Council of Real Estate Investment Fiduciaries (“NCREIF”) NCREIF Fund Index – Open End Diversified Core Equity (“NFI-ODCE”). The portfolio is measured net of manager fees (not including overhead expenses) against the net of fee NFI-ODCE returns. The Real Estate portfolio is expected to exceed the NFI-ODCE as measured over rolling three-year periods.

V. RISK MANAGEMENT

For Real Estate investments, the following sections identify the most significant risks and the method of control. Compliance with the following risk parameters shall be based on % of the Real Estate portfolio’s net asset value at fair value as of each quarter end.

Property Type

The Council seeks to minimize the risk of its Real Estate portfolio by allocating its assets across the spectrum of property types, with the majority of its investments allocated to the primary sectors of the NPI as follows:.

Office	10-50%
Industrial	10-40%
Retail	10-40%
Multifamily (apartment)	10-40%
Lodging (hotel)	0-20%
Other	0-15%

Geography

The Council seeks to minimize the risk of its Real Estate portfolio by allocating its investments across the geographic spectrum. Within the United States, the allowable range of total Real Estate allocation is as follows:

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

No more than 25% of the Real Estate portfolio may be invested outside of the United States.

Individual Investment

In order to mitigate the risk of large loss, the Council will diversify its Real Estate investments across many different individual properties. As such, and based on the aggregate size of the Real Estate asset class allocation, direct investment into properties is prohibited as are fund investments that have the sole purpose of acquiring or developing one property.

Manager Concentration

Manager risk consists of two elements: the exposure to a manager and the number of managers in the private markets Real Estate portfolio. To control manager exposure, the net asset value exposure to a single private markets Real Estate manager is limited to 20% of the private markets Real Estate portfolio. As Core Real Estate comprises a majority of the portfolio and most Core fund managers are large stable managers, exposure to a single Core fund manager is limited to 35%.

Where fund-of-fund managers are used for efficiency in achieving diversification, such manager concentration is limited to 50% of the private market Real Estate portfolio.

VI. APPENDIX

The Nebraska Investment Council has granted the State Investment Officer the authority to make commitments and fund follow-on private equity partnerships (partnerships) and private closed-end real estate funds (funds) on behalf of the Council if, and only if time is of the essence, and there is a risk that the most favorable terms for the investment will not be obtained if the SIO waits until the next regularly scheduled Council meeting to make a commitment on behalf of the Council. In addition, the following conditions also apply to this delegation of authority:

The amount of the commitment is in line with the respective target asset allocation for private equity or real estate funds, the sub-asset class limitations, and the respective pacing schedules set by the Council;

The investment is with the same partnership or fund that the Council currently has a private equity or private real estate investment with;

The investment is in a partnership or fund that has a similar focus, risk profile, and strategy as that of Council's prior investments in the respective partnership or fund;

A majority of the general partners or the leadership teams has remained the same;

The standard approach to investment and legal due diligence has been completed and documented and no material adverse findings exist beyond those that were in existence when the Council made prior investments with the same general partnership or fund;

The amount to be committed to a follow-on partnership or fund shall not be larger than any prior single commitment the Council has made to any partnership or fund, as the case may be (excluding fund-of-fund investments);

The commitments shall not result in the Council owning more than 10% of the follow-on partnership or fund; and

The investment decision is communicated to all members of the Council in writing, along with supporting documentation, before a commitment is made.

The Council reserves the right to change this delegation of authority at any time.

Original approved April 2007

Amended March 2009

Amended July and September 2011

Amended August 2012

Amended February 2016

Governance Policy

Amended February 25, 2016

The Nebraska Investment Council (the Council) acknowledges the importance of prudent governance of its proceedings. Accordingly, this Policy has been approved by the Council regarding related issues.

ADVOCACY

Section § 72-1239.01 of the State Funds Investment Act states “No assets of the retirement systems or the Nebraska educational savings plan trust shall be invested or reinvested if the sole or primary investment objective is for economic development or social purposes or objectives.” Therefore, the Council’s activity as advocates for economic or social issues will be minimal, and always in accordance with the above statute.

COMMITTEES OF THE COUNCIL

The Council has established a standing audit committee which meets at least quarterly to review the following items:

- The Agency’s internal procedures and compliance thereto.
- The adequacy of controls, particularly with regard to the movement of money.
- Compliance with State statutes and Council policies.
- That all external manager fees paid by the Council are accurate and in accordance with fee schedules.
- The reconciliations of all account balances as reported by the manager and by the custodian.
- The State’s audit report of the Agency and related findings.

Members of the audit committee, as well as the Chair of the committee, are named by the Chair of the Council. At least annually the committee will meet with the internal auditor of the Agency regarding internal risk controls and compliance. The Chair of the audit committee will report to the full Council a summary of its findings at the first Council meeting of each fiscal year.

The Council may establish ad hoc committees of the Council to address specific matters and issues as needed. Ad hoc committees will be disbanded once they have satisfied their mandate.

AGENDAS, MEETING MATERIALS, AND TELECONFERENCING

Meeting agendas will be established by the State Investment Officer, in consultation with the Chair. The agenda and related materials for Council meetings will generally be distributed to Council members at least seven calendar days in advance of the meeting. Council meetings will be conducted in accordance with the Nebraska Open Meetings Act, Neb. Rev. Stat. §§ 84-1407 to 84-1414.

It is important to note that the Attorney General of Nebraska has issued an opinion that the Nebraska Public Meetings Statutes authorize the use of teleconferencing for emergency meetings only. Emergency meetings must satisfy two criteria: the nature of the emergency must be unforeseen and it must require immediate action. In the event of an emergency meeting, voting members participating by telephone conference may vote on an action item. In the event of a regularly scheduled non-emergency meeting at which a quorum is physically present, a member may listen and speak by telephone conference but not vote nor count toward the quorum.

PROXY VOTING

Unless otherwise approved by the Council, the voting of proxies is delegated to the investment managers in accordance with the Council’s Proxy Voting Policy.

Nebraska Investment Council Policy on Board/SIO/ Investment Service Provider/Staff Responsibilities and Relationships Amended January 19, 2004

RELATIONSHIPS

The Nebraska Investment Council (the Council) has been statutorily given fiduciary responsibility for certain Retirement Plans, the State's Operating Investment Pool, the College Savings Plan, and other trusts and endowments. The State Investment Officer (the SIO) reports directly to the Council and has responsibility for the overall administration and day-to-day operations of the Council.

The Council shall hire such investment consultant (the IC) as it authorizes who shall coordinate with the SIO on all investment matters. The Council shall also hire various investment managers and other consultants as the Council shall from time to time approve, all of whom shall report to the SIO. Any Council member who has individual interactions with current or prospective investment service providers shall disclose that interaction at the next Council meeting at which consideration of the provider is addressed.

The Council Agency staff shall report to the SIO and interactions with Agency staff shall be through the SIO unless direct contact is authorized by the SIO.

RESPONSIBILITIES*

The Council shall have the following responsibilities:

- Articulate Fund Objectives.
- Approve and oversee investment philosophy and policies.
- Approve and oversee asset allocation and/or investment structure.
- Approve and oversee asset class strategy and investment guidelines.
- Assess and oversee investment performance for the total portfolio and each asset class.
- Approve and oversee the investment program operating policies (proxy voting, manager monitoring, securities lending, commission recapture, etc.).
- Act on recommendations of the SIO and the IC for selection, retention and termination of investment managers, consultants and custodians (to the extent statutorily required, jointly with an elected official).
- Assure that the investment program is in compliance with laws, regulations, Plan documents, and the custodian agreement.
- Assure cost effective management of the investment program.
- Assure the effective administration/management of the investment program by the SIO.
- For the relevant plans, conduct an asset/liability study every three years and reevaluate the asset allocation annually (after the updated expected rates of return are available from the IC), or as more frequently required by the Council .

The SIO shall have the following responsibilities:

- A. Investment policy development and implementation

- 1) Provide oversight to, and coordinate the development of, the State of Nebraska investment policies for the approval of the Council. Investment policies shall include asset allocation, risk measurement, and return objectives for each investment fund.
- 2) Investment policy development shall entail a review and selection of acceptable vehicles and structures for the State's investments.
- 3) Investment policy shall articulate the respective roles in investment decision-making of the Council, staff, the IC, and investment managers.
- 4) Coordinate the presentation of proposed policies to the Council and the communication of approved policies to interested parties.
- 5) Determine implementation priorities and time schedules.
- 6) Orchestrate and participate in the recruitment, selection, and contract negotiation process on behalf of the Council with investment service providers.
- 7) Provide oversight to all implementation activities, including portfolio accounting, cash allocation, and the compliance of the investment funds with applicable state and federal laws and regulations.
- 8) Execute legal documents on behalf of the Council, including investment advisory and consulting contracts, partnership agreements and commingled fund subscription agreements.

B. Liaison activities

- a) Coordinate the Council meetings and activities including development of meeting agendas and the provision of all internal and external reports and presentations on each meeting agenda.
- b) Inform the Council members in a timely manner of all significant developments related to State investment programs.
- c) Communicate regularly, and work cooperatively, with the Executive Director of NPERS, including NPERS meeting attendance.
- d) Communicate regularly, and work cooperatively, with the State Treasurer.
- e) Conduct orientation sessions for the new Council members.
- f) Represent State investment programs to other State agencies, the Governor's office, Nebraska legislature, federal government agencies and members of the press.

C. Maintain knowledge of current industry trends

- 1) Attend relevant industry conferences, regularly meet with industry representatives, and regularly review industry publications.
- 2) Provide the Council with periodic educational sessions on investment topics of current relevance.
- 3) Inform the Council of educational opportunities for fiduciaries.
- 4) Keep current on federal laws, regulations, standards and policies governing the various funds for which the Council has responsibility.
- 5) Keep current on investment principles, practices, and procedures for all public markets asset classes.
- 6) Be acquainted with the role of actuarial concepts in funding defined benefit retirement plans and providing for payment of promised benefits.

D. In-state investment opportunities

- 1) Regularly meet, and communicate with, State agencies, investment officers, investment managers, and private investors.

- 2) Monitor and ensure that in-state investment opportunities are objectively and thoroughly evaluated under the State investment programs' investment criteria.

E. Supervise State investment staff

- 1) Develop strategic plan for investment staff.
- 2) Make recommendations regarding staffing requirements and appropriate salary levels to ensure optimal fulfillment of investment staff responsibilities.
- 3) Oversee and participate in the recruitment, selection, and retention of investment staff.
- 4) Administer personnel policies within the State investment office, evaluate staff performance, determine merit increases, oversee staff development and training, and determine appropriate disciplinary actions.

F. Other duties, projects and responsibilities as the Council may from time to time assign.

The IC shall have the following responsibilities:

- Make recommendations regarding asset allocation and money managers.
- Regularly calculate investment performance and provide systematic review of the performance, including comparison to objectives, benchmarks, etc.
- Monitor investment managers for performance, style attributes, and key personnel changes.
- Participate in investment manager searches.
- Assist in the establishment of benchmarks.
- Provide education as needed and/or requested.
- Bring new ideas/products to the Council and the SIO that may aid in accomplishing goals.
- Coordinate with the SIO in advance of presentation to the Council any recommendations and evaluations.

The IC shall be evaluated based on:

- 1) The comparison of the long-term rate of return of the Defined Benefit Plans to the actuary's assumed investment rate of return, the achievement of the relative performance objective of being in the top third of the TUCS universe of large (\geq \$1 billion) public funds, and the implementation analysis of actual return measured against strategy return.
- 2) Responsiveness to the requests of the Council and the SIO.

The Council Agency staff shall have the following responsibilities:

- Perform those duties and responsibilities as are assigned to them by the SIO.

*Additional specific responsibilities may be found in the Investment Policy Statement for each Fund managed by the Council.

Derivative Policy

Amended February 6, 2006

Derivatives are securities whose value is determined by the value of some other security. Common types of derivatives include futures, options, swaps and forward contracts. If used appropriately, derivative contracts can be an important component of an investor's portfolio by reducing risk, providing a cheaper, more efficient manner in which to obtain market exposure or to expand the opportunity set in which qualified managers seek to add value.

MANAGER RESPONSIBILITIES (SEPARATE ACCOUNT MANAGERS)

It is the Council's intention to allow qualified managers the discretion, within guideline limits as set forth in the Council -approved Appendix B of their Investment Management Agreement, to utilize derivatives for various purposes. Examples of instances where derivatives could be utilized by the Council's managers include, but are not limited to:

- Facilitating total fund rebalancings
- Allowing qualified managers discretion to utilize derivatives to implement their investment process provided they have the necessary systems to monitor such exposures
- Aiding in portfolio transitions by maintaining constant market exposures
- Equitizing investment manager cash holdings

Derivative contracts are typically bought on margin, meaning that only a small portion of the purchase price (maybe 5%-10%) is required to be initially invested. In instances where managers utilize derivatives, the Council expects the manager to fully collateralize its exposure so as to not introduce leverage into the portfolio. In collateralizing the derivatives exposure, the manager is required to set aside the remainder of the purchase price and invest these assets in Treasury Bills or other cash equivalent securities. Under no circumstances is financial leverage permitted in any derivatives strategy.

Within 15 business days after each quarter end, all managers who had derivative positions in the preceding quarter must send a written report to the State Investment Officer. This report shall include the following information:

- The types of derivatives used (specify whether exchange-traded or over-the-counter)
- The purpose of the derivatives being used
- The percent of the portfolio's value being invested in derivatives
- The manager's assessment of the overall risk
- The manager's assessment of the maximum risk from any one position

This report shall be signed by the portfolio manager and the risk officer. Unless expressly approved in writing by the State Investment Officer within 30 days following the date that the quarterly report is received, the portfolio manager shall cease using derivatives by the end of the quarter in which no approval is received.

Managers are expected to comply with the above Policy in addition to further restrictions as detailed in their Investment Management Agreement.

MANAGER RESPONSIBILITIES (COMMINGLED FUNDS AND MUTUAL FUNDS)

For commingled funds and mutual funds, derivative usage is delineated in each fund's offering memorandum, prospectus or other governing document. The Council charges the State Investment Officer and the investment consultant to obtain, annually within 60 days after each fund's year-end, a confirmation that each fund's use of derivatives is in compliance with their stated policy on derivatives usage.

STATE INVESTMENT OFFICER AUTHORIZATION

The State Investment Officer is authorized to instruct an investment manager to equitize cash or rebalance the portfolio using derivatives, as appropriate. Whenever this is done, the State Investment Officer will report such usage to the Council at its next meeting.

Proxy Voting Policy

Adopted January 28, 2003

The Nebraska Investment Council (the Council) recognizes proxy votes as assets of the plans entrusted to it and commits to managing its proxy voting rights with the same care, skill, diligence, and prudence as is exercised in the management of its other plan assets. The Council acknowledges that proxies are a significant and valuable tool in corporate governance and have economic value. In accordance with legal authority and industry norm, the Council charges its external managers with the responsibility of voting proxies on behalf of the plans overseen by the Council. The Council believes its managers are responsible fiduciaries and will exercise their proxy voting rights in the sole economic interest of the beneficiaries to the various pools of assets under the Council's oversight.

In the case of separate account managers, each manager must record any and all proxy votes made on behalf of the plans overseen by the Council. Each manager will report such proxy votes to the Nebraska State Investment Officer (SIO) on behalf of the Council within 60 days after quarter end, for all votes cast during the preceding quarter. Each manager will send its proxy voting policies to the SIO on behalf of the Council and subsequently send any updates of its policy to the SIO. The SIO will provide these documents to the Council for periodic review. Annually, the SIO will provide a summary of the major proxy issues and the votes cast by the respective investment managers on those issues. Major issues are defined as one of the three following categories: corporate governance, takeover defense, and executive compensation.

Investments in commingled funds are handled similarly. Each commingled fund manager will maintain a record of all proxy votes made in funds that the Council has invested into on behalf of the plans. Each manager will report such proxy votes to the SIO on behalf of the Council within 60 days after quarter end, for all votes cast during the preceding quarter. Each commingled fund manager will send its proxy voting policies to the SIO on behalf of the Council and subsequently send any updates of its policies to the SIO. The SIO will provide these documents to the Council for periodic review. Annually, the SIO will provide a summary of the major proxy issues and the votes cast by the respective commingled fund managers on those issues. Major issues are defined as one of the three following categories: corporate governance, takeover defense, and executive compensation.

In summary, the SIO on behalf of the Council will retain each manager's current proxy voting policy and record of proxy votes, and periodically review them with the Council; thus effectively managing the proxy votes of the assets of the plans entrusted to the Council.

Furthermore, the Council retains the right to vote proxies if any manager declines to vote proxies. It will be the Council's policy to evaluate each proxy proposal and to vote in the manner most beneficial to the long-term earnings of the plans.

Commission Recapture Policy

Adopted April 14, 2003

Pursuant to 26 U.S.C. § 401, Neb. Rev. Stat. §23-2330.02, §24-713.02, §79-977.02, §81-2039, §84-1329.04, as recaptured commissions are generated by assets in the defined benefit plans, the cash balance benefit, and the endowments (collectively, the "Plans"), the Nebraska Investment Council (the Council) recognizes them to be assets of the Plans in which the commissions were generated. Accordingly, the rebates earned from the recaptured commissions are to be used solely for the benefit of that Plan's participants.

The amount of recaptured commissions is variable each year, depending on the investment managers' strategy and market conditions. As earned, the State Investment Officer will maintain the rebated commissions in an account at the Plans' custodian bank created exclusively for this purpose. The State Investment Officer will perform a sub-accounting process that identifies the balance for each of the three entities generating recaptured commissions. On a best efforts basis, charges to the accounts will be to pay for services that directly or indirectly benefit the participants in each of the Plans that generate the recaptured commissions. Some allowable expenses are specifically related to one of the Plans, and in these cases, the charges will be fully allocated to the commission recapture balance for that Plan. Other allowable expenses are for services that benefit all three of the entities, and these will be charged to the commission recapture balances on a pro-rata basis.

Within 60 days after the end of each fiscal year, the balance in the recaptured commissions fund will be valued relative to projected expenses. If the balance is greater than one-half of the appropriated budget for the Council for the current year, the State Investment Officer will return the excess (the amount greater than one-half) to the Plan participants by transferring the excess to each of the three entities in the Plans on a pro-rata basis.

The Council takes very seriously its responsibility to the participants of the Plans entrusted to it. Federal regulations and Nebraska statutes state clearly that directed brokerage and recaptured commissions are only to be used to pay for services, or offset expenses, that directly relate to the investment management and oversight of plan assets, or for plan benefits. The Council believes that using these recaptured commissions for the benefit of Plan participants by paying for related expenses or returning the money back to the Plan participants is the ethical and proper legal action.

Soft Dollar/Brokerage Policy

Adopted May 24, 2005

The Council recognizes that commissions are costs that reduce the assets of the various investment programs. As such, commissions paid to brokerage firms need to be managed and monitored so that excessive rates are not paid for execution and/or other services. Since most of the assets are managed by external investment managers, the Council must exercise its fiduciary responsibilities along with incorporating the trading practices of its investment managers.

Commissions paid for transacting in equity securities may bundle the costs of executing the trade, typically small, along with investment and market research and other services a brokerage firm may provide to an investment manager. These are known as “soft dollar” arrangements. This bundling of the cost of providing research and other services along with trading costs has developed into an industry-wide practice.

The Council requires all investment managers to seek best execution on all trades in the various portfolios. However, the Council acknowledges that certain investment managers may trade for soft dollars in managing the Nebraska portfolios. In those transactions that are soft dollar trades, the Council requires that those commission rates be reasonable and appropriate and be in accordance with Section 28(e) of the Securities Exchange Act of 1934.

In order to monitor the commission paid by its investment managers, the State Investment Officer will be provided a schedule of all commissions paid by each separate account equity manager on a quarterly basis. This schedule will identify all brokerage firms with whom the manager traded, the average cents per share paid to each broker, and the total commissions paid to each firm.

Cash Management Policy

Adopted January 25, 2005

Cash investments provide the lowest level of investment risk of any asset class and provide a commensurately low level of expected investment return. As such, allocations to cash investments are to be minimized so that investment returns are not sacrificed. Allocations to cash should be only those amounts necessary to meet the various plans' current benefit payments, operating expenses and other appropriate expenses incurred.

Unless specifically approved otherwise by the Nebraska Investment Council, investment of cash equivalents must be made either through the custodian's short term investment fund products and/or cash sweep vehicles. These products must provide the prudent levels of liquidity and investment quality consistent with the preservation of principal.

The State Investment Officer is responsible for monitoring the plans' cash allocations and the products in which assets are held to ensure compliance with this Policy.

Policy for Political Subdivisions Amended September 27, 2004

Statute 72-1259 states: “The state investment officer may provide assistance and furnish advice regarding the investment of money to any political subdivision of the State of Nebraska whenever such advice is requested by a political subdivision. In connection with rendering such service, the state investment officer may charge and collect any fee he determines to be reasonable.”

This document sets forth the policy established by the Nebraska Investment Council (the Council) in response and strict adherence to this statute.

The State of Nebraska Constitution explicitly prohibits subscription to stock by political subdivisions in Article XI. The statutes of the Legislature and significant precedent from State court decisions provide a distinction between the retirement funds of a political subdivision and the non-retirement funds of a political subdivision. The activity of the Legislature and the court system leads to the situation that the retirement funds of political subdivisions can own stock and the non-retirement funds of political subdivisions cannot. Thus, this policy distinguishes between retirement funds and non-retirement funds. Section I – Retirement Funds of this document is intended to provide guidance for the investment of retirement funds of political subdivisions. The non-retirement funds of political subdivisions which cannot own stock are discussed in Section II – Non-Retirement Funds. The Prudent Expert Rule is applicable to all funds.

PRUDENT EXPERT RULE

Statute 72-1246 states: “The state investment officer shall invest in investments of the nature which individuals of prudence, discretion, and intelligence acquire or retain in dealing with the property of another, and if the state investment officer has special skills or is named on the basis of representations of special skills or expertise, he or she is under a duty to use such skills, subject to the direction of the Nebraska Investment Council.”

Political subdivisions should use the same prudent expert standard in dealing with their own investments. They should establish policies and oversight processes to ensure that their assets are prudently invested by competent people.

In managing the portfolios entrusted to it, the Council establishes a hierarchy of investment objectives, strategies, and guidelines. The Council uses a formal process for selecting individuals or firms to manage the investments. The Council monitors the performance of all portfolios. Taken as a whole, this constitutes an investment management process intended to ensure the assets are prudently invested. The specific strategies, guidelines, etc. used by the Council are specific to the portfolios the Council manages. Even the Council’s investment process taken as a whole may or may not be appropriate for a political subdivision, since the nature of the Council’s portfolios is likely to be significantly different. The descriptions included in this policy are only to be used as an example.

SECTION I - RETIREMENT FUNDS

INVESTMENT OBJECTIVES

The Council establishes investment objectives for the assets of each fund it manages. These objectives reflect the purposes for which each fund was established. Each set of objectives usually contains a tradeoff between risk and return in the investment portfolio. This tradeoff is based on the Council’s judgment of the ability of each fund to absorb potential losses and of the benefit each fund may receive from a more aggressive investment strategy.

For example, the Council manages the retirement funds for the School Retirement System of the State of Nebraska, Nebraska State Patrol Retirement System and the Nebraska Judges' Retirement System (the Defined Benefit Plans). The primary investment objectives for the Defined Benefit Plans are to maximize return on assets, minimize asset risk, maximize funding ratio return and minimize funding ratio risk. These objectives reflect the necessity of covering the liabilities of the Plans while minimizing volatility.

INVESTMENT STRATEGIES AND POLICIES

For each set of investment objectives, the Council chooses an investment strategy that is designed to best meet the objectives. Typically there will be a number of strategies that do a good job satisfying the objectives. Therefore when choosing among strategies, the Council must consider all the implications of the strategy, not just the investment objectives.

For example, the overall investment strategy for the Defined Benefit Plans is 30% of the assets invested in fixed income, 50% in domestic equities, 15% in international equities and 5% in real estate. The funds are further diversified within these major asset classes by growth and value, large cap and small cap, etc.

INVESTMENT GUIDELINES

Typically the assets of each fund are divided into several portfolios. The portfolios are designed so that, in aggregate, they implement the strategy for the fund. The investment manager for each portfolio is given a set of investment guidelines that must be followed. The guidelines constrain the portfolio sufficiently to ensure that the aggregate portfolio reflects the overall strategy.

For example, the fixed income portfolios used in the Defined Benefit Plans consist of four portfolios placed with different external portfolio managers. Each portfolio operates under specific guidelines that specify the credit quality of individual investments, sector limits, and duration restrictions.

MANAGER SELECTION

The Council selects investment managers whom the Council believes will provide superior investment results consistent with portfolio guidelines. Typically the Council selects managers through a process which begins by issuing a Request For Proposal and ends with presentations by a short list of managers to the Council. The Council uses five primary criteria in evaluating managers:

1. Investment process
2. Organizational structure and stability / Quality of personnel
3. Resources available
4. Fees
5. Historical performance

PERFORMANCE MONITORING

Performance benchmarks are established for each portfolio. Each portfolio and investment manager is monitored for changes in any of the five selection criteria. Changes that the Council believes may lead to future underperformance result in the manager's being placed on its watch list or terminated.

SECTION II - NON-RETIREMENT FUNDS

INVESTMENT OBJECTIVES

The Council establishes investment objectives for the assets of each fund it manages. These objectives reflect the purposes for which each fund was established. Each set of objectives usually contains a tradeoff between risk and return in the investment portfolio. This tradeoff is based on the Council's

judgment of the ability of each fund to absorb potential losses and of the benefit each fund may receive from a more aggressive investment strategy.

For example, the Council manages a portfolio that contains the State's General Fund and the operating cash of most State agencies. The primary investment objectives for this Operating Investment Pool are safety of principal and liquidity, while return on investment is a secondary objective. These objectives reflect the purpose of these funds.

INVESTMENT STRATEGIES AND POLICIES

For each set of investment objectives, the Council chooses an investment strategy that is designed to best meet the objectives. Typically there will be a number of strategies that do a good job satisfying the objectives. Therefore when choosing among strategies, the Council must consider all the implications of the strategy, not just the investment objectives.

For example, the Operating Investment Pool is to be managed primarily as a buy and hold ladder portfolio of high quality investment grade fixed income securities that also provide the necessary liquidity.

INVESTMENT GUIDELINES

Typically the assets of each fund are divided into several portfolios. The portfolios are designed so, in aggregate, they implement the strategy for the fund. The investment manager for each portfolio is given a set of investment guidelines that must be followed. The guidelines constrain the portfolio sufficiently to ensure that the aggregate portfolio reflects the overall strategy.

For example, the Investment Policy Statement for the Operating Investment Pool defines the investment constraints by listing allowable investments and by setting allowable credit quality. It also places limits on the maturity of individual securities and shows sector diversification maximums and minimums.

MANAGER SELECTION

The Council currently utilizes internal management to manage the Operating Investment Pool. Should that change, the Council would select an investment manager(s) through a quantitative and qualitative process that ends with presentations by potential managers to the Council. The Council uses five criteria in evaluating managers:

1. Investment process
2. Organizational structure and stability / Quality of personnel
3. Resources available
4. Fees
5. Historical performance

PERFORMANCE MONITORING

Performance benchmarks are established for each portfolio. Each portfolio and investment manager is monitored for changes in any of the five selection criteria. Changes that the Council believes may lead to future underperformance result in the manager's being placed on its watch list or terminated.

Securities Lending Policy

Adopted November 16, 2009

OBJECTIVE

The Nebraska Investment Council (the “Council”) may, at its discretion, retain one or more lending agents to lend securities held in its separately managed, publicly traded investment portfolios. Pooled investment vehicles remain outside the purview of these guidelines. Borrowers to whom securities are lent must provide collateral in exchange for the right to borrow securities. The securities lending program should generate income from fees on loans and from a limited amount of risk from the cash collateral investment portfolio consistent with the portfolio guidelines.

LENDING

The lending agent will evaluate the credit-worthiness of potential borrowers of securities, and will loan securities only to financially sound borrowers. The lending agent will maintain a diversified list of such borrowers in order to mitigate the counterparty risk that is inherent in securities lending.

Collateral levels will not be less than 102% of the market value of borrowed securities for domestic securities, or not less than 105% for international borrowed securities. Marking to market will be performed every business day subject to de minimis rules of change in value, and borrowers will be required to deliver additional assets as necessary to maintain over collateralization of securities loans.

REINVESTMENT PORTFOLIO

The cash collateral portfolio will be managed on an amortized cost basis (maintain a \$1 NAV) and have investment guidelines to ensure that only a limited amount of risk is taken on the reinvestment of the cash collateral consistent with the portfolio guidelines. This will control the amount of credit and duration risk that can be taken by the short duration fixed income manager, which will help to mitigate losses due to insufficient collateral relative to the amount on loan. In addition, guidelines for the cash collateral portfolio will be created in conjunction with the lending strategy and with input from the securities lending agent.

The collateral pool should also maintain a reasonable level of overnight liquidity in order to allow for the smooth recall of securities over time.

MONITORING

The State Investment Officer (the “SIO”) will be responsible for monitoring the securities lending program on an ongoing basis. Each quarter, the SIO will provide a summary of the securities lending program, which should include revenue earned during the quarter and other relevant information related to counterparties and the cash reinvestment portfolio. On an annual basis, the SIO will provide a detailed report to the Council on all aspects of the securities lending program.

Securities Litigation Policy

Adopted February 25, 2016

I. PURPOSE

The Nebraska Investment Council ("Council") has the statutory responsibility for the investment management of the assets of the State of Nebraska. The Council's investment portfolio includes corporate equities and bonds and government-issued securities. The value of the Council's investments is determined by the marketplace. However, there are instances when bad actors, including companies, brokers, agents and others, act outside the law which can adversely affect the value of the Council's investments.

In its role as fiduciary of the State's assets, the Council recognizes that securities laws exist to prevent unlawful manipulation of the securities markets and to protect the market value of investments. In certain situations, securities laws provide a right of action against bad actors who violate the law. Such legal actions are generally referred to as "securities litigation." This policy describes the framework for handling securities litigation matters by the Council and the State Investment Officer ("SIO"), and acknowledges the authority of the Nebraska Attorney General with respect to such matters.

II. STATUTORY REFERENCES

Neb. Rev. Stat. §72-1239.01 (responsibilities and duties of the Council and SIO – general)

Neb. Const. art. IV, §6; Neb. Rev. Stat. §84-731 (Attorney General has authority to commence lawsuits on behalf of State)

III. POLICY

General Provisions.

It is the general policy of the Council that it will passively participate in class action lawsuits and other multi-party securities litigation, instead of utilizing Council resources to actively participate in such litigation, subject to the exceptions described herein.

The Council recognizes that the Nebraska Attorney General (the "Attorney General") has the legal authority and discretion to initiate and participate in any securities litigation, including lead plaintiff in class action lawsuits, independent of the position or recommendation of the Council or SIO.

Any proceeds recovered from a securities litigation settlement or judgment will be applied to the affected State fund, unless otherwise required by law. If the fund no longer exists, then the proceeds will be equitably applied in the discretion of the SIO or as required by law.

With respect to separate accounts, the SIO shall have the duty and authority to passively participate in and collect payment of class action settlements and judgments, unless participation in such matters is impracticable or prohibited by law. The SIO may contract with the custodial bank or other third party to assist with the monitoring and participation in such class actions and the collection of settlements, judgments or other payments resulting therefrom.

With respect to commingled accounts, the account manager shall be responsible for monitoring, participating in and collecting amounts due to the commingled account resulting from any securities litigation. This includes, but is not limited to, the accounts of the Nebraska Educational Savings Plan Trust and the Nebraska Achieving a Better Life Experience Program.

The SIO shall have the authority to administer the provisions of this policy without seeking the prior consent of the Council.

The SIO shall report to the Council on securities litigation matters as the SIO deems prudent.

Specific Policies – Separate Accounts.

Class Action Lawsuits – United States.

The most common form of securities litigation in the United States among institutional investors is the class action lawsuit. In a class action suit, a “lead plaintiff” is appointed to represent the group of investors who have suffered similar damages. While a lead plaintiff is entitled to a greater share of the damages, a lead plaintiff must commit significant time and resources to prosecuting the case. The other plaintiffs (the “class”) can receive their share of the judgment or settlement by simply providing notice to the lead plaintiff. At the present time, the Council employs its custodial bank to monitor all U.S. class action cases and to deliver the appropriate notices required for the Council to receive payment. As a back-up, the SIO receives periodic reports from outside law firms retained by the Nebraska Attorney General (the “Portfolio Monitoring Firms”) to monitor the Council’s portfolio. The Council adopts the current practice as its domestic class action litigation policy for separate accounts.

Class Action Lawsuits – Foreign.

In 2010, the U.S. Supreme Court issued a landmark decision with respect to foreign securities litigation. *Morrison v. National Australia Bank Ltd.* Before the *Morrison* case, U.S. investors were able to bring securities litigation in U.S. courts against foreign companies. After *Morrison*, investors cannot sue a foreign company in U.S. courts under U.S. law for securities fraud if the claim involved (i) a foreign security (ii) purchased on a foreign exchange (iii) involving fraud that occurred outside of the U.S. In the wake of the *Morrison* case, institutional investors, including the Council, revised their securities litigation practices. To assist in monitoring, evaluating and filing foreign claims, the SIO relies upon the Portfolio Monitoring Firms and the Council’s attorney. If the SIO determines that the Council or the State should pursue a foreign securities claim, the SIO will consult with the Attorney General to determine the best course of action. The Council recognizes that the Attorney General has the ultimate authority to determine whether to retain outside legal counsel and maintain a lawsuit in the name of the State. The Council adopts the present practice as its foreign securities litigation policy for separate accounts.

Other Securities Litigation.

In addition to domestic and foreign class action lawsuits, other securities litigation opportunities may arise from time to time, including “opt-out” strategies and multi-state litigation. Such opportunities will be evaluated on a case-by-case basis by the SIO. The SIO may rely upon advice from the Council’s attorney, the Portfolio Monitoring Firms, the Council’s investment consultant and other professionals. If the SIO determines that the Council or the State should pursue such opportunity, including legal action, it

will consult with the Attorney General to determine to best course of action. The Council recognizes that the Attorney General has the ultimate authority to determine whether to retain outside legal counsel and maintain a lawsuit in the name of the State.

Adopted February 25, 2016

Disclosure of Third Party Representation

Adopted March 17, 2010

The Nebraska Investment Council (Council) members, employees and consultants are subject to numerous legal requirements intended to ensure their ethical conduct, their compliance with their fiduciary responsibilities, and to prevent conflicts of interest. To ensure the strict compliance with these legal requirements the Council has adopted a “Code of Ethics, Policy on Conflicts of Interest and Council Procedures”. The purpose of this Policy Regarding Third Party Representation of Council’s Investment Managers (‘Third Party Representation Disclosure Policy’) is to make certain that consultants and managers doing business with Council adhere to a similar standard and to enhance the transparency of the investment decision-making process by requiring broad, timely and updated disclosure of the existence of any relationships between Council’s investment managers and individuals or entities serving as a compensated representative of the investment manager for the purpose of securing an investment by Council (‘Third Party Representatives’). The goal of the Third Party Representation Disclosure Policy is to help ensure that investment decisions are made solely on the merits of the investment opportunity, are reasonable and prudent from a fiduciary perspective, and are consistent with Council’s investment policies and objectives.

DEFINITION OF THIRD PARTY REPRESENTATIVE

For purposes of the Third Party Representation Disclosure Policy, a Third Party Representative is defined as follows: Any person or entity hired, engaged by, or acting on behalf of an investment manager as a finder, solicitor, placement agent, marketer, consultant, broker or other intermediary to raise money or solicit investment funding from or to obtain access to Council, either directly or indirectly.

APPLICATION OF THE THIRD PARTY REPRESENTATION POLICY

The Third Party Representation Disclosure Policy shall apply to all current and prospective external Council investment managers and investment partners engaged or being considered by Council for investment management services (‘Investment Managers’ and ‘Manager Candidates’, respectively).

RESPONSIBILITIES

A. Investment Managers and Manager Candidates shall:

1. Provide the following information (collectively, the ‘Third Party Representation Disclosure Information’) to Council (i) at the time investment discussions are initiated, and (ii) promptly upon request of the Council:
 - a. Whether the Investment Manager or Manager Candidate, or any of their principals, agents or affiliates, has compensated or agreed to compensate, directly or indirectly, any Third Party Representative in connection with any investment or proposed investment by Council.
 - b. A resume for each officer, partner, or principal of the Third Party Representative detailing the education, professional designations, regulatory licenses and investment and work experience. It should be specifically noted if any such individual is a current or former Council member, employee or consultant, or a member of the immediate family of any such person.
 - c. A description of any and all compensation of any kind provided or agreed to be provided to the Third party Representative, including the nature, timing, and value thereof.
 - d. A description of the services to be performed by the Third Party Representative.

- e. A statement as to whether the Third Party Representative is utilized by the Investment Manager or Manager Candidate with all clients or prospective clients or with only a subset of clients or prospective clients.
 - f. Whether any current or former Council member, employee or consultant suggested the retention of the Third Party Representative, and, if so, the identity of such person.
 - g. Whether the Third Party Representative or any of its affiliates are registered with the Securities and Exchange Commission or the Financial Industry Regulatory Association, or any similar regulatory agency in a country other than the United States, the details of such registration, or an explanation of why no registration is required.
 - h. Whether the Third Party Representative or any of its affiliates is registered as a lobbyist with any state or national government.
2. Provide an update of any changes to the Third Party Representation Disclosure Information within thirty (30) days of the occurrence of the change in such information.
 3. Agree to incorporate compliance with the Third Party Representation Disclosure Policy in the investment management engagement with Council.
 4. Fully cooperate with Council staff in monitoring and assuring compliance with the Third Party Representation Disclosure Policy.

B. Council staff shall:

1. Assure that an agreement to comply with the Third Party Representation Disclosure Policy is incorporated in all current and future investment management engagements.
2. Assure that all existing Investment Managers complete and submit the Third Party Representation Disclosure Information to Council in a timely manner.
3. Assure that a Manager Candidate completes and submits the Third Party Representation Disclosure Information to Council prior to the presentation of the Manager Candidate to the Council for consideration for an investment management engagement.
4. Confirm that the Investment Manager or Manager Candidate is solely responsible for any fees, compensation or expenses for any Third Party Representative and that Council will not pay any such items either directly or indirectly.
5. Provide the Council with the Third Party Representation Disclosure Information prior to any investment decision by the Council with respect to the Investment Manager or Manager Candidate.
6. Promptly advise the Council of any material violation of the Third Party Representation Disclosure Policy.
7. Compile a quarterly report regarding the names and amount of compensation paid to Third Party Representatives by each Investment Manager.

- C. In the event of a material omission or inaccuracy in the Third Party Representation Disclosure Information, or any other material violation of the Third Party Representation Disclosure Policy the Investment Manager will be subject to:
1. Termination of the investment management engagement without penalty, or withdrawal without penalty from the limited partnership, limited liability company, or other investment vehicle, or suspension of any further capital contributions (and any fees on such re-called commitments) to limited partnership, limited liability company, or other investment vehicle.
 2. A prohibition on the Investment Manager, Manager Candidate or Third Party Representative from soliciting new investments from Council for twenty-four (24) months.

The Council may, in its sole discretion, apply either or both provisions above in any given case based on the nature of the violation of the Third Party Representation Disclosure Policy and any other considerations.

- D. All parties responsible for implementing, monitoring and complying with the Third Party Representation Disclosure Policy should consider the spirit as well as the literal expression of the Policy. In cases where there is uncertainty whether a disclosure should be made pursuant to the Third Party Representation Disclosure Policy, such cases should be interpreted to require disclosure.

Statutory Authorities

DB PLANS –SCHOOL, STATE PATROL, AND JUDGES

- | | |
|--|--------------------------|
| a. State Funds Investment Act, Nebraska | 72-1237 through 72-1260 |
| b. School Employees Retirement Act | 79-901 through 79-977.03 |
| c. Class V School Employees Retirement Act | 79-978 through 79-9,118 |
| d. State Patrol Retirement Act, Nebraska | 81-2014 through 81-2041 |
| e. Judges Retirement Act | 24-701 through 24-714 |

STATE AND COUNTY RETIREMENT SYSTEMS/DEFERRED COMPENSATION PLAN

- | | |
|---|-------------------------|
| a. State Funds Investment Act, Nebraska | 72-1237 through 72-1260 |
| b. State Employees Retirement Act | 84-1301 through 84-1333 |
| c. County Employees Retirement Act | 23-2301 through 23-2334 |
| d. Deferred Compensation Plan | 84-1504 through 84-1510 |

OPERATING INVESTMENT POOL

- | | |
|---|-------------------------|
| a. Capital Expansion Act, Nebraska | 72-1261 through 72-1278 |
| b. State Funds Investment Act, Nebraska | 72-1237 through 72-1260 |

NEBRASKA EDUCATIONAL SAVINGS PLAN TRUST

- | | |
|--|-------------------------|
| a. Nebraska Educational Savings Plan Trust | 85-1801 through 85-1814 |
| b. State Funds Investment Act, Nebraska | 72-1237 through 72-1260 |

ACHIEVING A BETTER LIFE EXPERIENCE (ABLE) PROGRAM

- | | |
|--|-------------------------|
| a. Achieving a better life experience (ABLE) program | 77-1401 through 77-1409 |
| b. Capital Expansion Act, Nebraska | 72-1261 through 72-1278 |
| c. State Funds Investment Act, Nebraska | 72.1237 through 72-1260 |

GENERAL ENDOWMENT FUNDS

- | | |
|--|--|
| a. Agricultural Endowment Fund | 85-122 through 85-132 |
| b. Bessey Memorial Fund | 85-167 through 85-171 |
| c. Cultural Preservation Endowment Fund | 82-331 through 82-333 |
| d. Permanent University Endowment Fund | 85-122 through 85-132 |
| e. Permanent School Fund | 72-201 through 72-269
CVII-6 through CVII-9 |
| f. State College Endowment Fund | 85-317 |
| g. Nebraska Veterans' Aid Fund | 80-401 |
| h. Early Childhood Education Endowment, Nebraska | 79-1101 through 79-1104.05 |
| i. Environmental Endowment Fund | 81-15,174.01 |

HEALTH CARE ENDOWMENT FUND

- | | |
|--------------------------------------|-------------------------|
| a. Health Care Funding Act, Nebraska | 71-7605 through 71-7611 |
|--------------------------------------|-------------------------|

UNIVERSITY FUNDS

- | | |
|---------------------|--------------------------------------|
| a. University Funds | 85-122, 85-123.01, 85-192, 85-1,128, |
|---------------------|--------------------------------------|

MISCELLANEOUS TRUSTS

- | | |
|--|-------------------------|
| a. Aeronautics Trust Fund | 3-155 through 3-156 |
| b. Agricultural Development Fund | 2-2101 through 2-2107 |
| c. Excess Liability Fund | |
| Hospital-Medical Liability Act, Nebraska | 44-2801 through 44-2855 |

MISCELLANEOUS

- | | |
|--------------------------------------|--------------------------------|
| a. Citizen/Alien Verification | LB 403 |
| b. Long-Term Care Savings Plan Act | 77-6101 through 77-6105 |
| c. Open Meetings Act | 84-1407 through 84-1414 |
| d. Political Subdivisions | 8-712 through 85-106 |
| e. Public Employees Retirement Board | 84-1501 through 84-1514 |
| f. Public Funds Deposit Security Act | 77-2386 through 77-23,106 |
| g. Public Records | 84-712 through 84-712.09 |
| h. Reporting Requirements | 72-1243 |
| | 84-1503 |
| i. State Service Contracts | 81-1118, 73-501 through 73-509 |
| j. State Contracts | 84-602.02 |

Investment and Custodian 2015 Expenses¹

	Total Costs	% of Assets ²
	(thousands of dollars)	
Internal Costs		
Salaries and benefits	\$ 1,215	
Operating expenses	380	
Other expenses	29	
Total Internal Costs	\$ 1,625	
Asset Management		
Abbott Capital Management, LLC	826	
Acadian Asset Management, LLC	1,482	
Accel-KKR Capital Partners, LP	321	
Almanac Realty Investors	513	
Angelo, Gordon & Co.	227	
Ares Management LLC	402	
Baillie Gifford Overseas Ltd.	1,104	
Beacon Capital Partners	47	
Beeken Petty O'Keefe	283	
BlackRock Financial Management	2,611	
Bridgepoint Capital Limited	463	
CB Richard Ellis Investors	259	
Cornerstone Real Estate Advisors	1,005	
CVC European Partners	291	
Dimensional Fund Advisors, Inc.	1,901	
EIF Management, LLC	350	
Francisco Partners Management, LP	315	
Franklin Templeton Institutional	1,231	
Goldman Sachs Asset Management	17	
Gryphon International Investment Corporation	1,599	
Harbourvest Partners, LLC	491	
Heitman Real Estate Securities LLC	71	
Ironbridge Capital Management, L.P.	2,112	
Landmark Real Estate Partners L.P.	943	
Leonard Green & Partners, L.P.	61	
Lightyear Capital, LLC	354	
Lincolnshire Equity Partners IV, L.P.	163	
Longroad Capital Partners III, L.P.	19	
Loomis Sayles & Company L.P.	1,344	
McCarthy Capital	540	
Merit Capital Partners	183	
Metropolitan Real Estate Equity Management, LLC	302	
MFS Institutional Advisors, Inc.	1,703	
Mondrian Investment Group	1,723	
Nueberger Berman Investment Management	0	
New Enterprise Associates 13 L.P.	296	
New Mountain Capital, LLC	653	

1. The above expenses exclude all Nebraska Educational Savings Plan Trust fees allocated to participants; please refer to Section VI for more detail on fee information. The above expenses also exclude all fees for the University Funds.

2. Calculation excludes the Nebraska Educational Savings Plan Trust assets, the University Funds, and Mass Mutual.

Investment and Custodian 2015 Expenses¹

	Total Costs	% of Assets ²
	(thousands of dollars)	
Oaktree Capital Management, LP	100	
Pathway Capital Management, LLC	819	
PIMCO	3,674	
Pine Brook Partners	540	
Presidio Partners Ventures	196	
Prudential Investment Management, Inc.	1,653	
Quantum Energy Partners V, L.P.	832	
RCP Advisors, LLP	250	
Rockpoint Group, LLC	61	
Rockwood Capital, LLC	280	
State Street Global Advisors	126	
Sun Capital Partners, Inc.	0	
The Energy & Minerals Group	486	
The Jordan Company	472	
The Rohatyn Group	129	
Torchlight Investors	978	
T. Rowe Price Associates, Inc.	211	
UBS Global Asset Management, Inc.	1,692	
Wayzata Investment Partners, LP	466	
Wellington Management Company, LLC	833	
Wynnchurch Capital Partners	250	
Total Asset Management	\$ 40,253	
Other Services		
State Street Bank - custodian	\$ 403	
State Street Bank – cash management	122	
State Street Bank – securities lending	1,062	
Aon Hewitt Investment Consulting Inc. - consulting	765	
Total Other Services	\$ 2,352	
CY 2015 Total Expenses	\$ 44,230	0.25%
CY 2014 Total Expenses	\$ 41,950	0.23%
CY 2013 Total Expenses	35,977	0.21%
CY 2012 Total Expenses	36,074	0.25%
CY 2011 Total Expenses	36,703	0.28%
CY 2010 Total Expenses	33,745	0.26%
CY 2009 Total Expenses	28,940	0.25%
CY 2008 Total Expenses	29,759	0.29%
CY 2007 Total Expenses	24,926	0.19%
CY 2006 Total Expenses	19,944	0.17%
CY 2005 Total Expenses	14,797	0.13%
CY 2004 Total Expenses	15,137	0.16%

1. The above expenses exclude all Nebraska Educational Savings Plan Trust fees allocated to participants; please refer to Section VI for more detail on fee information. The above expenses also exclude all fees for the University Funds.

2. Calculation excludes the Nebraska Educational Savings Plan Trust assets, the University Funds, and Mass Mutual.

Security Lending

SUMMARY OF PROGRAM

In 2015, the securities lending program provided the investment portfolios approximately \$4.8 million in net income. This is slightly lower than 2014's \$4.9 million. While the program received about the same return as last year, the amount of securities on loan declined. The Council lends securities through an agency lending program offered by the Council's custodian bank, State Street Bank and Trust Company in Boston, Massachusetts.

AGENT LENDING PROGRAM

In this type of program, a large custodial bank or investment banking institution acts on behalf of the beneficial owner to lend its securities. All operational aspects of the program are centered exclusively with the lending agent. The agent lender is responsible for making the loans to various broker-dealers, investing the requisite cash collateral the borrower posts in exchange for any loaned securities, the daily process of making this collateral to the loans, and in most cases, indemnifying the lender against default of a broker-dealer to whom they have loaned securities on behalf of the beneficial owner.

DOMESTIC EQUITY

The domestic equity portfolios produced \$774,621 of income up from last year's \$425,956.

INTERNATIONAL EQUITY

The international equity portfolios earned \$284,403 in 2015. This was lower than last year's \$404,651 and 2013's \$687,851.

FIXED INCOME

The fixed income portfolios have historically produced the most income. In 2015 this portfolio produced \$3.8 million in lending income, compared to \$4.1 million in 2014.

The table on the following page presents the statistics for the securities lending program for CY2010 through CY 2015.

Security Lending

	Average Lendable Assets (in millions)	Average on Loan (in millions)	Average Utilization	Return on Average Lendable Assets (basis points)	Net Income (in millions)
Domestic Equities					
CY 2015	\$ 839.4	\$ 183.5	21.9%	9.2%	\$ 0.8
CY 2014	950.0	183.6	19.3%	4.5%	0.4
CY 2013	879.4	157.2	17.9%	6.2%	0.5
CY 2012	726.8	159.9	22.0%	12.9%	0.9
CY 2011	782.7	156.2	20.0%	6.6%	0.5
CY 2010	803.5	206.9	25.8%	8.0%	0.6
International Equities					
CY 2015	\$760.0	\$ 85.1	11.2%	3.7%	\$ 0.3
CY 2014	766.2	87.5	11.4%	5.3%	0.4
CY 2013	706.1	90.7	12.9%	9.7%	0.7
CY 2012	582.9	131.6	22.6%	9.6%	0.6
CY 2011	646.3	114.6	17.7%	11.5%	0.7
CY 2010	680.1	89.0	13.1%	8.3%	0.6
Fixed Income					
CY 2015	\$ 5,314.5	\$ 1,303.8	24.5%	7.1%	\$ 3.8
CY 2014	5,240.9	1,496.7	28.6%	7.8%	4.1
CY 2013	4,882.7	1,352.6	27.7%	8.0%	3.9
CY 2012	4,339.4	1,141.4	26.3%	8.9%	3.9
CY 2011	5,340.3	2,002.2	37.5%	8.3%	4.4
CY 2010	3,676.4	1,628.0	44.3%	8.2%	3.0
Total Program					
CY 2015	\$ 6,913.9	\$ 1,572.5	22.7%	7.0%	\$ 4.8
CY 2014	6,957.0	1,767.8	25.4%	7.0%	4.9
CY 2013	6,468.2	1,600.6	24.7%	8.0%	5.2
CY 2012	5,649.1	1,432.8	25.4%	9.5%	5.4
CY 2011	6,769.3	2,273.0	33.6%	8.4%	5.7
CY 2010	5,160.1	1,924.0	37.3%	8.2%	4.2

Investment Council History

The Nebraska Investment Council was established by the 1967 Legislature pursuant to LB 355. Problems with the original legislation limited initial operations and delayed the hiring of a State Investment Officer. In 1969, new legislation passed under LB 1345 which provided for the centralization of the investment of State funds and addressed the types of investments authorized. Provisions in the law called for the appointment of five Council members by the Governor to staggering five-year terms with legislative approval. The Council appoints a full-time State Investment Officer, subject to the approval of the Governor and the Legislature, and fixes his/her salary. Prior to this creation of a central State investing agency, State operating funds were invested by the State Treasurer and the trust funds were invested by the Board of Educational Lands and Funds.

Fred S. Kuethe was hired by the Council in 1969 as State Investment Officer. During its first full calendar year of operation in 1970, the Council generated \$10 million in income from investment of State operating funds. The Agency was also responsible for the investment of three long-term funds: the Veterans' Aid Fund, State Patrol Retirement Fund and the Judges' Retirement Fund, with assets totaling \$10 million.

In 1971, LB 52 and LB 154 transferred investment authority to the Council for the School Retirement Fund with assets of \$47 million and the Permanent School Fund with assets of \$42 million. In 1972, following the death of Fred S. Kuethe, James R. Marbach was appointed State Investment Officer. In 1975, Donald J. Mathes was hired as the State Investment Officer, following the resignation of James R. Marbach.

In 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. Assets grew substantially over the initial years of operation. On June 30, 1979, the STIP and the Treasurer's Cash Fund totaled \$243 million, retirement funds \$118 million, and trust funds \$65 million. In 1981, LB 460 removed many of the specific restrictions on investments made by the Council and instituted the "Prudent Man Rule." The first outside equity manager was hired in 1983 by the Council. Common stock allocation for the retirement funds was increased to 50% of assets in 1984. In 1986, the Treasurer's Cash Fund was merged into the STIP. In 1986, Wilshire Associates, a nationally known pension consultant, was hired to provide performance analysis and assist in manager searches. International equities were included in 1991.

In 1994, Rex W. Holsapple was hired as the State Investment Officer, replacing Donald J. Mathes, who retired after 19 years of service.

Prior to 1997, the majority of the portfolios were managed internally. In 1997, the Council discontinued internal management for certain long-term fixed income portfolios and all of the equity portfolios. Also in 1997, the Council 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.

In January 2002, Rex W. Holsapple resigned as the State Investment Officer and Gayle A. Wrasse was appointed as the Acting State Investment Officer. In August of 2002, Carol L. Kontor, CFA was appointed as the State Investment Officer. In 2004, Ennis Knupp + Associates was hired as the Council's

investment consultant, replacing Wilshire Associates. In the same year, the Council voted to add real estate as an additional asset class for several of the plans.

In 2005, the Council voted to add four new assets classes to several of the plans: private real estate, private equities, global equities, and high yield bonds.

In July 2006, David L. Bomberger was hired as the State Investment Officer, following the resignation of Carol L. Kontor.

In 2007, the Council retained Ennis Knupp + Associates to advise it on private equity investment matters. In June 2008, Ennis Knupp + Associates were retained to advise the Council on real estate matters. In March 2009, Joe Jurich was appointed Acting State Investment Officer following the resignation of David L. Bomberger.

Jeffrey W. States was hired for the State Investment Officer position beginning November 2009. In 2010, Joe Jurich was promoted to Deputy State Investment Officer. In the last two years the office has added two Portfolio Managers to manage the Operating Investment Pool and a Back Office Manager. The Joseph J. Soukup trust fund was liquidated and closed in October 2011 after Mr. Soukup passed away. Also, in 2011 the Council's investment consultant, now known as Aon Hewitt Investment Consulting, Inc. was retained as a result of an RFP process for general, real estate and private equity consulting services.

In November 2013, the Council approved an increase in the real estate allocation from 5.0% to 7.5% of the total Defined Benefit and Cash Balance Benefit Plans. The funding source for this additional allocation will be from the allocation to U.S. Equity.

Jeffery W. States retired as State Investment Officer in October 2014. Joseph Jurich was acting State Investment Officer until December 2014, when Michael Walden-Newman was hired as the State Investment Officer.

1969	Miscellaneous Trust Funds
LB1345 passed providing for centralization of investment of State funds; law called for appointment of five Council members by the Governor	1997
State Operating Funds	State and County Retirement Plans
1970	2000
First General Endowment Fund	Health Care Endowment Fund
State Patrol Retirement Plan	2002
Judges' Retirement Plan	Nebraska Educational Savings Plan Trust
1971	2003
School Retirement Plan	Cash Balance Benefit Plan
Permanent School Fund	2005
1976	University Funds
Time Deposit Open Account Program	
1989	