STATE OF NEBRASKA

ATTESTATION REVIEW
OF THE
NEBRASKA PUBLIC EMPLOYEES
RETIREMENT SYSTEMS
DEFERRED COMPENSATION PLAN

JANUARY 1, 2009 THROUGH DECEMBER 31, 2009

Issued on August 30, 2010

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
DEFERRED COMPENSATION PLAN
ATTESTATION REVIEW

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Independent Accountant's Report

Citizens of the State of Nebraska:

We have reviewed the contributions, distributions, transfers, investments, and Plan balances of the Deferred Compensation Plan of the Nebraska Public Employees Retirement Systems (NPERS) for the period January 1, 2009, through December 31, 2009. NPERS' management is responsible for the contributions, distributions, transfers, investments, and Plan balances of the Deferred Compensation Plan. We did not obtain a written assertion regarding such matters from management.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the contributions, distributions, transfers, investments, and Plan balances of the Deferred Compensation Plan. Accordingly, we do not express such an opinion.

Based on our review, nothing came to our attention that caused us to believe that the contributions, distributions, transfers, investments, and Plan balances of the Deferred Compensation Plan are not presented, in all material respects, in conformity with the criteria set forth in the Criteria section.

In accordance with *Government Auditing Standards*, we are required to report findings of deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to NPERS' contributions, distributions, transfers, investments, and Plan balances of the Deferred Compensation Plan and any fraud and illegal acts that are more than inconsequential that come to our attention during our review. We are also required to obtain the views of management on those matters. We did not perform our review for the purpose of expressing an opinion on the internal control over NPERS' contributions, distributions, transfers, investments, and Plan balances of the Deferred Compensation Plan or on compliance and other matters; accordingly, we express no such opinions.

Our review disclosed certain findings that are required to be reported under *Government Auditing Standards* and certain other matters. Those findings, along with the views of management and the identification of significant deficiencies, are described below in the Summary of Results. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the subject matter will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

This report is intended solely for the information and use of the Citizens of the State of Nebraska, management of NPERS, others within NPERS, and the appropriate Federal and regulatory agencies. Although it should not be used by anyone other than these specified parties, this report is a matter of public record and its distribution is not limited.

Signed Original on File

Mike Foley
Auditor of Public Accounts

Krista Davis
Audit Manager

August 30, 2010

Background

The Nebraska Public Employees Retirement Board (Board) implemented the State of Nebraska Deferred Compensation Plan (Plan) in 1976 in accordance with 26 U.S.C. Section 457 under the administrative responsibility of the Nebraska Public Employees Retirement Systems (NPERS).

The Plan is a voluntary defined contribution pension plan available to all State employees and County employees whose County employers do not offer their own deferred compensation plan. The Plan permits employees to defer a portion of their salary until future years. The deferred compensation is available to employees upon termination, retirement, death, an unforeseeable emergency, upon reaching the age of 70 ½, if the member meets the "de minimus" status (the member's account balance is less than $5,000 and no contributions have been made to the Plan in the prior two years), or the member elects to transfer funds to another qualified plan in accordance with the Plan document.

Participants of the Plan are required to defer a minimum of $25 each month. Additionally, deferrals must not exceed the lesser of 100% of includible compensation or the annual dollar limit established under Internal Revenue Code (IRC) 457. During calendar year 2009, the annual dollar limit was $16,500. Exceptions to the maximum deferral rule included the Age 50 Catch-Up and the Section 457 Three Year Catch-Up.

Members at age 50 could elect the Age 50 Catch-Up which allowed them to defer the Plan ceiling amount of $16,500 plus an additional set amount of $5,500 for calendar year 2009. Members within three years of retirement were allowed to elect the Section 457 Three Year Catch-Up. Under this election, the member was allowed to defer the lesser of twice the current year's Plan ceiling, $33,000, or the Plan ceiling plus the underutilized limitation from prior year contributions. The underutilized limitation is the sum of the current year's Plan ceiling and the Plan ceiling for any prior years less any compensation deferred during those prior years. The Age 50 Catch-Up and the Section 457 Three Year Catch-Up could be combined.

Ameritas Life Insurance Company (Ameritas) is a private sector administrator of the Plan, with the exception of the assets held at the Hartford Life Insurance Company (Hartford). Hartford is also a private sector administrator of the Plan. In 1997, NPERS ended new contributions to Hartford and contracted for services with Ameritas. Members were able to maintain their accounts at Hartford or transfer their balances to Ameritas. No additional contributions were allowed in the Hartford funds.

Under the terms of the agreement, Ameritas provides various accounting and reporting services and receives compensation through maintenance fees charged against each member account. Hartford also charges fees to member accounts.

The Nebraska State Treasurer contracts with State Street Bank (SSB) to be the custodian of the Plan's funds, with the exception of the assets held at Hartford. Hartford, as custodian of the Hartford funds, maintained approximately $38 million in Plan assets at December 31, 2009. The

Nebraska Investment Council contracts with several investment managers, who manage each of the funds held at SSB. Each investment manager charges management fees, which are deducted from the returns on the investment funds.

Criteria

The criteria used in this attestation review were Internal Revenue Codes, State Statutes, Nebraska Administrative Code Rules and Regulations, and the Deferred Compensation Plan Member Handbook.

Summary of Procedures

Pursuant to Neb. Rev. Stat. § 84-304 (Reissue 2008), the Auditor of Public Accounts (APA) conducted an attestation review of the contributions, distributions, transfers, investments, and Plan balances of the Deferred Compensation Plan (Plan) for the period January 1, 2009, through December 31, 2009, in accordance with standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The APA's attestation review consisted of the following procedures:

- Gained and documented an understanding of the processes and procedures related to the Plan's contributions, distributions, and investment activities.

- Followed up and assessed the status of prior year audit findings.

- Performed analytical procedures on the changes in contributions, distributions, investment income, and Plan balances.

- Performed detailed testing of contributions to the Plan as follows:
    a. Tested to ensure member contributions deducted from paychecks were properly supported with an enrollment form.
    b. Determined contributions for members tested were correctly recorded in the record-keeping system.
    c. Verified member allocation and/or fund transfer change requests made during the calendar year were properly supported and recorded in the record-keeping system.
    d. Verified new members were eligible and initial deductions from payroll were timely.
    e. Identified individuals with contributions exceeding the IRC limitation of $16,500 for the calendar year and verified the contributions were in compliance or refunded to the member timely.

- Performed detailed testing of transfers as follows:
    a. Verified the members' request for a transfer was on file.
    b. The amount transferred into the Plan agreed to supporting documentation from the transferring company.
    c. The transfer was properly invested according to the members' request.

   d. The transfer was recorded in the record-keeping system timely.
   e. Transfers as recorded by Ameritas from Hartford agreed to Hartford's records of transfers made to Ameritas.

- Performed detailed testing of distributions from the Plan as follows:
   a. Tested members electing a distribution from the Plan and verified the individual met eligibility requirements in accordance with Plan documents.
   b. Verified a request for distribution form was properly completed and signed by the member or beneficiary and procedures were performed by NPERS, such as a notarized signature, to verify the individual requesting distribution was proper.
   c. Verified the amount distributed and the method of payment was in agreement with the individuals' request form.
   d. Verified the payment was processed timely. Payments were deemed timely if paid within 67 days of receiving the request for distribution, as the Plan handbook stated payments will not be made sooner than 60 days after termination.
   e. Verified procedures were performed by NPERS to ensure members or beneficiaries receiving payment were not deceased. If an individual was determined to be deceased, procedures were performed to distribute the account.

- Performed a review of individuals with account balances with a system status of terminated and paid out. Verified the account balance remaining was proper.

- Performed detailed testing of members at or over the age of 70 ½ and no longer employed that were required to take a distribution in accordance with IRC 401(a). Verified the required minimum distributions were properly calculated and paid timely in accordance with Federal regulations.

- Performed reconciliation procedures to verify contributions, distributions, and Plan balances recorded by the record-keepers, the custodians, and in the State accounting system agreed.

- Performed procedures to recalculate asset charges assessed to member accounts as recorded by Ameritas.

- Performed procedures to recalculate the administrative fees charged by Ameritas to the Plan to verify charges were in agreement with the contract.

- An exit conference was held on August 16, 2010, to discuss the results of this attestation review. Those in attendance from NPERS were:

Phyllis Chambers, Director	Sheryl Hesseltein, Accountant
Glenn Elwell, Board Member	Clint Holmes, Accountant
Randy Gerke, Deputy Director	Teresa Miller, Benefits Specialist
Teresa Zulauf, Internal Auditor	Nancy Reimer, Ameritas
Miden Ebert, Benefits Manager	Mary Klug, Ameritas
Missy Jochum, Internal Auditor	

Summary of Results

The summary of our attestation review noted the following findings and recommendations:

1. Lack of Procedures Regarding Member Distributions

A good internal control plan and sound accounting practice require NPERS to establish procedures to ensure members' requests for distribution are proper and verified.

During testing of distributions of the Plan, we noted the following:

- NPERS did not perform procedures to ensure distributions processed by Hartford and Ameritas were proper. NPERS received reports of distributions processed by both record-keepers, but did not perform detailed reviews to ensure the member payments were proper, payment options agreed to member forms, and amounts distributed agreed to member requests.

  According to both record-keepers' Statement on Auditing Standards No. 70 (SAS 70) Report on Controls Placed in Operation and Tests of Operating Effectiveness, NPERS was responsible for establishing control procedures for the timely review of reports to ensure the accuracy of balances and activity processed. This would require NPERS to ensure distributions were complete, properly authorized, and in accordance with the Plan requirements. Without procedures for the review of activity, there is increased risk member payments will not be proper. A similar finding was noted in the previous audit report.

- Requests for distribution made by members or beneficiaries were to be authorized by NPERS prior to payment at Hartford, in accordance with the contractual agreement. However, we noted 5 of 25 distributions tested were not authorized by NPERS.

  - Two members elected to receive systematic withdrawals; however, the forms on file were not documented as authorized by NPERS. The members were paid $8,032 and $12,000 respectively during calendar year 2009.

  - One member elected to change their monthly systematic withdrawal from $500 to $400 in July 2009. The form was not documented as authorized by NPERS.

  - Two members changed their monthly systematic withdrawals via a telephone call to Hartford. There was no documentation on file at Hartford or NPERS to support the members' request and no documentation on file of NPERS' authorization of the changes.

- Members' requests for distribution forms received by Hartford were not required to be notarized and there were no compensating procedures to ensure individuals requesting distribution or changes to distributions were the valid member. Without procedures to verify individuals requesting distributions are proper, there is an increased risk a member account will be paid in error.

- NPERS did not have procedures to identify and follow up on deceased members with accounts held at Hartford. Hartford only performed procedures to identify deceased members if two pieces of mail were returned as undeliverable. Therefore, if a deceased member's mail was not returned they could continue to receive payments from Hartford which increased the risk the proper beneficiary would not be paid upon a member's death.

Without adequate procedures to ensure member distributions are proper and valid there is an increased risk payments will be made in error. Furthermore, without adequate death verification procedures there is an increased risk a deceased member will continue to receive payments and NPERS will have to attempt to recoup amounts paid in error to be properly distributed to the member's beneficiary. We consider this finding a significant deficiency.

We recommend NPERS ensure:

- Adequate procedures are established for the review of reports received from the record-keepers to ensure distributions are properly paid in accordance with member requests.
- Member distribution requests are properly authorized by NPERS prior to payment by Hartford, in accordance with the contract.
- A notarized signature is required for all distributions or verification procedures are established to ensure the individual requesting payment is valid.
- Death verification procedures are established to ensure deceased members are identified and payments are stopped timely.

NPERS' Response: NPERS realizes the importance of ensuring member distributions are processed properly. Benefits staff has begun to review 5-10% of the distributions per report to ensure the distribution has been processed properly. NPERS distribution forms require a notarized signature. NPERS staff does review member signatures on Hartford forms and compares the signature with a signature on file in NPERS office. NPERS will update their death procedures to include a notification to Hartford if a member has funds at Hartford.

2. Required Minimum Distributions

26 U.S.C. § 401(a)(9)(C) sets the required distribution guidance, stating the required begin date is April 1 of the calendar year following the later of 1) the calendar year in which the employee attains age 70 ½ or 2) the calendar year in which the employee retires or terminates employment.

A good internal control plan requires adequate procedures to ensure the Federal minimum distribution requirements are properly met.

The *Worker, Retiree, and Employer Recovery Act,* which was signed into law in December 2008, waived the 2009 required minimum distribution (RMD). Plan members were sent letters asking if they wanted to waive the 2009 RMD or receive the 2009 RMD in the regular manner. For members with accounts at Hartford, if the forms were not received back, the 2009 RMD was paid in the regular manner. For members with accounts at Ameritas, if forms were not received payments were not required as the form did not specify the action that would be taken if a reply was not received.

NPERS was responsible to ensure compliance with the Federal RMD requirements for member accounts recorded by Ameritas. During testing of the accounts recorded at Ameritas, we noted one of five members tested did not return a form specifying whether they wanted the RMD waived or paid, therefore, the member was not required to receive payment. However, NPERS paid the member an RMD in the amount of $16,881.

Furthermore, Hartford performed procedures to process payments for member accounts held prior to 1997. Annually, NPERS received a report from Hartford listing members that met the RMD requirements. The report showed the member name, birth date, employment status (active or terminated) and the amount needed to be disbursed to meet the requirements. The following concerns were noted during testing:

- Hartford was unable to provide a report of members that met RMD requirements for 2009, as the report had been suppressed because of the Federal waiver. However, as noted above, a letter was sent to the members notifying them if the form was not submitted electing the waiver a payment would be made. Hartford was unable to provide a total population of individuals that were eligible for the distribution in order for testing to be performed.

- As RMD payments were required during calendar year 2008, NPERS had a copy of the Hartford 2008 report on file. We obtained an understanding of the procedures performed by NPERS during calendar year 2008, and noted NPERS did not have adequate procedures for the review and follow-up of members listed on the report. We noted the following concerns:

    - Members listed with an active employment status on the Hartford report but noted by NPERS as terminated, were not communicated to Hartford to ensure an RMD was properly paid in a timely manner.
    - If a member listed on the report was not in NPERS' system no further follow up was performed to ensure the member's active status was proper. There is a high risk members not in NPERS' system would no longer be active employees, as all active employees were required to contribute to the regular retirement plans and would then have an account in NPERS' system. Therefore, further follow up would be necessary to determine the termination date in order for an RMD to be paid.

- Additionally, NPERS did not perform procedures to verify the distributions performed by Hartford were calculated and paid in accordance with Federal requirements.

Without adequate procedures to ensure RMD requirements are met there is an increased risk members will not be paid timely. Furthermore, noncompliance with Federal requirements could lead to a loss in the Plan's status as a qualified trust under 26 U.S.C. § 401(a) and § 457. A similar finding was noted in the previous audit report. We consider this finding to be a significant deficiency.

> We recommend NPERS establish procedures to ensure RMD requirements are adhered to. Furthermore, we recommend NPERS establish procedures for the proper review and follow-up of the Hartford RMD report to ensure members are properly and timely paid in accordance with Federal requirements.

NPERS' Response: NPERS requests an annual report in September from NPRIS for members over age 65. NPERS receives quarterly reports from Ameritas for members over age 70 and ½. NPERS notifies all members in the DC Plan or the DCP Plan as they approach age 70 and ½ that their first RMD payment is due by April 1 of the following year after their termination from work or after they reach 70 and ½. NPERS will strengthen the RMD procedures concerning the Hartford plan. Additional reports will be requested and utilized to review for proper payment of RMDs processed by Hartford. NPERS will review and revise the RMD procedures relating to Ameritas.

3. <u>Contribution Procedures</u>

A good internal control plan and good accounting practice require adequate procedures to ensure member contributions are in accordance with the member's election, Federal regulations, and Plan documents.

During the testing of member contributions and transfers into the Plan, we noted the following:

- Two of ten members tested had contributions in excess of the 26 U.S.C. § 457 limitation and NPERS did not have adequate procedures to identify the individuals and correct the excess contributions timely.
  - One member contributed in excess of the limitation by $20,615, upon termination of employment in August 2009. In March 2010, the member rolled over their account to a private provider. NPERS did not identify the excess contributions until after the rollover was performed; this required the member to rectify the excess contributions with the rollover company. The excess contributions and earnings totalled $21,191.

  - The second member contributed in excess of the limitation by $3,578 as of December 2009. NPERS did not perform procedures to refund the member until March 2010. The member was subsequently refunded the excess contributions and earnings in April 2010, totalling $4,428.

  - NPERS received a report from Ameritas which listed individuals with contributions greater than $16,500. However, the report did not show terminated members and the contributions reported were not correct for the second individual.

  According to NPERS, if the members above had already filed their 2009 income taxes they would be required to file amended returns.

- One member who retired in December 2009 had vacation, sick leave, and compensatory time payout of $18,700 contributed to the Plan in error. According to the member handbook, a member may elect to defer accumulated sick, vacation, or back pay before terminating employment by completing a change form. The member did not complete the form; therefore, the contributions should not have been deposited into the Plan.

- Two members' contributions tested did not agree to the members' election form.

  - One member elected to have $900 contributed to the Plan each bi-weekly pay period. However, the employer set up the member's contributions at $875 each pay period. The member contributed $500 less than requested for the year tested.

  - The second individual elected to have $800 contributed to the Plan each month. The agency changed their payroll cycle during 2009, to bi-weekly and began withholding $800 from each of the member's bi-weekly pay periods. The member subsequently contributed $7,600 in excess of their election for the year tested.

- In December 2009, one member elected to transfer their account with Hartford, totalling $55,660, to their account with Ameritas. The member elected the funds and amounts to transfer the monies into Ameritas. However, the proper investment allocation was not performed in the system. In March 2010, after the error was brought to NPERS' attention during the attestation review, a correction was made to the member's account causing a decrease of $1,620.

Without adequate procedures to ensure contributions are in compliance with Federal regulations there is an increased risk of adverse tax consequences for the members. Additionally, without adequate procedures to ensure member contributions and investment allocations agree to the member election forms there is an increased risk members will not have contributions properly remitted and losses to member accounts could occur. We consider this finding to be a significant deficiency.

> We recommend NPERS establish adequate procedures to ensure contributions are in compliance with Federal regulations, contributions remitted to the Plan agree to member election forms, and contributions to the Plan are properly invested in accordance with the members' requests. We further recommend NPERS continue to communicate Plan requirements with employers to ensure employers are properly withholding member contributions in the payroll system.

NPERS' Response: NPERS does utilize the reports received from the record keeper to review member activity. NPERS does receive a validation warning log report from the record keeper which notifies NPERS of any member in danger of exceeding the maximum contribution limits. NPERS corresponds with employers periodically with DCP plan information. NPERS will review the procedures in place and work to improve them. The issues brought forward by the auditing staff have been corrected.

4. <u>Hartford Underlying Fund Fees</u>

A good internal control plan and sound accounting practice require procedures to ensure fees charged are proper and agree to supporting documentation.

NPERS did not have procedures to ensure fees charged by Hartford and the fund managers of the Hartford accounts were proper and reasonable. As fees charged on the underlying fund balances were not tested during Hartford's annual SAS 70 audit, NPERS was responsible for determining whether fees charged were reasonable.

As actual fees charged to the funds were not provided during the review, we determined a calculated fee based upon fee percentages obtained from Hartford and quarterly fund balances. The calculated fees during calendar year 2009 totalled approximately $1.2 million. However, we were unable to determine if the fees calculated were reasonable compared to fees actually charged.

Without procedures to monitor fees charged against the Plan, there is an increased risk fees will not be proper.

> As NPERS is the administrator of the funds held at Hartford, we recommend NPERS establish adequate procedures to ensure fees charged against the funds held by Hartford are reasonable and proper.

NPERS' Response: Representatives from Hartford meet with the Public Employees Retirement Board (PERB) to present their annual report. The Nebraska Investment Council (NIC) reviewed the Hartford fees in August of 2007. The PERB approved a revision to the Hartford fees on August 26, 2007 as recommended by the NIC. NPERS will communicate with the NIC regarding the testing of fees.

5. Procedures to Monitor Annuity Contracts

A good internal control plan and sound business practice require procedures to ensure compliance with contractual agreements.

NPERS had contracts with United of Omaha and Hartford to provide annuities to members of the Plan upon retirement. Both contracts stated specific rates that would be used in the calculation of member annuities. However, NPERS did not have procedures to ensure the rates contracted for were properly used in the calculation of member payments. NPERS did not recalculate or review the calculations performed by either company.

Furthermore, NPERS was responsible for calculating the United of Omaha estimated benefit payment for retiring members. NPERS did not use current contracted rates; the estimate was calculated based upon rates from the 2004 contract.

During our review we noted there were no annuities selected by members during the calendar year 2009. However, without adequate procedures to ensure rates for prior payments and future payments are in compliance with contracted rates, there is an increased risk members will not receive the agreed upon rates. Furthermore, without accurate estimates members could make decisions based upon improper information. A similar finding was noted in the previous audit report.

> We recommend NPERS ensure rates agreed upon by United of Omaha and Hartford are properly adhered to. Furthermore, we recommend NPERS ensure estimates calculated for members are based upon the most recent rates in the contract.

NPERS' Response: If a DCP plan member chooses to take an annuity, the annuity contract is between the member and provider. Members with funds at Ameritas will have United of Omaha as their annuity provider, while Hartford provides for their own annuities. When a DCP member with funds at Ameritas requests an estimate for an annuity, NPERS will contact United of Omaha for the estimate. NPERS will contact Hartford and request the current annuity rates being utilized.

NPERS' Summary Response: NPERS has not experienced significant problems with the custodian and record keepers of the Deferred Compensation Plans. Both Ameritas and Hartford have provided excellent service to NPERS and plan members. NPERS will follow the auditor's recommendations to avoid future mistakes and to ensure the plans are properly monitored.

Overall Conclusion

We noted significant concerns regarding the overall lack of administrative duties performed by NPERS for accounts held at Hartford. Both the funds recorded at Ameritas and Hartford are the administrative responsibility of the Nebraska Public Employees Retirement Systems in accordance with State statute, therefore, NPERS has a fiduciary responsibility to ensure accounts recorded at Hartford are properly administered and member accounts are properly recorded.

Overall we noted NPERS' administration of accounts held at Ameritas and Hartford was not adequate to:

- Ensure contributions remitted to the Plan were allowable and if contributions exceeded limitations refunds were made to members timely.
- Ensure transfers and contributions remitted to the Plan were in accordance with member elections.
- Ensure distributions were authorized and properly paid.
- Ensure the required minimum distribution report provided by Hartford was adequately reviewed and variances noted were communicated to Hartford to ensure members required to receive payment were properly paid in accordance with Federal requirements.
- Ensure fees charged on funds recorded at Hartford were reasonable and agreed to supporting documentation.
- Ensure the annuity rates contained in the contracts were adhered to for member benefit payments.

Therefore, we recommend NPERS ensure adequate policies and procedures are established for the proper administration of the Plan recorded at both Ameritas and Hartford to ensure member accounts are in proper safekeeping.

The APA staff members involved in this attestation review were:

Krista Davis, Audit Manager
Zachary Wells, CPA, Auditor-In-Charge

If you have any questions regarding the above information, please contact our office.

Exhibit A

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
DEFERRED COMPENSATION PLAN
SCHEDULE OF PLAN BALANCES

PLAN BALANCES	2005	2006	2007	2008*	2009
Ameritas Balances	$ 85,178,357	$ 100,095,835	$ 109,566,840	$ 83,337,861	$ 105,355,446
Hartford Balances	49,827,055	50,659,598	51,631,906	31,305,975	38,240,141
Total Plan Balances	$ 135,005,412	$ 150,755,433	$ 161,198,746	$ 114,643,836	$ 143,595,587

Plan Balance Increase/(Decrease) From Prior Year End	2005	2006	2007	2008*	2009
Ameritas Balance Increase/(Decrease)	11%	18%	9%	(24%)	26%
Hartford Balance Increase/(Decrease)	(2%)	2%	2%	(39%)	22%
Overall Plan Balance Increase/(Decrease)	6%	12%	7%	(29%)	25%

* The Plan balance decrease in 2008 was due largely to market losses.

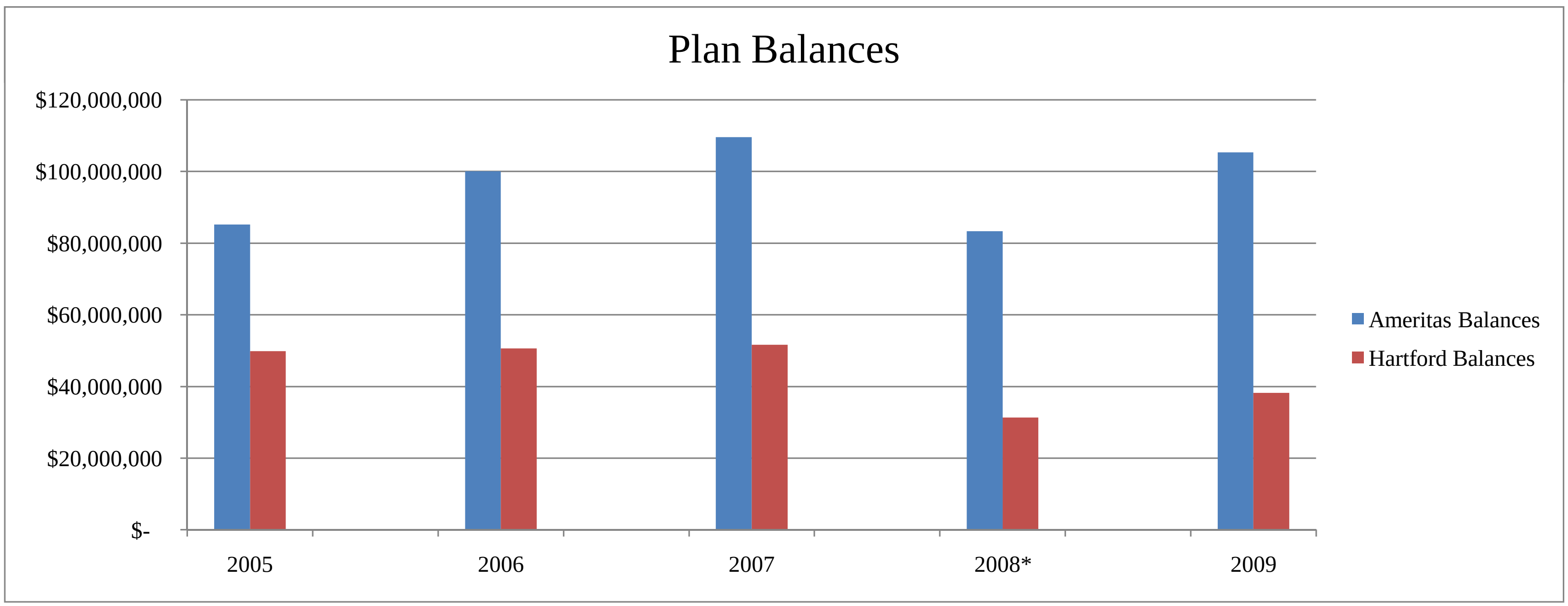

Exhibit B

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
DEFERRED COMPENSATION PLAN
SCHEDULE OF CONTRIBUTIONS

CONTRIBUTIONS	**2005**	**2006**	**2007**	**2008**	**2009**
Ameritas Contributions	$ 8,652,720	$ 9,239,575	$ 9,573,946	$ 9,632,610	$ 9,171,481
Hartford Contributions *	-	-	78,906	38,020	132,729
Total Plan Contributions	$ 8,652,720	$ 9,239,575	$ 9,652,852	$ 9,670,630	$ 9,304,210

* Hartford contributions consist of existing member tranfers from other qualified plans, as members were no longer allowed to contribute to Hartford accounts after 1997.

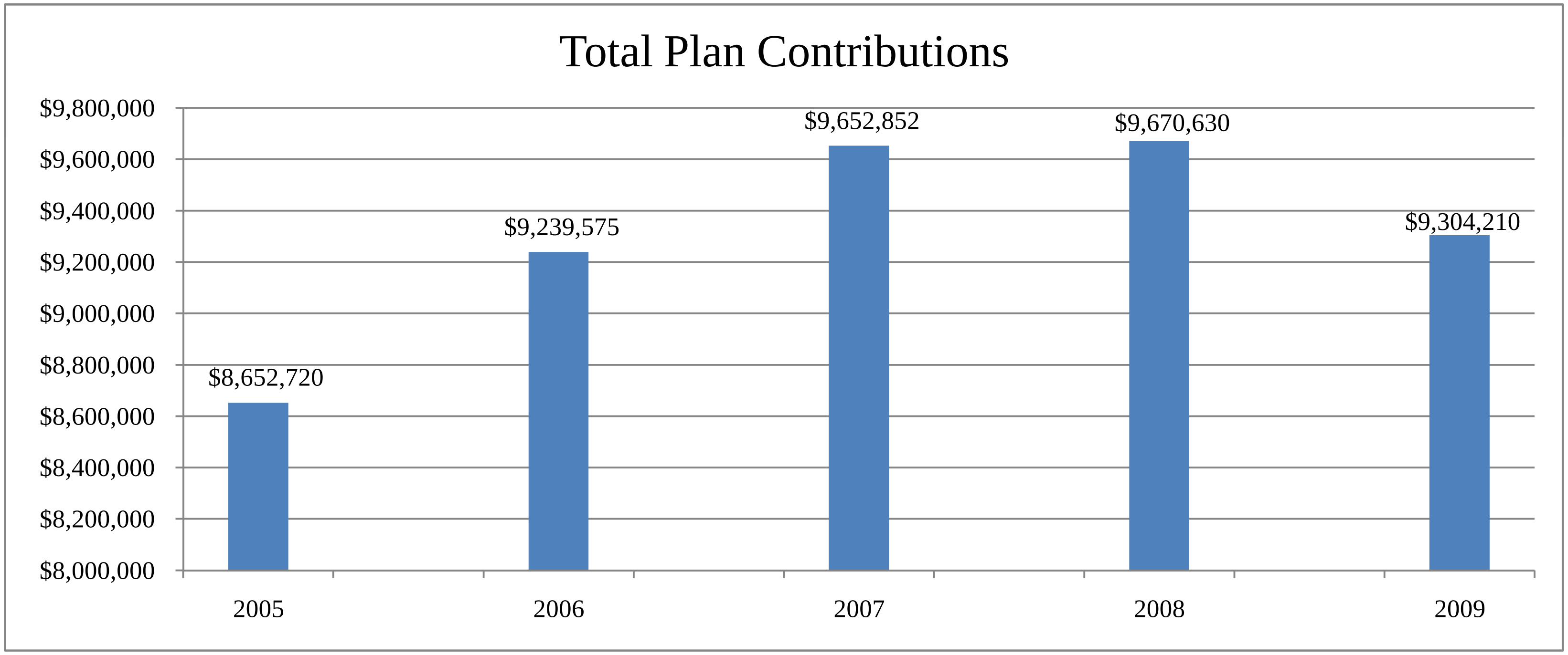

Exhibit C

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
DEFERRED COMPENSATION PLAN
SCHEDULE OF DISTRIBUTIONS

DISTRIBUTIONS	2005	2006	2007	2008	2009
Ameritas Distributions	$ 4,840,475	$ 6,012,417	$ 5,716,233	$ 7,770,894	$ 4,005,235
Hartford Distributions	5,004,330	4,848,519	4,085,242	3,526,703	2,057,262
Total Plan Distributions	$ 9,844,805	$ 10,860,936	$ 9,801,475	$ 11,297,597	$ 6,062,497

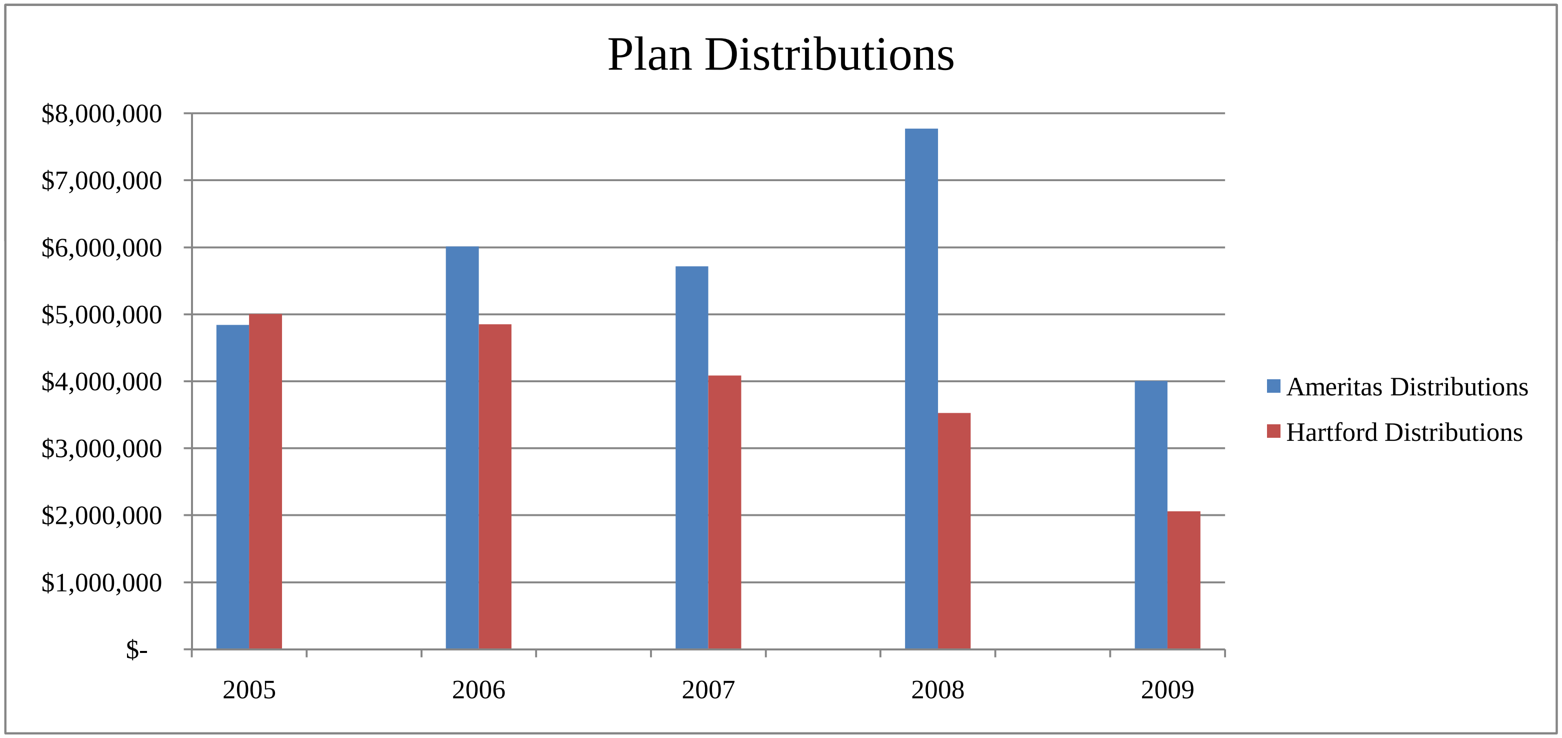

Exhibit D

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
DEFERRED COMPENSATION PLAN
SCHEDULE OF INVESTMENT RETURNS

Fund Name	Investment Returns for Year Ending 12/31/2009	Investment Returns for 3 Years Ending 12/31/2009	Investment Returns for 5 Years Ending 12/31/2009	Investment Returns for 10 Years Ending 12/31/2009
Ameritas Funds:				
DFA	36.3%	-5.4%	0.9%	5.7%
Russell 1000 Growth Index Fund	37.5%	-1.7%	1.7%	-3.9%
Russell 1000 Value Index Fund	20.1%	-8.8%	-0.1%	2.5%
U.S. Equity Index Fund	26.8%	-5.4%	0.6%	-0.9%
BlackRock All-Country World ex-U.S. Index Fund	39.8%	-3.0%	-	-
U.S. Debt Index Fund	6.0%	6.1%	5.0%	6.4%
T. Rowe Stable Value	3.8%	4.3%	4.4%	5.2%
SSgA STIF	0.5%	2.7%	3.2%	3.1%
Conservative Premixed	11.8%	3.6%	4.6%	4.3%
Moderate Premixed	19.6%	1.7%	4.2%	3.6%
Aggressive Premixed	26.0%	-1.5%	3.2%	2.2%
Investor Select Fund	25.9%	-0.4%	-	-
Average Investment Return	21.2%	-0.7%	2.8%	2.8%
Hartford Funds:				
American Century Value	19.4%	-6.0%	0.6%	5.9%
American Funds Growth Fund of America	34.5%	-3.1%	2.9%	2.3%
Davis New York Venture	32.1%	-6.0%	1.2%	2.4%
Hartford Capital Appreciation HLS	45.7%	-2.5%	4.5%	6.0%
Hartford Dividend & Growth HLS	24.7%	-3.0%	3.1%	4.2%
SSgA S&P 500 Flagship	26.0%	-6.1%	-0.1%	-1.5%
T. Rowe Price Growth Stock	42.9%	-3.2%	1.9%	0.9%
Goldman Sachs Mid-Cap Value	32.7%	-4.8%	2.3%	9.7%
Munder Mid-Cap Core Growth	32.5%	-3.4%	2.6%	7.3%
SSgA S&P MidCap Index	36.5%	-2.4%	2.7%	5.8%
Hartford Small Company HLS	29.3%	-4.3%	4.0%	0.9%
Skyline Special Equities Portfolio	52.8%	-6.3%	1.6%	8.8%
SSgA Russell 2000 Index	26.8%	-6.4%	0.0%	2.9%
American Funds EuroPacific Growth	39.1%	-0.6%	7.7%	3.7%
AllianceBernstein International Value	34.2%	-13.1%	0.6%	-
Hartford International Opportunities HLS	33.5%	-0.6%	7.0%	2.0%
Mutual Discovery	20.9%	-0.6%	6.9%	8.4%
Hartford Total Return Bond HLS	15.0%	3.6%	3.6%	6.1%
Loomis Sayles Bond	36.8%	4.9%	5.9%	8.7%
Putnum High-Yield Advantage	48.3%	5.2%	6.1%	5.9%
Hartford Advisers HLS	30.3%	-1.7%	2.4%	1.2%
Oakmark Equity & Income	19.5%	3.7%	5.9%	9.5%
SSgA DJ Target 2025 Fund	24.0%	-1.4%	3.0%	3.5%
SSgA DJ Target 2035 Fund	31.3%	-3.2%	2.6%	2.0%
SSgA DJ Target 2045 Fund	33.6%	-3.5%	2.6%	1.4%
SSgA DJ Target Today	9.5%	3.4%	3.4%	4.5%
Average Investment Return	31.2%	-2.4%	3.3%	4.5%

Source: Nebraska Investment Council Performance Report (Fourth Quarter 2009)

Exhibit E

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
DEFERRED COMPENSATION PLAN
SCHEDULE OF MEMBER FEES ASSESSED ON FUNDS RECORDED BY AMERITAS

FEES	2005	2006	2007	2008	2009
Ameritas Administrative Fees (Note 1)	$ 54,487	$ 57,926	$ 61,731	$ 49,761	$ 40,321
Ameritas Distribution Fees (Note 2)	-	840	5,390	5,740	4,445
Redemption Fees (Note 3)	50	-	-	-	-
NPERS Asset Charges (Note 4)	60,395	87,903	52,487	231,692	77,550
Total Fees	$ 114,932	$ 146,669	$ 119,608	$ 287,193	$ 122,316

Note 1: The Ameritas administrative fees were charged monthly to each member account as follows:

January 1, 2005 through June 30, 2006	$ 1.50
July 1, 2006 through September 30, 2006 *	$ 1.33
October 1, 2006 through June 30, 2007	$ 1.90
July 1, 2007 through July 31, 2007	$ 1.81
August 1, 2007 through December 31, 2009	$ 1.30

* During the period July 1, 2006 through September 30, 2006, Union Bank & Trust Company was the record-keeper for the Plan. Fees charged during this perod were $1.33 each month to each member. Ameritas then resumed as record-keeper effective October 1, 2006.

Note 2: The Ameritas distribution fee of $35 was charged to members once upon distribution of a members' entire account balance. The distribution fee began October 1, 2006.

Note 3: Redemption fees were fees charged to members for excessive trading of shares of a certain fund, the International Stock Fund. The fees were not charged in subsequent years.

Note 4: The NPERS asset charge is used for NPERS' expenses and was calculated once each month to each member account based on current market value of the account starting in April 2005. The calculation was as follows: Asset Charge = (Average Daily Value) x ((# of days in the month / # of days in the year) x basis point rate). The basis points were charged as follows:

April 1, 2005 through November 30, 2006	10 bps
December 1, 2006 through December 31, 2007	5 bps
January 1, 2008 through October 31, 2008	25 bps
November 1, 2008 through May 31, 2009	15 bps
June 1, 2009 through December 31, 2009	5 bps