



# Other Postemployment Benefits (OPEB) Investment Policy Statement (IPS) Updates

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NPPD Board of Directors  
Finance Committee Meeting

September 2025

Laura Kapustka, EVP & CFO

# Objective

- Review summary of the proposed changes to the OPEB Trust Investment Policy Statements (IPS)
  - This was reviewed at the August Finance Committee Meeting
- Request approval of the updated OPEB (Retiree & LTD) Investment Policy Statements
  - Redline and clean copies of each have been provided as part of the Board materials

# Why are we proposing changes?

- In September 2024, the OPEB Committee selected Aon Investments through an RFP process to provide investment advisory services for NPPD's OPEB Retiree Trust
- As part of the onboarding process, Aon performed a review of the Retiree Investment Policy Statement and has provided recommended changes
- The OPEB Committee has taken the opportunity to concurrently review and provide recommended changes to the Retiree & the LTD Investment Policy Statements

# Key Updates to Retiree IPS

## Investment Related Changes:

- Revised Target Asset Allocation to maintain sufficient expected returns, but reduce expected volatility
- Addition of Multi-Asset Credit
- Investment Manager Selection and Monitoring Language (Watch List)
  - Added language to clarify assessment of actively- vs. passively-managed underperformance
  - Added clarifying language noting that the Investment Consultant will make a recommendation to the Trust Administrator using both qualitative and quantitative factors in the evaluation

## Other Changes

- Funding Policy
  - Replaced language requiring “full funding status on or before December 31, 2033” with “full funding status in alignment with customer contracts”
  - Added clarity that “combined contributions” refers to Retiree & LTD Trusts
- Added references to applicable State Statute when “Nebraska Law” was noted
- Minor verbiage updates throughout for clarity
- Updated contact information for current responsible parties

# Asset Allocation Changes

## (Retiree IPS)

Original

Updated

Asset Class	Allowable Ranges	Target	Allowable Ranges	Target
Cash & Cash Equivalents	0 - 10%	< 1%	0 - 5%	0%
Risk Reducing Fixed Income <sup>(1)</sup>	25 - 40%	30%	40 - 60%	50%
Domestic Equity	40 - 55%	47.5%	21.5 - 31.5%	26.5%
International Equity	5 - 20%	12.5%	6.5 - 16.5%	11.5%
Real Estate	5 - 15%	10%	3 - 15%	7%
Multi-Asset Credit	N/A	N/A	0 - 10%	5%

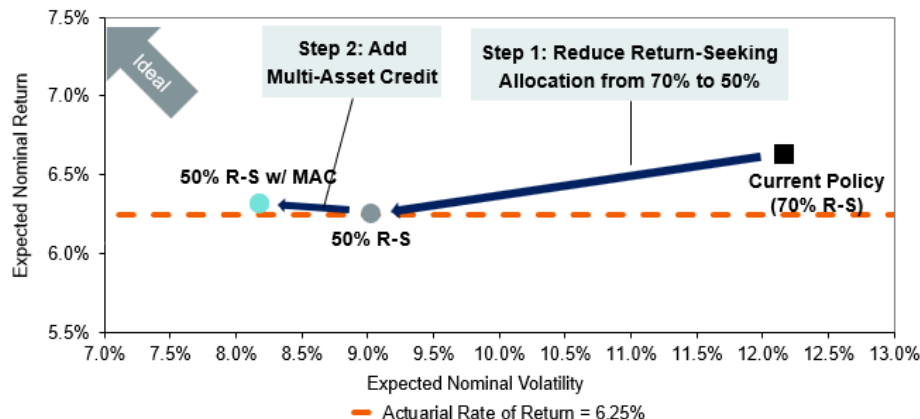
(1) The original asset class was labeled “fixed income”.

# Asset Allocation Recommendations

## (Retiree IPS)

In late 2024 Aon Investments conducted an asset-liability study for the NPPD OPEB Plan

The primary objective was to reduce volatility (risk) while maintaining an expected return above 6.25%



### Current Policy

Return-Seeking Allocation: 70%

Volatility: 12.2%

### Step 1 – De-Risk

Return-Seeking Allocation: 50%

Volatility: 9.0% (25% reduction)

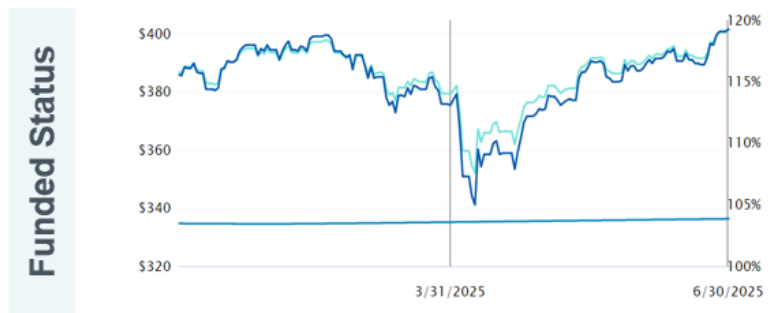
### Step 2 – Add Multi-Asset Credit

Return-Seeking Allocation: 50%

Volatility: 8.2% (33% reduction)

<sup>1</sup> Expected returns are using Aon's 30-Year Capital Market Assumptions as of 6/30/2024. CMAs contain projections about future returns on asset classes. Our CMA projections are designed to reflect the typical cost of implementing an investment program. Expected returns are calculated using weighted allocations of the underlying CMAs. Expected Returns are geometric (long-term compounded; rounded to the nearest decimal) assuming portfolio weights are rebalanced annually. Expected returns presented are models and do not represent the returns of an actual client account. Your actual returns will be reduced by your advisory fees and other expenses you may incur as a client. Aon's advisory fees are described in Part 2A of Aon's Form ADV. Not a guarantee of future results. Totals may not sum to 100% due to rounding.

# The WHY behind asset allocation changes (Retiree IPS)



	1/1/25	3/31/25	6/30/25
Market Value of Assets	\$ 386.8	\$ 379.1	\$ 401.2
AL	334.7	335.1	336.3
Surplus/(Deficit)	\$ 52.1	\$ 44.0	\$ 64.9
Effective Interest Rate	6.25%	6.25%	6.25%
Periodic Contributions	\$ 0.0	\$ 0.2	\$ 0.0
Funded Ratio:			
Assets/AL	115.6%	113.1%	119.3%

## Current State:

- As of June 30, 2025 the Funded Status is 119.3%.
- Given the 70% allocation to Return-Seeking assets, Funded Status volatility remains.
- During the equity downturn in April, the Funded Status fell as low as ~105%.

## Asset Allocation Study Summary:

- Aon has completed an Asset Allocation study with the goal of maintaining an expected return to preserve the Plan's overfunded position while minimizing volatility.
- The proposed portfolio maintains an expected return above the 6.25% actuarial rate of return while reducing expected volatility by 33%.

# Key Updates to LTD IPS

## Investment Related Changes

- No investment related changes recommended
- LTD Trust is governed by Neb. Rev. Stat. 77-2353.01 which limits the Trust to invest in only certain assets
  - This differs from the statute which governs the Retiree Trust as employees on LTD do not meet the definition of a Retiree

## Other Changes

- Funding Policy
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# Summary and request for action

- Retiree & LTD Investment Policy Statement changes were proposed through reviews from Aon along with reviews by the OPEB Committee members.
- All proposed changes have been reviewed by, and are supported by, both internal and external legal counsel.
- Requesting Board action on the Retiree & LTD Investment Policy Statement changes.



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## Questions

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