

***NEBRASKA PUBLIC EMPLOYEES
RETIREMENT SYSTEMS
SCHOOL RETIREMENT SYSTEM
2007***

**Fifty-fifth Actuarial Report for
State Fiscal Year Ending June 30, 2009
and
System Plan Year Beginning July 1, 2007**

November 2007

Submitted By:
Buck Consultants
1200 Seventeenth Street, Suite 1200
Denver, CO 80202



**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM**

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November 30, 2007

Public Employees Retirement Board
Nebraska Public Employees Retirement Systems
Post Office Box 94816
Lincoln, NE 68509

**Re: Certification of Actuarial Valuation
School Retirement System**

Ladies and Gentlemen:

This report summarizes the results of the actuarial valuation of the School Retirement System as of July 1, 2007, performed by Buck Consultants, LLC.

The actuarial valuation is based on unaudited financial and member data provided to us by the Nebraska Public Employees Retirement Systems and summarized in this report. The benefits considered are those delineated in Nebraska State Statutes, effective as amended July 1, 2007.

All costs, liabilities and other factors under the plan were determined in accordance with generally accepted actuarial principles and procedures. This report fully and fairly discloses the actuarial position of the plan.

The most recent actuarial experience analysis was completed in June 2007 using experience from July 1, 2002 through June 30, 2006. Revised actuarial assumptions were approved and implemented for the July 1, 2007 actuarial valuation. In our opinion, the assumptions represent reasonable expectations and our best estimate of the anticipated experience under the plan. A summary of the actuarial assumptions used in this actuarial valuation are shown in Exhibit 10.

Based on the results of our actuarial valuation, current statutory contributions are sufficient to meet the plan's funding policy. The contributions paid by members, school employers, and the State defined by statute currently exceed the actuarially required contribution, which is equal to the sum of the annual normal cost and the annual payment necessary to amortize any unfunded liabilities over 30 years. In accordance with Nebraska State Statutes Section 79-916(b), a state contribution is required to fund the Omaha Service Annuity. For the 2008/2009 fiscal year, no additional contribution is necessary to meet the actuarially required contribution for the Nebraska School Retirement System, and a contribution of \$643,494 is required to fund the Omaha Service Annuity.

We are available to answer any questions on the material contained in this report, or to provide explanations to further details as may be appropriate.

Respectfully submitted,

BUCK CONSULTANTS, LLC

David H. Sliskinsky, A.S.A., E.A., M.A.A.A.
Principal and Consulting Actuary

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM

**SUMMARY OF ACTUARIAL REPORT FOR CONTRIBUTION REQUIREMENTS AND
FUNDED STATUS FOR PLAN YEAR 2007/2008**

The main purposes of this report are:

1. To determine the actuarial soundness of the School District and member contributions defined under Nebraska State Statutes to fund the total Formula Annuity for the Nebraska School System and the Omaha Service Annuity, and whether additional contributions are required for the fiscal year ending June 30, 2009;
2. To review the current funded status of the System; and
3. To compare actual and expected experience under the plan during the plan year beginning July 1, 2006 and ending June 30, 2007.

The 2007 actuarial valuation is based upon the plan provisions as of July 1, 2007, as described in Exhibit 8. The actuarial methods and assumptions are described in Exhibits 9 and 10.

Highlights from the current valuation:

1. No additional State contribution is required for the 2008/2009 fiscal year to pay the normal cost and amortize any unfunded liabilities for the Nebraska School System. A contribution of \$643,494 by the State is required to fund the Omaha Service Annuity. The present value of future Formula Annuity benefits is greater than the sum of the Actuarial Value of Assets and the present values of future member and employer contributions and State appropriations, resulting in a liability of \$172,688,719 in funding. This is a decrease of \$173,242,959 over last year's liability of \$345,931,678.
2. A gain was experienced on the actuarial value of assets during the 2006/2007 plan year. The annual rate of return on Market Value was 17.7%. The rate of return on Actuarial Value of 11.6% exceeded the 8.0% assumed investment return rate by 3.6%, resulting in an increase to the Actuarial Value by \$208,387,292.
3. The plan experienced a decremental loss over the period, primarily due to more retirements than expected and new entrants. The actuarial accrued liability increased by \$96,831,730 as a result of decremental experience.
4. As the result of an experience analysis conducted on actual plan experience from July 1, 2002 through June 30, 2006, revised actuarial assumptions were proposed to the Nebraska Public Employees Retirement Board (PERB) in June 2007 and adopted in September 2007, to be used for the July 1, 2007 actuarial valuation. The impact of the changes to the actuarial assumptions resulted in a \$46,421,963 decrease in the actuarial accrued liability of the School System as of July 1, 2007.
5. The funded status of the system as measured by the ratio of the system assets over the Pension Benefit Obligation (PBO) increased. The PBO is calculated using the Projected Unit Credit Method, which determines the benefit by using service at the valuation date and projecting salary to assumed termination or retirement. Since the July 1, 2006 actuarial valuation, the funded percentage on Actuarial Value increased from 93.4% to 97.2%. This increase was primarily due to asset gains.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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Basic Actuarial Valuation Results

The 2007 actuarial valuation results are based upon the plan provisions as of July 1, 2007 as described in Exhibit 8. The key findings of the actuarial valuation are summarized below.

1. Funding of Total Formula Annuity

The total actuarially required contribution is equal to the normal cost plus an amortization payment for unfunded liabilities. Unfunded liabilities created due to experience gains or losses, plan changes or assumption changes are amortized over 30 years.

The member contribution rate is 7.83% of pay from September 1, 2006 through August 31, 2007, and 7.28% thereafter. The School District's funding of liabilities is equal to 101% of the employee contribution rate. The State contributes .7% of covered pay and an annual appropriation of \$5,639,235, as well as any additional required funding.

The minimum total required contribution rate decreased from 16.58% to 15.64% of pay from the 2006/2007 plan year to the 2007/2008 plan year. A history of required contribution rates is shown below. For fiscal years 1995/1996 through 2002/2003, this contribution rate is the rate required to cover the excess formula annuity only. For fiscal years 2003/2004 and thereafter, this contribution rate is the rate required to cover the entire formula annuity.

History of Required Contribution Rates and Additional State Funding		
Fiscal Year	Total	Additional State Contributions*
2008/2009	15.64%	\$ 0
2007/2008	16.58%	0
2006/2007	17.95%	12,847,537
2005/2006	16.97%	15,415,949
2004/2005	15.26%	0
2003/2004	13.45%	0
2002/2003	11.98%	0
2001/2002	9.15%	0
2000/2001	11.92%	0
1999/2000	5.69%	0
1998/1999	8.86%	0
1997/1998	13.94%	0

*Excludes funding of Omaha Service Annuity.

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1. Funding of Total Formula Annuity (cont'd)

Based on the 2007 actuarial valuation, the net required contribution rate of 15.19% is less than the actual contribution rate of 15.51%. Therefore, no additional State contributions are required for the 2008/2009 Fiscal Year.

2. Asset Values

The total assets of the system as of the current and prior valuation date at both market value and actuarial value, and the rate of return during the period is as follows:

	July 1, 2006	July 1, 2007	Annual Rate of Return
(a) Market value	\$ 5,974,750,945	\$ 7,024,856,413	17.7%
(b) Actuarial value, an adjusted value intended to reduce the effect of market fluctuations (Exhibit 1B)	\$ 5,739,048,994	\$ 6,396,336,863	11.6%

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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3. Actuarial Liability/(Reserve)

The actuarial liability of the total Formula Annuity benefits is the excess of the total benefit obligation (present value of future benefits) over the projected financial resources (sum of (i) the actuarial value of assets and (ii) the present value of future member, employer, State contributions and PPSF Appropriations). If the projected financial resources exceed the total benefit obligation, the system has a Reserve. The actuarial position of the system as of the current and prior valuation dates are as follows:

	July 1, 2006	July 1, 2007
(a) Present value of future benefits	\$ 7,605,493,984	\$ 8,427,374,246
(b) Net actuarial value of assets	5,739,048,994	6,396,336,863
(c) Present value of future member contributions	711,470,325	873,530,631
(d) Present value of future employer contributions	718,585,028	882,265,937
(e) Present value of future State contributions	67,942,129	83,874,234
(f) Present value of future PPSF contributions	<u>22,515,830</u>	<u>18,677,862</u>
(g) Actuarial Liability/(Reserve) [(a) - (b) - (c) - (d) - (e) - (f)]	\$ 345,931,678	\$ 172,688,719

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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4. Pension Benefit Obligation (PBO)

The Pension Benefit Obligation represents a standardized disclosure measure of the present value of pension benefits payable in the future, which incorporates the effects of projected salary increases, based on service earned at the valuation date. The measure is intended to provide information regarding the Plan's funded status on an ongoing-concern basis, progress made in accumulating sufficient assets to pay benefits when due, and comparability to other plans.

Funded Status	July 1, 2006	July 1, 2007
(a) Pension Benefit Obligation		
i) retirees, disabled members and beneficiaries receiving benefits and deferred vested members not yet receiving benefits	\$ 2,857,638,493	\$ 3,114,535,345
ii) active members	<u>3,288,932,193</u>	<u>3,464,995,138</u>
iii) total pension benefit obligation	\$ 6,146,570,686	\$ 6,579,530,483
(b) Net assets available for benefits (actuarial value)	<u>5,739,048,994</u>	<u>6,396,336,863</u>
(c) Unfunded Pension Benefit Obligation/(Reserve)	\$ 407,521,692	\$ 183,193,620
(d) Funded percentage on actuarial value of assets [(b) ÷ (a)(iii)]	93.4%	97.2%

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5. Benefit Accrual Cost

The cost of benefits accruing over an active member's working career can be expressed as a level percentage of compensation or a level dollar amount. This cost represents the true cost of accruing benefits since it is not adjusted for any overfunding or underfunding which may exist on the valuation date. It is determined using the Entry Age Actuarial Cost Method and is also called the Normal Cost. The level benefit accrual cost determined during the current and prior valuation dates are as follows:

Formula Annuity Benefit	July 1, 2006	July 1, 2007
(a) Benefit accrual cost amount	\$ 145,944,843	\$ 160,613,173
(b) Annual compensation before assumed normal retirement age	\$ 1,316,368,753	\$ 1,399,116,274
(c) Benefit accrual cost rate as a level percentage of compensation [(a) ÷ (b)]	11.087%	11.480%

Service Annuity Benefit	July 1, 2006	July 1, 2007
(a) Annual Actuarial Contribution Amount Allocated to the Service Annuity		
(i) NPERS members	\$ 0	\$ 0
(ii) Omaha members	<u>684,803</u>	<u>643,494</u>
(iii) Total	\$ 684,803	\$ 643,494
(b) Number of active members before assumed retirement age		
(i) NPERS members	36,001	36,738
(ii) Omaha members	<u>6,558</u>	<u>6,908</u>
(iii) Total	42,559	43,646
(c) Benefit accrual cost per active member as a level dollar amount		
(i) NPERS members	\$ 71.93	\$ 67.01
(ii) Omaha members	\$ 79.71	\$ 73.55
(iii) Total	\$ 73.13	\$ 68.04

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6. Forecast of Disbursements

A forecast of the annual benefit disbursements expected over the next thirty years is presented in Exhibit 7. This forecast is based on the same actuarial assumptions with respect to salary increases and decrement rates used to determine the funding requirements. The forecast should be a useful guide in discussing the cash-flow needs of the system with investment managers and in projecting the future financing needs of the system.

7. Actuarial Methods and Assumptions

The required contributions developed in this report are estimates of the amounts necessary to provide ongoing benefits to plan members assuming the system is funded in a systematic manner. These estimates are based upon the actuarial method defined under State Statutes to allocate the total cost of the plan to various years and actuarial assumptions regarding the return on investments, salary rates, employee termination rates, mortality rates and other risk factors.

The actuarial method used to determine the actuarial contribution requirement necessary to fund current and future benefits is the Entry Age Actuarial Cost Method. A description of this method can be found in Exhibit 9.

The actuarial assumptions represent the expected long-term experience of the system on an explicit basis for each risk area considered. The experience is reviewed periodically. Where necessary, changes are recommended by the actuary and adopted by the Public Employees Retirement Board. Summaries of the actuarial methods and assumptions used in the current valuation are presented in Exhibits 9 and 10, respectively.

8. Changes Since the Last Actuarial Valuation

There have been no changes in the actuarial cost method since the last actuarial valuation as of July 1, 2006. The changes in actuarial assumptions as a result of the most recent experience analysis concluded in June 2007 were effective as of July 1, 2007 and are listed below:

- Salary increases were converted from age-based to service-based, grading down from 7.5% for less than one year of service to 4.5% after 40 years of service.
- Retirement rates were increased at age 55 and decreased for ages 57 through age 65.
- Withdrawal rates were converted from age-and-service-based to service-based and grade down from 27% (males) and 32% (females) for employees with less than one year of service to 1% (males) and 3% (females) and back up to 10% (males) and 7% (females) at 34 (or more) years of service.
- Existing disability rates were reduced by 50% at each age.
- Pre- and post-retirement mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table with a two-year setback to the 1994 GAM table, projected to 2010.

The changes in plan provisions that have been adopted, effective July 1, 2007:

- LB 596 - Per LB 596 passed in 2007, a one-time adjustment was made to the annuities of School and Class V School members so that the current annuity is not less than 85% of the original annuity amount adjusted by the CPI-W. The Statutory member contribution rate will decrease to 7.28% as of September 1, 2007. Under existing statutes the rate was scheduled to drop to 7.25% on September 1, 2007.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM**

SYSTEM ASSETS

A. Summary of Assets	Market Value as of June 30, 2006	Market Value as of June 30, 2007
1. Cash and Equivalents	\$ 2,589,586	\$ 3,472,567
2. Investments	5,998,436,030	7,258,587,065
3. Capital Assets	3,687,070	2,617,988
4. Receivables and Prepaids	87,729,252	124,802,810
5. Accounts Payable	(117,690,993)	(364,624,017)
6. Net Assets Considered [1 + 2 + 3 + 4 + 5]	\$ 5,974,750,945	\$ 7,024,856,413

B. Development of Actuarial Value of Assets	Amount
1. Actuarial Value of Assets as of July 1, 2006	\$ 5,739,048,994
2. Unrecognized Return as of July 1, 2006	\$ 235,701,951
3. Contributions	
(a) Member (includes purchased service)	\$ 109,217,909
(b) Employer	107,573,519
(c) State appropriations*	15,219,871
(d) Total [(a) + (b) + (c)]	\$ 232,011,299
4. Benefit Payments (including transfers to Omaha)	\$ 242,625,499
5. Expected Return at 8% on:	
(a) Item 1	\$ 459,123,920
(b) Item 2	18,856,155
(c) Item 3(d)	9,101,916
(d) Item 4	(8,711,059)
(e) Total [(a) + (b) + (c) - (d)]	\$ 478,370,932
6. Actual Return on Market Value for 2006/2007 Plan Year, net of expenses	\$ 1,060,719,668
7. Return to be Spread for 2006/2007 Plan Year [6 - 5(e)]	\$ 582,348,736

* Net of Omaha transfers.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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SYSTEM ASSETS

B. Development of Actuarial Value of Assets (cont'd)		Amount																								
8.	Total Market Value of Assets as of July 1, 2007	\$ 7,024,856,413																								
9.	Return to be Spread																									
	<table border="1"> <thead> <tr> <th>Plan Year</th> <th>Return to be Spread</th> <th>Unrecognized Percent</th> <th>Unrecognized Return</th> </tr> </thead> <tbody> <tr> <td>2006/2007</td> <td>\$ 582,348,736</td> <td>80%</td> <td>\$ 465,878,989</td> </tr> <tr> <td>2005/2006</td> <td>129,253,827</td> <td>60%</td> <td>77,552,296</td> </tr> <tr> <td>2004/2005</td> <td>75,148,026</td> <td>40%</td> <td>30,059,210</td> </tr> <tr> <td>2003/2004</td> <td>275,145,274</td> <td>20%</td> <td>55,029,055</td> </tr> <tr> <td colspan="3">Total</td> <td>\$ 628,519,550</td> </tr> </tbody> </table>	Plan Year	Return to be Spread	Unrecognized Percent	Unrecognized Return	2006/2007	\$ 582,348,736	80%	\$ 465,878,989	2005/2006	129,253,827	60%	77,552,296	2004/2005	75,148,026	40%	30,059,210	2003/2004	275,145,274	20%	55,029,055	Total			\$ 628,519,550	
Plan Year	Return to be Spread	Unrecognized Percent	Unrecognized Return																							
2006/2007	\$ 582,348,736	80%	\$ 465,878,989																							
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2004/2005	75,148,026	40%	30,059,210																							
2003/2004	275,145,274	20%	55,029,055																							
Total			\$ 628,519,550																							
10.	Total Actuarial Value of Assets at July 1, 2007 [8 – 9]	\$6,396,336,863																								
11.	Ratio of Actuarial Value to Market Value [10 ÷ 8]	91.1%																								

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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SYSTEM ASSETS

C. Change in Asset Values During 2006/2007	Actuarial Value	Market Value
1. Total asset value as of July 1, 2006	\$ 5,739,048,994	\$ 5,974,750,945
2. Contributions for 2006/2007		
(a) Member contributions paid during the year	\$ 109,217,909	\$ 109,217,909
(b) Employer contributions paid during the year	107,573,519	107,573,519
(c) State appropriations for the year*	17,934,485	17,934,485
(d) Contributions for 2006/2007 [(a) + (b) + (c)]	\$ 234,725,913	\$ 234,725,913
3. Disbursements for 2006/2007		
(a) Benefit payments**	\$ 242,625,499	\$ 242,625,499
(b) Expenses and fees	15,815,111	15,815,111
(c) Transferred Omaha appropriation	2,714,614	2,714,614
(d) Disbursements for 2006/2007 [(a) + (b) + (c)]	\$ 261,155,224	\$ 261,155,224
4. Investment return for 2006/2007	\$ 683,717,180	\$ 1,076,534,779
5. Total asset value as of July 1, 2007 [1 + 2(d) - 3(d) + 4]	\$ 6,396,336,863	\$ 7,024,856,413
6. Approximate rate of investment return, net of expenses	11.6%	17.7%

* Includes Omaha appropriation.

** Includes transfers to Omaha for service annuities.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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ACTUARIAL CONTRIBUTION REQUIREMENT

A. Development of Actuarially Required Funding Rate	July 1, 2007		
	Nebraska School System Formula Annuity	Omaha Service Annuity	Total
1. Actuarial present value of benefits			
(a) Active members	\$ 5,297,585,684	\$ 15,253,217	\$ 5,312,838,901
(b) Inactive members	392,671,182	556,724	393,227,906
(c) Retired members, disabilities and beneficiaries	<u>2,721,307,439</u>	<u>0</u>	<u>2,721,307,439</u>
(d) Total	\$ 8,411,564,305	\$ 15,809,941	\$ 8,427,374,246
2. Present Value of Future Normal Costs	<u>1,354,718,951</u>	<u>2,346,712</u>	<u>1,357,065,663</u>
3. Total Actuarial Accrued Liability [1(d) - 2]	\$ 7,056,845,354	\$ 13,463,229	\$ 7,070,308,583
4. Actuarial Value of Assets	<u>6,384,441,419</u>	<u>11,895,444</u>	<u>6,396,336,863</u>
5. Unfunded Actuarial Accrued Liability [3 - 4]	\$ 672,403,935	\$ 1,567,785	\$ 673,971,720
6. Annual Contribution to Amortize Unfunded Actuarial Accrued Liability Bases (see page 6)			
(a) Amount	\$ 58,109,522	\$ 135,436	\$ 58,244,958
(b) Amount as % of Pay	4.15%	0.01%	4.16%
7. Annual Normal Cost			
(a) Amount	\$ 160,105,115	\$ 508,058	\$ 160,613,173
(b) Amount as % of Pay	11.44%	0.04%	11.48%
8. Total Annual Actuarially Required Contribution			
(a) Amount [6(a) + 7(a)]	\$ 218,214,637	\$ 643,494	\$ 218,858,131
(b) Amount as % of Pay	15.59%	0.05%	15.64%

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ACTUARIAL CONTRIBUTION REQUIREMENT

B. Development of Additional State Contributions for Nebraska School System Fiscal Year 2008/2009	Annual Amount as a % of Pay
1. Actuarially Required Contribution a. Amount b. State PPSF appropriation c. Net amount [(a) - (b)] d. Net Amount as % of Pay	\$ 218,214,637 5,639,235 \$ 212,575,402 15.19%
2. Statutory Contribution Rates a. Employee Contribution Rate b. Employer Contribution Rate c. State Contribution Rate d. Total Contribution Rate [(a) + (b) + (c)]	7.37%* 7.44%** 0.70% 15.51%
3. Additional Required State Contribution a. Additional Required State Contribution Rate [1(d) - 2(d), not less than 0%] b. Additional Required State Contribution Amount	0.00% \$ 0

* Weighted average employee contribution rate

** 101% of employee contribution

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ACTUARIAL CONTRIBUTION REQUIREMENT

C. Schedule of Amortization Bases	Original Amount	July 1, 2007 Remaining Payments	Date of Last Payment	Outstanding Balance as of July 1, 2007	Annual Contribution
2006 Unfunded Actuarial Accrued Liability Base	\$ 845,226,412	29	07/01/2036	\$837,765,232	\$ 72,245,083
2007 Unfunded Actuarial Accrued Liability Base	\$ (163,793,512)	30	07/01/2037	(163,793,512)	(14,000,125)
Total				\$673,971,720	\$ 58,244,958

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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ACTUARIAL (GAIN)/LOSS

A. Change in Actuarial Accrued Liability		
1.	Actual Actuarial Accrued Liability as of July 1, 2006	\$ 6,584,275,406
2.	Benefits accrued during the 2006/2007 plan year	145,944,843
3.	Benefit payments during the 2006/2007 plan year*	242,625,499
4.	Interest at 8%	<u>523,756,461</u>
5.	Expected Actuarial Accrued Liability as of July 1, 2007 [1 + 2 - 3 + 4]	\$ 7,011,351,211
6.	Decremental (Gain)/Loss by Source	
	(a) Retirement	\$ 55,269,975
	(b) Termination	15,912,778
	(c) Disability	(1,199,158)
	(d) Pre-retirement mortality	1,214,263
	(e) Post-retirement mortality	4,789,395
	(f) Salary	5,791,810
	(g) New entrants / Rehires	47,218,227
	(h) Data changes/miscellaneous	<u>(32,165,560)</u>
	(i) Total decremental (gain)/loss	\$ 96,831,730
7.	Change in Actuarial Assumptions	(46,421,963)
8.	Change in Plan Provisions	<u>8,547,605</u>
9.	Actual Actuarial Accrued Liability as of July 1, 2007 [5 + 6(i) + 7 + 8]	\$ 7,070,308,583

* Net of transfer to Omaha.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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ACTUARIAL (GAIN)/LOSS

B. Change in Net Actuarial Value of Assets	Amount
1. Total Actuarial Value of Assets as of July 1, 2006	\$ 5,739,048,994
2. Contributions	
(a) Member	\$ 109,217,909
(b) Employer	107,573,519
(c) State appropriation*	15,219,871
(d) Total	\$ 232,011,299
3. Benefit Payments*	\$ 242,625,499
4. Expected Return at 8% on:	
(a) Item 1	\$ 459,123,920
(b) Item 2(d)	9,101,916
(c) Item 3	8,711,059
(d) Total [(a) + (b) - (c)]	\$ 459,514,777
5. Expected Total Actuarial Value of Assets at June 30, 2007 [1 + 2(d) - 3 + 4(d)]	\$ 6,187,949,571
6. Actual Total Actuarial Value of Assets at June 30, 2007	6,396,336,863
7. Actuarial (Gain)/Loss on Asset Sources [5 - 6]	\$ (208,387,292)
8. Total Actuarial (Gain)/Loss for the 2006/2007 plan year [A(6)(i) + B(7)]	\$ (111,555,562)

* Net of transfers to Omaha.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM**

ACTUARIAL BALANCE SHEET

A. Financial Resources	July 1, 2007
1. Total Actuarial Value of Assets	\$ 6,396,336,863
2. Present Value of Future Contributions	
(a) Member	\$ 873,530,631
(b) Employer	882,265,937
(c) State	83,874,234
(d) State PPSF Appropriations	<u>18,677,862</u>
(e) Total	1,858,348,664
3. Actuarial Liability/(Reserve)	<u>172,688,719</u>
4. Total Assets [1 + 2(e) + 3]	\$ 8,427,374,246

B. Benefit Obligations	July 1, 2007
1. Present Value of Future Benefits	
(a) Active members	\$5,297,585,684
(b) Inactive members	392,671,182
(c) Retirees, disabilities and beneficiaries	2,721,307,439
(d) Omaha	
(i) active	15,253,217
(ii) deferred vested	556,724
(iii) retired	0
(e) Total	<u>\$ 15,809,941</u>
	\$ 8,427,374,246

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM**

ACCOUNTING INFORMATION

A. Pension Benefit Obligation under the Projected Unit Credit Cost Method

	July 1, 2006	July 1, 2007
Pension Benefit Obligation (PBO)		
Vested PBO		
(a) members currently receiving payments	\$ 2,476,199,326	\$ 2,721,307,439
(b) other members		
(i) accumulated member contributions	1,384,543,104	1,467,100,211
(ii) employer financed vested	<u>2,152,461,565</u>	<u>2,290,888,980</u>
Total Vested PBO	\$ 6,013,203,995	\$ 6,479,296,630
Nonvested PBO	<u>133,366,691</u>	<u>100,233,853</u>
Total PBO	\$ 6,146,570,686	\$ 6,579,530,483
Total Actuarial Value of Assets	<u>5,739,048,994</u>	<u>6,396,336,863</u>
Unfunded Pension Benefit Obligation (Reserve)	\$ 407,521,692	\$ 183,193,620
Funded Percentage		
(a) on vested PBO	95.4%	98.7%
(b) on total PBO	93.4%	97.2%

B. Change in Pension Benefit Obligation from July 1, 2006 to July 1, 2007

Pension Benefit Obligation at July 1, 2006	\$ 6,146,570,686
Increase/(Decrease) during Period	
Plan Provision Changes	\$ 8,547,605
Assumption Changes	(78,367,475)
Benefits Accumulated	175,082,494
Benefits Paid*	(242,625,499)
Interest Cost	497,021,196
Plan Experience	<u>73,301,476</u>
Total Change	\$ 432,959,797
Pension Benefit Obligation at July 1, 2007	\$ 6,579,530,483

* Excludes transfer to Omaha.

Exhibits 9 and 10 provide a more detailed summary of the underlying actuarial methods and assumptions used in the calculations of the Pension Benefit Obligation. The benefits valued are those in effect on July 1, 2007 and 2006, respectively, as outlined in Exhibit 8. The determination of the Pension Benefit Obligation has been made in accordance with generally accepted actuarial principles and practices.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM**

ACCOUNTING INFORMATION

**C. Schedule of Contributions from Employers and other Contributing Entities -
Disclosure Requirements under GASB No. 25**

Plan Year Ending	Annual Required Contributions*			Percentage Contributed
	School	State	Total	
June 30, 2007	\$ 107,573,519	\$ 15,219,871	\$ 122,793,390	100%
June 30, 2006	102,089,105	28,056,703	130,145,808	100%
June 30, 2005	90,147,174	29,816,737	119,963,911	90%
June 30, 2004	87,438,804	14,154,879	101,593,683	100%
June 30, 2003	84,467,330	13,119,888	97,587,218	100%
June 30, 2002	80,288,662	12,659,281	92,947,943	100%

* Includes funding for the Excess Formula Annuity, the Service Annuity, and supplemental funds. Excludes Omaha appropriations.

D. Actuarial Assumptions, Method and Additional Information under GASB No. 25

Valuation Date	June 30, 2007
Actuarial Cost Method	Entry Age
Amortization Method	Level dollar amount, closed
Equivalent Single Amortization Period	29 years
Asset Valuation Method	5 year smoothed market
Actuarial Assumptions:	
Investment rate of return*	8.0%
Projected salary increases*	4.5% - 7.46%
*Includes inflation at	3.5%
Cost-of-living adjustment	2.5% with a floor benefit equal to 75% purchasing power of original benefit

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM**

ACCOUNTING INFORMATION

E. Schedule of Funding Progress under GASB No. 25

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Accrued Liabilities (UAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAL as a % of Covered Payroll [(b-a)/c]
June 30, 2007	\$6,396,336,863	\$7,070,308,583	\$ 673,971,720	\$ 90.5%	\$ 1,325,616,322	\$ 50.8%
June 30, 2006	5,739,048,994	6,584,275,406	845,226,412	87.2%	1,247,684,378	67.7%
June 30, 2005	5,335,197,409	6,234,657,830	899,460,421	85.6%	1,214,227,197	74.1%
June 30, 2004	5,118,011,165	5,868,266,970	750,255,805	87.2%	1,170,601,127	64.1%
June 30, 2003	4,952,902,870	5,464,572,876	511,670,006	90.6%	1,138,776,241	44.9%
June 30, 2002	4,799,789,893	5,055,867,993	256,078,100	94.9%	1,065,515,857	24.0%

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM**

SUMMARY OF MEMBER DATA

A. Active Members	July 1, 2006	July 1, 2007
1. Number of Active Members		
(a) Before assumed retirement age	36,001	36,738
(b) Beyond assumed retirement age	<u>413</u>	<u>414</u>
(c) Total	36,414	37,152
2. Annual Considered Compensation*		
(a) Before assumed retirement age	\$ 1,316,368,753	\$ 1,399,116,274
(b) Beyond assumed retirement age	<u>6,516,729</u>	<u>6,550,567</u>
(c) Total	\$ 1,322,885,482	\$ 1,405,666,841
3. Accumulated Contributions	\$ 1,207,369,740	\$ 1,284,132,861
4. Active Member Averages		
(a) Age	46.0	46.0
(b) Service	12.0	11.9
(c) Compensation	\$ 36,329	\$ 37,836
(d) Accumulated Contributions	\$ 33,157	\$ 34,564
B. Inactive Members		
1. Number of inactive members (including Omaha)	17,755	18,147
2. Accumulated member contributions	\$ 177,173,364	\$ 182,967,350
3. Inactive member averages (excluding Omaha)		
(a) Age (vesteds only)	51.5	51.9
(b) Accumulated member contributions	\$ 10,259	\$ 10,334
C. Retired Members and Beneficiaries		
1. Number of members		
(a) System retirees	13,724	14,408
(b) Omaha retirees	3	0
2. Annual benefits - regular		
(a) System retirees	\$ 186,988,282	\$ 206,858,052
(b) Omaha retirees	<u>3,319</u>	<u>0</u>
(c) Total	\$ 186,991,601	\$ 206,858,052
3. Annual benefits-supplemental		
(a) System retirees	\$ 26,249,101	\$ 34,739,289
(b) Omaha retirees	<u>0</u>	<u>0</u>
(c) Total	\$ 26,249,101	\$ 34,739,289

* Prior year pay is increased by the salary scale for each member. Total prior year compensation for 2006 and 2007 was 1,247,684,378 and 1,325,616,322, respectively.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM**

SUMMARY OF MEMBER DATA

D. Distribution of Retired Members and Beneficiaries as of July 1, 2007

Age Range	Number	Annual Benefit	Average Annual Benefit
59 & Under	1,167	\$ 34,596,892	\$ 29,646
60-64	2,533	61,663,602	24,344
65-69	3,016	54,343,861	18,019
70-74	2,700	39,895,215	14,776
75-79	2,194	26,770,768	12,202
80-84	1,370	14,602,350	10,659
85-89	865	6,934,900	8,017
90 & Over	563	2,789,753	4,955
Total	14,408	\$ 241,597,341	\$ 16,768

E. Member Data Reconciliation

	Active Members	Inactive Members			Total
		With Deferred Benefits	Terminated with Balance	Retired Members and Beneficiaries	
As of July 1, 2006	36,414	6,071	11,684	13,727	67,896
Changes in status					
a) Normal & early retirements	(709)	0	0	709	0
b) Became payable	0	(281)	(1)	282	0
c) Deaths	(26)	(21)	(26)	(393)	(466)
d) Nonvested terminations	(1,260)	0	1,260	0	0
e) Vested terminations	(887)	887	0	0	0
f) Contribution refunds	(760)	(228)	(818)	0	(1,806)
g) Beneficiaries in receipt	0	0	0	129	129
h) Disability retirements	(21)	(9)	0	30	0
i) Return to active service	852	(390)	(462)	0	0
j) Expired benefits	0	0	0	(79)	(79)
k) Data corrections	0	(42)*	(1)	0	(43)
Total changes in status	(2,811)	(84)	(48)	678	(2,265)
New entrants					
a) Without prior service	3,547	0	519	0	4,066
b) With prior service	2	1	4	3	10
Total new members	3,549	1	523	3	4,076
Net change	738	(83)	475	681	1,811
As of July 1, 2007	37,152	5,988**	12,159	14,408	69,707

* Includes reduction of 43 Omaha deferred vested members.

** Includes 442 Omaha deferred vested members eligible for a service annuity benefit.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM**

SUMMARY OF MEMBER DATA

F. Age and Service Distribution of Active Members as of July 1, 2007

Age Last Birthday		0-4	5-9	10-14	15-19	20-24	25-29	30-34	Over 34	Total
15-19	Number	40	0	0	0	0	0	0	0	40
	Total Salary	\$ 422,742	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 422,742
	Average Salary	\$ 10,569	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,569
20-24	Number	1001	5	0	0	0	0	0	0	1006
	Total Salary	\$ 21,297,130	\$ 73,907	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 21,371,037
	Average Salary	\$ 21,276	\$ 14,781	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 21,244
25-29	Number	2529	734	3	0	0	0	0	0	3266
	Total Salary	\$ 74,479,516	\$ 27,594,699	\$ 94,521	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 102,168,736
	Average Salary	\$ 29,450	\$ 37,595	\$ 31,507	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 31,283
30-34	Number	1198	1763	431	0	0	0	0	0	3392
	Total Salary	\$ 29,534,181	\$ 70,316,245	\$ 19,657,104	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 119,507,530
	Average Salary	\$ 24,653	\$ 39,884	\$ 45,608	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 35,232
35-39	Number	1279	1000	1261	399	1	0	0	0	3940
	Total Salary	\$ 27,335,397	\$ 35,036,409	\$ 59,407,274	\$ 20,190,497	\$ 29,238	\$ 0	\$ 0	\$ 0	\$ 141,998,815
	Average Salary	\$ 21,372	\$ 35,036	\$ 47,111	\$ 50,603	\$ 29,238	\$ 0	\$ 0	\$ 0	\$ 36,040
40-44	Number	1476	1028	629	982	393	1	0	0	4509
	Total Salary	\$ 27,416,066	\$ 30,673,299	\$ 26,992,474	\$ 49,282,105	\$ 20,980,455	\$ 39,356	\$ 0	\$ 0	\$ 155,383,755
	Average Salary	\$ 18,575	\$ 29,838	\$ 42,913	\$ 50,185	\$ 53,385	\$ 39,356	\$ 0	\$ 0	\$ 34,461
45-49	Number	1325	1318	748	708	967	584	1	0	5651
	Total Salary	\$ 25,968,513	\$ 35,242,540	\$ 26,511,655	\$ 31,463,460	\$ 49,693,776	\$ 31,428,124	\$ 31,370	\$ 0	\$ 200,339,438
	Average Salary	\$ 19,599	\$ 26,739	\$ 35,443	\$ 44,440	\$ 51,390	\$ 53,815	\$ 31,370	\$ 0	\$ 35,452
50-54	Number	929	1016	821	799	628	1067	713	0	5973
	Total Salary	\$ 18,277,171	\$ 28,562,280	\$ 26,598,065	\$ 31,543,893	\$ 29,193,710	\$ 58,545,686	\$ 40,577,915	\$ 0	\$ 233,298,720
	Average Salary	\$ 19,674	\$ 28,112	\$ 32,397	\$ 39,479	\$ 46,487	\$ 54,869	\$ 56,912	\$ 0	\$ 39,059
55-59	Number	752	678	683	859	760	685	848	355	5620
	Total Salary	\$ 16,439,866	\$ 18,854,502	\$ 22,276,417	\$ 34,300,690	\$ 35,278,419	\$ 34,808,942	\$ 49,557,335	\$ 20,501,618	\$ 232,017,789
	Average Salary	\$ 21,862	\$ 27,809	\$ 32,616	\$ 39,931	\$ 46,419	\$ 50,816	\$ 58,440	\$ 57,751	\$ 41,284
60-64	Number	450	381	311	381	409	308	177	234	2651
	Total Salary	\$ 8,949,335	\$ 10,102,676	\$ 8,972,319	\$ 14,129,698	\$ 17,012,344	\$ 13,144,793	\$ 9,535,215	\$ 14,300,073	\$ 96,146,453
	Average Salary	\$ 19,887	\$ 26,516	\$ 28,850	\$ 37,086	\$ 41,595	\$ 42,678	\$ 53,871	\$ 61,111	\$ 36,268
65-69	Number	383	238	118	104	110	83	30	38	1104
	Total Salary	\$ 4,408,165	\$ 3,956,260	\$ 2,336,042	\$ 2,871,931	\$ 3,258,503	\$ 2,661,906	\$ 1,355,236	\$ 2,113,264	\$ 22,961,307
	Average Salary	\$ 11,510	\$ 16,623	\$ 19,797	\$ 27,615	\$ 29,623	\$ 32,071	\$ 45,175	\$ 55,612	\$ 20,798
TOTAL	Number	11,362	8,161	5,005	4,232	3,268	2,728	1,769	627	37,152
	Total Salary	\$ 254,528,082	\$ 260,412,817	\$ 192,845,871	\$ 183,782,274	\$ 155,446,445	\$ 140,628,807	\$ 101,057,071	\$ 36,914,955	\$ 1,325,616,322
	Average Salary	\$ 22,402	\$ 31,909	\$ 38,531	\$ 43,427	\$ 47,566	\$ 51,550	\$ 57,127	\$ 58,876	\$ 35,681

Total salary is reported annualized prior year pay.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM**

FORECAST OF EXPECTED DISBURSEMENTS

Plan Year Ending June 30	Active Employees	Retired and Disabled Members and Beneficiaries	Total
2008	\$ 21,234,741	\$ 240,542,269	\$ 261,777,010
2009	47,398,551	242,934,399	290,332,950
2010	75,667,503	245,148,487	320,815,990
2011	105,871,413	247,177,762	353,049,175
2012	138,565,177	248,815,492	387,380,669
2013	173,867,107	249,744,079	423,611,186
2014	210,670,135	249,655,725	460,325,860
2015	248,444,259	249,383,495	497,827,754
2016	287,258,367	248,602,384	535,860,751
2017	326,615,646	247,195,880	573,811,526
2018	366,934,387	245,360,409	612,294,796
2019	408,036,424	243,063,176	651,099,600
2020	449,561,386	240,030,242	689,591,628
2021	491,225,041	236,246,375	727,471,416
2022	533,495,775	231,654,543	765,150,318
2023	575,912,895	226,971,327	802,884,222
2024	618,412,240	221,872,689	840,284,929
2025	660,467,617	216,108,451	876,576,068
2026	702,726,389	209,645,775	912,372,164
2027	745,099,990	202,538,996	947,638,986
2028	786,773,623	194,751,777	981,525,400
2029	828,376,940	186,342,320	1,014,719,260
2030	870,725,556	177,322,010	1,048,047,566
2031	912,158,985	167,803,986	1,079,962,971
2032	953,035,996	157,775,922	1,110,811,918
2033	993,625,173	147,410,231	1,141,035,404
2034	1,031,524,918	136,749,004	1,168,273,922
2035	1,066,384,344	126,069,967	1,192,454,311
2036	1,099,996,807	115,452,626	1,215,449,433
2037	1,131,711,393	104,784,039	1,236,495,432

Note: These amounts exclude distributions for vested inactive members eligible to receive future benefit payments. Benefit amounts for these members have not yet been determined.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM**

SUMMARY OF PLAN PROVISIONS

Member	Any person employed by a public school 15 or more hours per week shall be a member of the system. Employees at the date of establishment could have elected not to participate, and those covered under another system do not participate.
Participation Date	Date of becoming a member.
Definitions	
Final average earnings	The average of the highest three fiscal years after July 1, 1968 of pensionable pay during the period ending on the earlier of the participant's termination date or retirement date. For employees who become a member on or after July 1, 1996, earnings will be capped at the maximum earnings defined in Code 401(a)(17).
Fiscal year	Twelve month period ending June 30.
Member contributions	From September 1, 2006 to August 31, 2007, members contribute 7.83% of pay. Thereafter, members contribute 7.28% of pay. The School Districts contribute at a rate equal to 101% of the members' rate. Such contributions are credited with interest in accordance with State Statutes.
Monthly pension benefit	The greater of (1) or (2). <ul style="list-style-type: none"> (1) Amount: A monthly benefit equal to the sum of: <ul style="list-style-type: none"> (a) A savings annuity which is the actuarial equivalent of the member's accumulated contributions, and (b) A service annuity equal to \$3.50 per year of service.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM**

SUMMARY OF PLAN PROVISIONS

- (2) Amount: Members employed by a class I, II, III, IV, or VI School District may receive a formula annuity. The formula annuity is a monthly amount equal to the product of 2.00% of final average earnings times total years of service for those members who are employed on or after July 1, 2001.

To receive this benefit, retirement must occur after meeting the Rule of 85 requirements (minimum age 55) or attaining age 65.

An automatic annual cost-of-living adjustment (COLA) equal to the CPI-W index, with a maximum increase of 2.5% in any one year is provided for current and future retirees. Also provided is a minimum floor benefit equal to 75% of the purchasing power of the original benefit.

Normal Retirement Date (NRD)	First of month coinciding with or next following the attainment of age 65 and one-half year of service.
Service	Length of service includes all service as a school employee for which contributions have been made. This service only includes years for which the member was employed on at least a half-time basis, and includes declared emergency service in the armed forces, provided certain conditions are met. Special provisions allow credit for service prior to 1945 and for up to ten years of service in another State upon payment of the actuarial cost of the additional benefit granted.
Pensionable pay	Gross earnings subject to contributions.

Eligibility for Benefits

Deferred vested	Termination for reasons other than death or disability retirement after completing five years of service.
Disability retirement	Retirement by reason of disability.
Early retirement	Retirement before NRD and on or after both attaining age 60 and completing five years of service, or attaining 35 years of service regardless of age, or attaining age 55 and age plus service equals at least 85 (Rule of 85).
Normal retirement	Retire on NRD.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM**

SUMMARY OF PLAN PROVISIONS

Postponed retirement	Retire after NRD.
Pre-retirement spouse benefit	Death prior to retirement.

Monthly Benefits Paid Upon the Following Events

Normal retirement	Monthly pension benefit determined as of NRD.
Early retirement	Monthly pension benefit determined as of early retirement date, reduced by 3% for each year that commencement of payment precedes age 65 (member must be age 60 with five years of service). Unreduced benefits are available to members who have attained age 55 and whose age plus service is greater than or equal to 85. Benefits payable upon retirement prior to age 60 (based on the 35 year service rule) are actuarially reduced from age 65. The service annuity is a life annuity actuarially reduced before age 65 using 8% interest and the 1994 Group Annuity Mortality Table, 25% male, 75% female.
Postponed retirement	Monthly pension benefit determined as of actual retirement date.
Termination with deferred vested benefit	Monthly pension benefit determined as of termination date, reduced by 3% for each year that commencement of payment precedes age 65 (Early Commencement requires attainment of age 60).
Disability retirement	Monthly pension benefit determined as of disability retirement date.
Death with pre-retirement benefits	Survivor portion of 100% Joint and Survivor Annuity paid to spouse assuming retirement by member at death if the member is age 65 or has 20 years of service at death. If the member has met the 5-year vesting service requirement, has less than 20 years of service and is under age 65, the spouse may choose between the following two options: <ol style="list-style-type: none">(1) a lump sum equal to the member's contributions with interest plus 101% of the member's contributions with interest, and(2) an annuity which equals the survivor portion of the 100% Joint and Survivor value of the member's accrued benefit, payable immediately, reduced for commencement before age 65 and the 100% joint and survivor form of payment.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM**

SUMMARY OF PLAN PROVISIONS

Forms of payment	<p>Pre-retirement death benefits are payable only as described above.</p> <p>Monthly pension benefits are paid under the form of payment elected by the retiree at retirement. Payment forms include: life annuity, five year certain and life annuity, 100% joint and survivor annuity (spouse only), 10-year certain and life annuity, 15-year certain and life annuity, or a modified cash refund annuity. The normal form of payment for the formula annuity is a 5-year certain and life annuity.</p>
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Funding Arrangement

Pursuant to LB 407 enacted in 2002, the School Retirement Fund is created. Balances existing on June 30, 2002 in the School Employers Deposit Account, the School Employees Savings Account, the Service Annuity Account, the Annuity Reserve Account, and the School Employees Retirement System Reserve Fund (RSRF) shall be combined and transferred into the School Retirement Fund.

There are four funds established in the State Treasury, which receive monies and pay the expenses and benefits of the retirement system, as follows:

1. School Retirement Fund – receives required deposits of the employers, the State, and employees. Upon retirement, the fund pays all savings annuities, service annuities, and formula annuities.
2. Contingent Account - receives all interest, dividends, and miscellaneous income, pays all regular interest allocated to the other accounts or funds, and meets any deficiencies occurring in the other accounts or funds.
3. Expense Fund - pays all expenses connected with the operation and administration of the system, and receives annual contributions to cover anticipated expenses.
4. Retired Teachers Supplementary Benefits Fund - pays certain supplemental benefits.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM**

SUMMARY OF PLAN PROVISIONS

State Appropriation

LB 700, passed in 1996, established a separate fund to provide for cost-of-living benefit adjustments to members ceasing employment on or after April 10, 1996. The COLA increases are 0.3% per year, beginning six years after retirement. This benefit is funded by State contributions. Beginning with the 1996/1997 fiscal year, the funding shall be 81.7873% of \$6,895,000 or \$5,639,235 annually, for each year through the 2010/2011 fiscal year.

Benefits Reflected in Valuation

All benefits were valued, including future cost-of-living increases as provided for by LB 674 and LB 711.

Plan Provisions Effective after July 1, 2007

No future changes in plan provisions were recognized in determining the GASB 25 funded status and in determining the actuarial soundness of statutory contribution levels.

Changes in Plan Provisions Since the Prior Year

Per LB 596, a one-time adjustment to the annuities of School and Class V School members so that the current annuity is not less than 85% of the original annuity amount adjusted by the CPI-W. The Statutory member contribution rate will increase to 7.28% as of September 1, 2007. Under existing statutes the rate was scheduled to drop to 7.25% on September 1, 2007.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM**

SUMMARY OF ACTUARIAL METHODS AND PROCEDURES AS OF JULY 1, 2007

A. ACTUARIAL METHODS

- 1. Calculation of Normal Cost and Actuarial Accrued Liability:** The method used to determine the normal cost and actuarial accrued liability was the Entry Age Actuarial Cost Method described below.

Entry Age Actuarial Cost Method

Projected pension and preretirement spouse's death benefits were determined for all active members under age 70. Cost factors for the Formula Annuity are designed to produce annual costs as a constant percentage of each member's expected compensation in each year from the assumed entry age to the assumed retirement age and were applied to the projected benefits to determine the normal cost (the portion of the total cost of the plan allocated to the current year under the method). The normal cost is determined by summing intermediate results for active members under age 70 and determining an average normal cost rate which is then related to the total payroll of active members under age 70. Cost factors for the Omaha Service Annuity are designed to produce annual costs as a level dollar amount. The actuarial assumptions shown in Exhibit 10 were used in determining the projected benefits and cost factors. The actuarial accrued liability for active members (the portion of the total cost of the plan allocated to prior years under the method) was determined as the excess of the actuarial present value of projected benefits over the actuarial present value of future normal costs.

The actuarial accrued liability for retired members and their beneficiaries currently receiving benefits, active members age 70 and over, terminated vested members and disabled members not yet receiving benefits was determined as the actuarial present value of the benefits expected to be paid. No future normal costs are payable for these members.

The actuarial accrued liability under this method at any point in time is the theoretical amount of the fund that would have been accumulated had annual contributions equal to the normal cost been made in prior years (it does not represent the liability for benefits accrued to the valuation date). The unfunded actuarial accrued liability is the excess of the actuarial accrued liability over the actuarial value of plan assets measured on the valuation date. The initial unfunded actuarial accrued liability established July 1, 2004, is amortized with a level dollar payment amount over 25 years. At subsequent valuation dates, amortization bases equal to changes in the unfunded actuarial accrued liability are established and amortized with a level dollar payment over a 25-year period. Beginning July 1, 2006, the unfunded liability was reinitialized as of July 1, 2006 and amortized over a 30-year period. At subsequent valuation dates, amortization bases equal to changes in the unfunded actuarial accrued liability are established and amortized over a level dollar payment over a 30-year period. If the unfunded actuarial accrued liability is \$0 or less on the valuation date, all previous amortization bases are considered fully amortized.

Under this method, experience gains or losses, i.e., decreases or increases in accrued liabilities attributable to deviations in experience from the actuarial assumptions, adjust the unfunded actuarial accrued liability.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM**

SUMMARY OF ACTUARIAL METHODS AND PROCEDURES AS OF JULY 1, 2007

- 2. Calculation of the Actuarial Value of Assets:** The actuarial value of assets is based on a five-year smoothing method and is determined by spreading the effect of each year's investment return in excess of or below the expected return. The Market Value of assets at the valuation date is reduced by the sum of the following:
- (i) 80% of the return to be spread during the first year preceding the valuation date,
 - (ii) 60% of the return to be spread during the second year preceding the valuation date,
 - (iii) 40% of the return to be spread during the third year preceding the valuation date, and
 - (iv) 20% of the return to be spread during the fourth year preceding the valuation date.

The return to be spread is the difference between (1) the actual investment return on Market Value and (2) the expected return on Actuarial Value. The Actuarial Value is determined using the total assets of the System, and is then allocated on a pro-rata basis to each reserve fund and account using Market Value. Effective July 1, 2000, the expected return on Actuarial Value includes interest on the previous year's unrecognized return.

- 3. Calculation of Pension Benefit Obligation:** The method used to determine the Pension Benefit Obligation was the Projected Unit Credit Actuarial Cost Method without service proration. Under this method, the benefit is based on salary projected to assumed termination or retirement and service as of the valuation date.

Changes in Methods and Procedures Since the Prior Year

There have been no changes in the actuarial methods or procedures since the last actuarial valuation as of July 1, 2006.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM**

SUMMARY OF ACTUARIAL METHODS AND PROCEDURES AS OF JULY 1, 2007

B. VALUATION PROCEDURES

No actuarial liability is included for participants who terminated without being vested prior to the valuation date, except those due a refund of contributions.

The compensation amounts used in the projection of benefits and liabilities for active members were prior plan year compensations increased one year with the salary scale. Compensation for new members with under a year of service were annualized by dividing reported salary by the portion of year worked.

In computing accrued benefits, average compensation was determined by applying the salary scale assumption to most recent compensation to construct any missing salary history.

Projected benefits were limited by the dollar limitation required by the Internal Revenue Code Section 415 as it applies to governmental plans and compensation limited by Section 401(a)(17).

Future monthly benefit amounts are not calculated or available for deferred vested members. The benefit liability for deferred vested members was calculated by loading the accumulated member contribution balances for deferred vested members by 127% to estimate the value of deferred benefit payments.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM**

SUMMARY OF ACTUARIAL ASSUMPTIONS AS OF JULY 1, 2007

ECONOMIC ASSUMPTIONS

- 1. Investment Return 8% per annum, compounded annually, net of expenses.
- 2. Inflation 3.5% per annum, compounded annually.
- 3. Salary Increases Rates vary by service.
Sample rates are as follows:

Rates by Service	
Years	Rate
<1	7.46%
1	7.27
5	6.76
10	6.18
15	5.71
20	5.45
25	5.24
30	5.07
35	4.82
40+	4.50

- 4. Interest on Employee Contributions 5.5% per annum, compounded annually.
- 6. Increase on Compensation and Benefit Limits 3.5% per annum on the 401(a)(17) compensation limit and the 415 benefit limit

DEMOGRAPHIC ASSUMPTIONS

- 1. Mortality
 - a. Healthy lives – Active members 1994 Group Annuity Mortality Table, projected to 2010 (65% of male rates for males, 50% of female rates for females)
 - b. Healthy lives – Retired members and beneficiaries 1994 Group Annuity Mortality Table, projected to 2010 (sex distinct)
 - c. Disabled lives 1983 Railroad Retirement Board Disabled Annuity Mortality (unisex)

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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SUMMARY OF ACTUARIAL ASSUMPTIONS AS OF JULY 1, 2007

d. Healthy mortality rates and life expectancies are shown below at sample ages:

Pre-retirement Mortality				
Sample Age	Mortality Rate		Life Expectancy (Years)	
	Males	Females	Males	Females
20	0.02%	0.01%	65.6	71.7
30	0.05	0.02	55.8	61.8
40	0.06	0.03	46.1	51.9
50	0.13	0.05	36.4	42.1
60	0.40	0.20	27.1	32.5
70	1.21	0.63	18.7	23.5

Post-retirement Mortality				
Sample Age	Mortality Rate		Life Expectancy (Years)	
	Males	Females	Males	Females
50	0.19%	0.11%	32.4	35.7
60	0.62	0.41	23.3	26.3
70	1.86	1.27	15.4	17.9
80	5.28	3.52	8.9	10.7
90	14.34	11.08	4.6	5.5

e. Disabled mortality rates and life expectancies are shown below at sample ages:

Disabled Mortality		
Sample Age	Mortality Rate	Life Expectancy (Years)
30	1.06%	30.5
40	1.35	23.6
50	3.16	17.7
60	4.25	13.6
70	6.75	9.6
80	10.77	6.3

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM

SUMMARY OF ACTUARIAL ASSUMPTIONS AS OF JULY 1, 2007

2. Retirement

Rates vary by age and eligibility for benefits.
Rates are as follows:

Retirement Rates When Eligible for Unreduced Benefits		
Age	Male	Female
55	25%	25%
56	20	20
57	20	20
58	20	20
59	20	20
60	25	25
61	25	25
62	30	30
63	25	25
64	25	25
65	30	30
66	25	25
67	20	20
68	20	20
69	20	20
70	100	100

Retirement Rates When Eligible for Reduced Benefits		
Age	Male	Female
60	10%	10%
61	12	12
62	15	15
63	15	15
64	18	18

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM

SUMMARY OF ACTUARIAL ASSUMPTIONS AS OF JULY 1, 2007

3. Termination

Rates vary by service.
Sample rates are as follows:

Rates by Service		
Years	Male	Female
<1	27.5%	31.7%
1	18.7	20.3
5	7.3	8.4
10	4.7	5.6
15	2.8	3.7
20	1.8	2.9
25	2.0	4.0
30	5.5	5.5
35+	10.0	6.5

4. Disability

Rates vary by age.
Sample rates are as follows:

Age	Rate
25	.00%
30	.00
35	.03
40	.03
45	.06
50	.09
55	.13
60	.18

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM**

SUMMARY OF ACTUARIAL ASSUMPTIONS AS OF JULY 1, 2007

OTHER ASSUMPTIONS

- | | |
|---|--|
| 1. Form of Payment | Service annuity - Life annuity
Formula annuity - Five year certain and life annuity. |
| 2. Marital Status | |
| a. Percent married | 85% married |
| b. Spouse's age | Females assumed to be three years younger than males. |
| 3. Administrative Expense | Investment return is assumed to be net of expenses. |
| 4. Commencement age for deferred vested benefit | Age 62. |
| 5. Cost of Living Adjustment | Service annuity – none
Formula annuity – 2.5% per annum, compounded annually, and 3.5% per annum, compounded annually, after reaching 75% purchasing power floor benefit. |

Changes in Assumptions Since the Prior Year

The following changes were made to the actuarial assumptions since the last actuarial valuation performed July 1, 2006:

- Salary increases were converted from age-based to service-based, grading down from 7.5% for less than one year of service to 4.6% at 40 years of service.
- Retirement rates were increased at age 55 and decreased for ages 57 through age 65.
- Withdrawal rates were converted from age-and-service-based to service-based and grade down from 27% (males) and 32% (females) for employees with less than one year of service to 1% (males) and 3% (females) and back up to 10% (males) and 7% (females) at 34 (or more) years of service.
- Existing disability rates were reduced by 50% at each age.
- Pre- and post-retirement mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table with a two-year setback to the 1994 GAM table, projected to 2010.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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GLOSSARY OF TERMS

<i>Actuarial Accrued Liability</i>	Total accumulated cost to fund pension benefits arising from service in all prior years.
<i>Actuarial Cost Method</i>	Technique used to assign or allocate, in a systematic and consistent manner, the expected cost of a pension plan for a group of participants to the years of service that give rise to that cost.
<i>Actuarial Present Value of Future Benefits</i>	Amount which, together with future interest, is expected to be sufficient to pay all future benefits.
<i>Actuarial Valuation</i>	Study of probable amounts of future pension benefits and the necessary amount of contributions to fund those benefits.
<i>Actuary</i>	Person who performs mathematical calculations pertaining to pension and insurance benefits based on specific procedures and assumptions.
<i>Annual Required Contribution</i>	Disclosure measure of annual pension cost.
<i>GASB 25 and GASB 27</i>	Governmental Accounting Standards Board Statement numbers 25 and 27 which specify how the Net Pension Obligation and Annual Required Contribution are to be calculated.
<i>Normal Cost</i>	That portion of the actuarial present value of benefits assigned to a particular year in respect to an individual participant or the plan as a whole.
<i>Unfunded Actuarial Accrued Liability</i>	The portion of the actuarial accrued liability not offset by plan assets.
<i>Vested Benefits</i>	Benefits which are unconditionally guaranteed regardless of employment status.