

***NEBRASKA PUBLIC EMPLOYEES
RETIREMENT SYSTEMS***
**SCHOOL RETIREMENT SYSTEM
2008**

**Fifty-sixth Actuarial Report for
State Fiscal Year Ending June 30, 2010
and
System Plan Year Beginning July 1, 2008**

December 2008

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

buckconsultants 
an ACS company

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM

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LETTER OF CERTIFICATION

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December 9, 2008

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, 2008, 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, 2008.

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.

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 2009/2010 fiscal year, no additional contribution is necessary to meet the actuarially required contribution for the Nebraska School Retirement System, and a contribution of \$772,674 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 2008/2009**

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, 2010;
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, 2007 and ending June 30, 2008.

The 2008 actuarial valuation is based upon the plan provisions as of July 1, 2008, 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 2009/2010 fiscal year to pay the normal cost and amortize any unfunded liabilities for the Nebraska School System. A contribution of \$772,674 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 \$168,562,017 in funding. This is a decrease of \$4,126,702 over last year's liability of \$172,688,719.
2. A gain was experienced on the actuarial value of assets during the 2007/2008 plan year. The annual rate of return on Market Value was (5.8%). The rate of return on Actuarial Value of 9.1% exceeded the 8.0% assumed investment return rate by 1.1%, resulting in an increase to the Actuarial Value by \$69,971,082.
3. The plan experienced a decremental loss over the period, primarily due to more retirements than expected. The actuarial accrued liability increased by \$72,702,319 as a result of decremental experience.
4. 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, 2007 actuarial valuation, the funded percentage on Actuarial Value increased from 97.2% to 97.7%.

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Basic Actuarial Valuation Results

The 2008 actuarial valuation results are based upon the plan provisions as of July 1, 2008 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 7.28% of pay. The School District's funding of liabilities is equal to 101% of the employee contribution rate. The State contributes 0.7% 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 15.64% to 15.46% of pay from the 2007/2008 plan year to the 2008/2009 plan year. A history of required contribution rates is shown below. For fiscal years 1998/1999 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*
2009/2010	15.46%	\$ 0
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

*Excludes funding of Omaha Service Annuity.

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

Based on the 2008 actuarial valuation, the net required contribution rate of 15.03% is less than the actual contribution rate of 15.33%. Therefore, no additional State contributions are required for the 2009/2010 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, 2007	July 1, 2008	Annual Rate of Return
(a) Market value	\$ 7,024,856,413	\$ 6,578,300,402	(5.8%)
(b) Actuarial value, an adjusted value intended to reduce the effect of market fluctuations (Exhibit 1B)	\$ 6,396,336,863	\$ 6,932,918,638	9.1%

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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, 2007	July 1, 2008
(a) Present value of future benefits	\$ 8,427,374,246	\$ 9,010,570,709
(b) Net actuarial value of assets	6,396,336,863	6,932,918,638
(c) Present value of future member contributions	873,530,631	899,534,097
(d) Present value of future employer contributions	882,265,937	908,529,438
(e) Present value of future State contributions	83,874,234	86,493,663
(f) Present value of future PPSF contributions	<u>18,677,862</u>	<u>14,532,856</u>
(g) Actuarial Liability/(Reserve) [(a) - (b) - (c) - (d) - (e) - (f)]	\$ 172,688,719	\$ 168,562,017

**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, 2007	July 1, 2008
(a) Pension Benefit Obligation		
i) retirees, disabled members and beneficiaries receiving benefits and deferred vested members not yet receiving benefits	\$ 3,114,535,345	\$ 3,506,258,919
ii) active members	<u>3,464,995,138</u>	<u>3,590,301,350</u>
iii) total pension benefit obligation	\$ 6,579,530,483	\$ 7,096,560,269
(b) Net assets available for benefits (actuarial value)	<u>6,396,336,863</u>	<u>6,932,918,638</u>
(c) Unfunded Pension Benefit Obligation/(Reserve)	\$ 183,193,620	\$ 163,641,631
(d) Funded percentage on actuarial value of assets [(b) ÷ (a)(iii)]	97.2%	97.7%

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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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, 2007	July 1, 2008
(a) Benefit accrual cost amount	\$ 160,613,173	\$ 163,680,590
(b) Annual compensation before assumed normal retirement age	\$ 1,399,116,274	\$ 1,465,102,720
(c) Benefit accrual cost rate as a level percentage of compensation [(a) ÷ (b)]	11.480%	11.172%

Service Annuity Benefit	July 1, 2007	July 1, 2008
(a) Annual Actuarial Contribution Amount Allocated to the Service Annuity		
(i) NPERS members	\$ 0	\$ 0
(ii) Omaha members	<u>643,494</u>	<u>772,674</u>
(iii) Total	\$ 643,494	\$ 772,674
(b) Number of active members before assumed retirement age		
(i) NPERS members	36,738	37,383
(ii) Omaha members	<u>6,908</u>	<u>6,976</u>
(iii) Total	43,646	44,359
(c) Benefit accrual cost per active member as a level dollar amount		
(i) NPERS members	\$ 67.01	\$ 63.12
(ii) Omaha members	\$ 73.55	\$ 71.14
(iii) Total	\$ 68.04	\$ 64.38

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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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, actuarial assumptions, or plan provisions since the last actuarial valuation as of July 1, 2007.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM**

SYSTEM ASSETS

A. Summary of Assets	Market Value as of June 30, 2007	Market Value as of June 30, 2008
1. Cash and Equivalents	\$ 3,472,567	\$ 2,367,993
2. Investments	7,258,587,065	6,650,082,507
3. Capital Assets	2,617,988	1,591,815
4. Receivables and Prepaids	124,802,810	432,655,235
5. Accounts Payable	(364,624,017)	(508,397,148)
6. Net Assets Considered [1 + 2 + 3 + 4 + 5]	\$ 7,024,856,413	\$ 6,578,300,402

B. Development of Actuarial Value of Assets	Amount
1. Actuarial Value of Assets as of July 1, 2007	\$ 6,396,336,863
2. Unrecognized Return as of July 1, 2007	\$ 628,519,550
3. Contributions	
(a) Member (includes purchased service)	\$ 107,352,709
(b) Employer	105,977,554
(c) State appropriations*	<u>15,832,941</u>
(d) Total [(a) + (b) + (c)]	\$ 229,163,204
4. Benefit Payments (including transfers to Omaha)	\$ 273,432,511
5. Expected Return at 8% on:	
(a) Item 1	\$ 511,706,949
(b) Item 2	50,281,564
(c) Item 3(d)	8,990,184
(d) Item 4	<u>(9,817,133)</u>
(e) Total [(a) + (b) + (c) + (d)]	\$ 561,161,564
6. Actual Return on Market Value for 2007/2008 Plan Year, net of expenses	\$ (402,286,704)
7. Return to be Spread for 2007/2008 Plan Year [6 - 5(e)]	\$ (963,448,268)

* 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, 2008	\$ 6,578,300,402																								
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>2007/2008</td> <td>\$ (963,448,268)</td> <td>80%</td> <td>\$ (770,758,614)</td> </tr> <tr> <td>2006/2007</td> <td>582,348,736</td> <td>60%</td> <td>349,409,242</td> </tr> <tr> <td>2005/2006</td> <td>129,253,827</td> <td>40%</td> <td>51,701,531</td> </tr> <tr> <td>2004/2005</td> <td>75,148,026</td> <td>20%</td> <td>15,029,605</td> </tr> <tr> <td colspan="3">Total</td> <td>\$ (354,618,236)</td> </tr> </tbody> </table>	Plan Year	Return to be Spread	Unrecognized Percent	Unrecognized Return	2007/2008	\$ (963,448,268)	80%	\$ (770,758,614)	2006/2007	582,348,736	60%	349,409,242	2005/2006	129,253,827	40%	51,701,531	2004/2005	75,148,026	20%	15,029,605	Total			\$ (354,618,236)	
Plan Year	Return to be Spread	Unrecognized Percent	Unrecognized Return																							
2007/2008	\$ (963,448,268)	80%	\$ (770,758,614)																							
2006/2007	582,348,736	60%	349,409,242																							
2005/2006	129,253,827	40%	51,701,531																							
2004/2005	75,148,026	20%	15,029,605																							
Total			\$ (354,618,236)																							
10.	Total Actuarial Value of Assets at July 1, 2008 [8 – 9]	\$6,932,918,638																								
11.	Asset Ratios																									
	(a) Actuarial Value to Market Value [10 ÷ 8]	105.4%																								
	(b) Market Value to Actuarial Value [8 ÷ 10]	94.9%																								

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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SYSTEM ASSETS

C. Change in Asset Values During 2007/2008	Actuarial Value	Market Value
1. Total asset value as of July 1, 2007		
(a) Reported last year	\$ 6,396,336,863	\$ 7,024,856,413
(b) Adjustment	N/A	738,097
(c) Reported this year [(a) + (b)]	\$ 6,396,336,863	\$ 7,025,594,510
2. Contributions for 2007/2008		
(a) Member contributions paid during the year	\$ 107,352,709	\$ 107,352,709
(b) Employer contributions paid during the year	105,977,554	105,977,554
(c) State appropriations for the year*	18,716,151	18,716,151
(d) Contributions for 2007/2008 [(a) + (b) + (c)]	\$ 232,046,414	\$ 232,046,414
3. Disbursements for 2007/2008		
(a) Benefit payments**	\$ 273,432,511	\$ 273,432,511
(b) Expenses and fees	18,518,485	18,518,485
(c) Transferred Omaha appropriation	2,883,210	2,883,210
(d) Disbursements for 2007/2008 [(a) + (b) + (c)]	\$ 294,834,206	\$ 294,834,206
4. Investment return for 2007/2008		
(a) Investment income	\$ 180,460,078	\$ 180,460,078
(b) Securities lending income	14,090,008	14,090,008
(c) Securities lending expense	(11,968,791)	(11,968,791)
(d) Net appreciation/(depreciation) in fair value of investments	(567,118,037)	(567,118,037)
(e) Other	30,426	30,426
(f) Unrecognized return including adjustment	983,875,883	N/A
(g) Investment return for 2007/2008 [(a) + (b) + (c) + (d) + (e) + (f)]	\$ 599,369,567	\$ (384,506,316)
5. Total asset value as of July 1, 2008 [1(c) + 2(d) - 3(d) + 4(g)]	\$ 6,932,918,638	\$ 6,578,300,402
6. Approximate rate of investment return, net of expenses	9.1%	(5.8%)

* 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, 2008		
	Nebraska School System Formula Annuity	Omaha Service Annuity	Total
1. Actuarial present value of benefits			
(a) Active members	\$ 5,488,146,110	\$ 16,165,680	\$ 5,504,311,790
(b) Inactive members	395,079,068	1,595,894	396,674,962
(c) Retired members, disabilities and beneficiaries	<u>3,109,583,957</u>	<u>0</u>	<u>3,109,583,957</u>
(d) Total	\$ 8,992,809,135	\$ 17,761,574	\$ 9,010,570,709
2. Present Value of Future Normal Costs	<u>1,353,726,427</u>	<u>2,307,923</u>	<u>1,356,034,350</u>
3. Total Actuarial Accrued Liability [1(d) - 2]	\$ 7,639,082,708	\$ 15,453,651	\$ 7,654,536,359
4. Actuarial Value of Assets	<u>6,920,666,597</u>	<u>12,252,041</u>	<u>6,932,918,638</u>
5. Unfunded Actuarial Accrued Liability [3 - 4]	\$ 718,416,111	\$ 3,201,610	\$ 721,617,721
6. Annual Contribution to Amortize Unfunded Actuarial Accrued Liability Bases (see page 6)			
(a) Amount	\$ 62,606,240	\$ 276,396	\$ 62,882,636
(b) Amount as % of Pay	4.27%	0.02%	4.29%
7. Annual Normal Cost			
(a) Amount	\$ 163,184,312	\$ 496,278	\$ 163,680,590
(b) Amount as % of Pay	11.14%	0.03%	11.17%
8. Total Annual Actuarially Required Contribution			
(a) Amount [6(a) + 7(a)]	\$ 225,790,552	\$ 772,674	\$ 226,563,226
(b) Amount as % of Pay	15.41%	0.05%	15.46%

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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ACTUARIAL CONTRIBUTION REQUIREMENT

B. Development of Additional State Contributions for Nebraska School System Fiscal Year 2009/2010	Annual Amount as a % of Pay
1. Actuarially Required Contribution	
a. Amount	\$ 225,790,552
b. State PPSF appropriation	<u>5,639,235</u>
c. Net amount [(a) - (b)]	\$ 220,151,317
d. Net Amount as % of Pay	15.03%
2. Statutory Contribution Rates	
a. Employee Contribution Rate	7.28%
b. Employer Contribution Rate	7.35%*
c. State Contribution Rate	<u>0.70%</u>
d. Total Contribution Rate [(a) + (b) + (c)]	15.33%
3. Additional Required State Contribution	
a. Additional Required State Contribution Rate [1(d) - 2(d), not less than 0%]	0.00%
b. Additional Required State Contribution Amount	\$ 0

* 101% of employee contribution

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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ACTUARIAL CONTRIBUTION REQUIREMENT

C. Schedule of Amortization Bases	Original Amount	July 1, 2008 Remaining Payments	Date of Last Payment	Outstanding Balance as of July 1, 2008	Annual Contribution
2006 Unfunded Actuarial Accrued Liability Base	\$ 845,226,412	28	07/01/2036	\$ 829,707,157	\$ 72,245,083
2007 Unfunded Actuarial Accrued Liability Base	\$ (163,793,512)	29	07/01/2037	(162,347,636)	(14,000,125)
2008 Unfunded Actuarial Accrued Liability Base	\$ 54,258,200	30	07/01/2038	54,258,200	4,637,678
Total				\$ 721,617,721	\$ 62,882,636

**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, 2007	\$ 7,070,308,583
2.	Benefits accrued during the 2007/2008 plan year	160,613,173
3.	Benefit payments during the 2007/2008 plan year*	273,432,511
4.	Interest at 8%	<u>562,108,487</u>
5.	Expected Actuarial Accrued Liability as of July 1, 2008 [1 + 2 - 3 + 4]	\$ 7,519,597,732
6.	Decremental (Gain)/Loss by Source	
	(a) Retirement	\$ 64,549,855
	(b) Termination	19,206,228
	(c) Disability	1,597,082
	(d) Pre-retirement mortality	753,004
	(e) Post-retirement mortality	6,665,617
	(f) Salary	(23,413,902)
	(g) New entrants / Rehires	27,753,917
	(h) Data changes/miscellaneous	<u>(24,409,482)</u>
	(i) Total decremental (gain)/loss	\$ 72,702,319
7.	Change in Omaha Service Annuity, Methods and Assumptions	<u>62,236,308</u>
8.	Actual Actuarial Accrued Liability as of July 1, 2008 [5 + 6(i) + 7]	\$ 7,654,536,359

* 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, 2007	\$ 6,396,336,863
2. Contributions	\$ 107,352,709
(a) Member	105,977,554
(b) Employer	<u>15,832,941</u>
(c) State appropriation*	\$ 229,163,204
(d) Total	
3. Benefit Payments*	\$ 273,432,511
4. Expected Return at 8% on:	
(a) Item 1	\$ 511,706,949
(b) Item 2(d)	8,990,184
(c) Item 3	<u>9,817,133</u>
(d) Total [(a) + (b) - (c)]	\$ 510,880,000
5. Expected Total Actuarial Value of Assets at June 30, 2008 [1 + 2(d) - 3 + 4(d)]	\$ 6,862,947,556
6. Actual Total Actuarial Value of Assets at June 30, 2008	6,932,918,638
7. Actuarial (Gain)/Loss on Asset Sources [5 - 6]	\$ (69,971,082)
8. Total Actuarial (Gain)/Loss for the 2007/2008 plan year [A(6)(i) + B(7)]	\$ 2,731,237

* Net of transfers to Omaha.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM**

ACTUARIAL BALANCE SHEET

A. Financial Resources	July 1, 2008
1. Total Actuarial Value of Assets	\$ 6,932,918,638
2. Present Value of Future Contributions	
(a) Member	\$ 899,534,097
(b) Employer	908,529,438
(c) State	86,493,663
(d) State PPSF Appropriations	<u>14,532,856</u>
(e) Total	1,909,090,054
3. Actuarial Liability/(Reserve)	<u>168,562,017</u>
4. Total Assets [1 + 2(e) + 3]	\$ 9,010,570,709

B. Benefit Obligations	July 1, 2008
1. Present Value of Future Benefits	
(a) Active members	\$ 5,488,146,110
(b) Inactive members	395,079,068
(c) Retirees, disabilities and beneficiaries	<u>3,109,583,957</u>
(d) Omaha	
(i) active	16,165,680
(ii) deferred vested	623,897
(iii) retired	<u>971,997</u>
(e) Total	\$ <u>17,761,574</u>
	\$ 8,992,809,135
	\$ 9,010,570,709

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM**

ACCOUNTING INFORMATION

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

	July 1, 2007	July 1, 2008
Pension Benefit Obligation (PBO)		
Vested PBO		
(a) members currently receiving payments	\$ 2,721,307,439	\$ 3,109,583,957
(b) other members		
(i) accumulated member contributions	1,467,100,211	1,528,174,403
(ii) employer financed vested	<u>2,290,888,980</u>	<u>2,350,306,859</u>
Total Vested PBO	\$ 6,479,296,630	\$ 6,988,065,219
Nonvested PBO	<u>100,233,853</u>	<u>108,495,050</u>
Total PBO	\$ 6,579,530,483	\$ 7,096,560,269
Total Actuarial Value of Assets	<u>6,396,336,863</u>	<u>6,932,918,638</u>
Unfunded Pension Benefit Obligation (Reserve)	\$ 183,193,620	\$ 163,641,631
Funded Percentage		
(a) on vested PBO	98.7%	99.2%
(b) on total PBO	97.2%	97.7%

B. Change in Pension Benefit Obligation from July 1, 2007 to July 1, 2008

Pension Benefit Obligation at July 1, 2007	\$ 6,579,530,483
Increase/(Decrease) during Period	
Omaha Service Annuity, Method and Assumption Changes	\$ 9,997,048
Benefits Accumulated	188,095,673
Benefits Paid*	(273,432,511)
Interest Cost	531,592,960
Plan Experience	<u>60,776,616</u>
Total Change	\$ 517,029,786
Pension Benefit Obligation at July 1, 2008	\$ 7,096,560,269

* Excludes transfer of Omaha appropriations.

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, 2008 and 2007, 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, 2008	\$ 105,977,554	\$ 15,832,941	\$ 121,810,495	100%
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%

* 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, 2008
Actuarial Cost Method	Entry Age
Amortization Method	Level dollar amount, closed
Equivalent Single Amortization Period	28 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, 2008	\$ 6,932,918,638	\$ 7,654,536,359	\$ 721,617,721	90.6%	\$ 1,389,124,819	51.9%
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%

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM**

SUMMARY OF MEMBER DATA

A. Active Members	July 1, 2007	July 1, 2008
1. Number of Active Members		
(a) Before assumed retirement age	36,738	37,383
(b) Beyond assumed retirement age	<u>414</u>	<u>449</u>
(c) Total	37,152	37,832
2. Annual Considered Compensation*		
(a) Before assumed retirement age	\$ 1,399,116,274	\$ 1,465,102,720
(b) Beyond assumed retirement age	<u>6,550,567</u>	<u>8,327,671</u>
(c) Total	\$ 1,405,666,841	\$ 1,473,430,391
3. Accumulated Contributions	\$ 1,284,132,861	\$ 1,344,729,815
4. Active Member Averages		
(a) Age	46.0	46.1
(b) Service	11.9	11.7
(c) Compensation	\$ 37,836	\$ 38,947
(d) Accumulated Contributions	\$ 34,564	\$ 35,545
B. Inactive Members		
1. Number of inactive members (including Omaha)	18,147	18,995
2. Accumulated member contributions	\$ 182,967,350	\$ 183,444,588
3. Inactive member averages (excluding Omaha)		
(a) Age (vesteds only)	51.9	51.9
(b) Accumulated member contributions	\$ 10,334	\$ 9,909
C. Retired Members and Beneficiaries		
1. Number of members		
(a) System retirees	14,408	15,339
(b) Omaha retirees	0	0
2. Annual benefits - regular		
(a) System retirees	\$ 206,858,052	\$ 234,658,866
(b) Omaha retirees	<u>0</u>	<u>0</u>
(c) Total	\$ 206,858,052	\$ 234,658,866
3. Annual benefits-supplemental		
(a) System retirees	\$ 34,739,289	\$ 40,132,135
(b) Omaha retirees	<u>0</u>	<u>0</u>
(c) Total	\$ 34,739,289	\$ 40,132,135

* Prior year pay is increased by the salary scale for each member. Total prior year compensation for 2007 and 2008 was 1,325,616,322 and 1,389,124,819, respectively.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM**

SUMMARY OF MEMBER DATA

D. Distribution of Retired Members and Beneficiaries as of July 1, 2008

Age Range	Number	Annual Benefit	Average Annual Benefit
59 & Under	1,254	\$ 38,683,857	\$ 30,848
60-64	2,761	71,165,507	25,775
65-69	3,342	63,662,856	19,049
70-74	2,824	44,241,382	15,666
75-79	2,273	29,066,030	12,788
80-84	1,435	17,014,341	11,857
85-89	869	7,786,812	8,961
90 & Over	581	3,170,216	5,456
Total	15,339	\$ 274,791,001	\$ 17,915

E. Member Data Reconciliation

	Active Members	Inactive Members			Total
		With Deferred Benefits	Terminated with Balance	Retired Members and Beneficiaries	
As of July 1, 2007	37,152	5,988	12,159	14,408	69,707
Changes in status					
a) Normal & early retirements	(962)	0	0	962	0
b) Became payable	0	(315)	(7)	322	0
c) Deaths	(27)	(23)	(26)	(394)	(470)
d) Nonvested terminations	(1,344)	0	1,344	0	0
e) Vested terminations	(791)	791	0	0	0
f) Contribution refunds	(625)	(177)	(700)	0	(1,502)
g) Beneficiaries in receipt	0	0	0	118	118
h) Disability retirements	(8)	(7)	0	15	0
i) Return to active service	641	(217)	(424)	0	0
j) Expired benefits	0	0	0	(103)	(103)
k) Data corrections	(3)	81*	(40)	0	38
Total changes in status	(3,119)	133	147	920	(1,919)
New entrants					
a) Without prior service	3,388	1	469	0	3,858
b) With prior service	411	37	61	11	520
Total new members	3,799	38	530	11	4,378
Net change	680	171	677	931	2,459
As of July 1, 2008	37,832	6,159**	12,836	15,339	72,166

* Includes increase of 41 Omaha deferred vested members.

** Includes 483 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, 2008

Age Last Birthday		0-4	5-9	10-14	15-19	20-24	25-29	30-34	Over 34	Total
15-19	Number	37	0	0	0	0	0	0	0	37
	Total Salary	\$ 363,074	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 363,074
	Average Salary	\$ 9,813	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,813
20-24	Number	1,089	5	0	0	0	0	0	0	1,094
	Total Salary	\$ 23,809,104	\$ 137,701	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 23,946,805
	Average Salary	\$ 21,863	\$ 27,540	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 21,889
25-29	Number	2,661	714	2	0	0	0	0	0	3,377
	Total Salary	\$ 81,859,940	\$ 27,946,568	\$ 72,334	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 109,878,842
	Average Salary	\$ 30,763	\$ 39,141	\$ 36,167	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 32,537
30-34	Number	1,276	1,712	510	0	0	0	0	0	3,498
	Total Salary	\$ 32,790,623	\$ 71,599,801	\$ 24,000,346	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 128,390,770
	Average Salary	\$ 25,698	\$ 41,822	\$ 47,060	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 36,704
35-39	Number	1,367	976	1,322	384	0	0	0	1	4,050
	Total Salary	\$ 29,389,438	\$ 36,247,779	\$ 64,258,292	\$ 20,403,702	\$ 0	\$ 0	\$ 0	\$ 69,308	\$ 150,368,519
	Average Salary	\$ 21,499	\$ 37,139	\$ 48,607	\$ 53,135	\$ 0	\$ 0	\$ 0	\$ 69,308	\$ 37,128
40-44	Number	1,439	962	645	1,035	380	1	0	0	4,462
	Total Salary	\$ 27,711,024	\$ 29,956,080	\$ 28,555,709	\$ 54,224,057	\$ 20,330,879	\$ 41,950	\$ 0	\$ 0	\$ 160,819,699
	Average Salary	\$ 19,257	\$ 31,139	\$ 44,272	\$ 52,390	\$ 53,502	\$ 41,950	\$ 0	\$ 0	\$ 36,042
45-49	Number	1,418	1,293	774	715	929	525	3	0	5,657
	Total Salary	\$ 28,348,276	\$ 37,067,633	\$ 27,544,531	\$ 33,358,479	\$ 50,437,049	\$ 29,027,158	\$ 131,595	\$ 0	\$ 205,914,721
	Average Salary	\$ 19,992	\$ 28,668	\$ 35,587	\$ 46,655	\$ 54,292	\$ 55,290	\$ 43,865	\$ 0	\$ 36,400
50-54	Number	960	997	812	782	634	1,017	682	2	5,886
	Total Salary	\$ 19,039,460	\$ 28,627,606	\$ 27,340,658	\$ 31,927,466	\$ 30,767,814	\$ 57,381,007	\$ 40,003,861	\$ 99,164	\$ 235,187,036
	Average Salary	\$ 19,833	\$ 28,714	\$ 33,671	\$ 40,828	\$ 48,530	\$ 56,422	\$ 58,657	\$ 49,582	\$ 39,957
55-59	Number	845	678	670	845	797	678	820	355	5,688
	Total Salary	\$ 18,904,794	\$ 19,123,079	\$ 22,138,319	\$ 33,655,086	\$ 37,474,353	\$ 35,786,302	\$ 49,162,810	\$ 21,940,195	\$ 238,184,938
	Average Salary	\$ 22,373	\$ 28,205	\$ 33,042	\$ 39,829	\$ 47,019	\$ 52,782	\$ 59,955	\$ 61,803	\$ 41,875
60-64	Number	526	401	333	417	437	308	193	275	2,890
	Total Salary	\$ 12,115,135	\$ 11,127,117	\$ 10,594,806	\$ 15,389,740	\$ 18,767,571	\$ 13,978,011	\$ 10,552,832	\$ 16,782,464	\$ 109,307,676
	Average Salary	\$ 23,033	\$ 27,748	\$ 31,816	\$ 36,906	\$ 42,946	\$ 45,383	\$ 54,678	\$ 61,027	\$ 37,823
65-69	Number	406	273	141	116	106	67	45	39	1,193
	Total Salary	\$ 5,295,571	\$ 4,908,534	\$ 3,201,184	\$ 3,418,483	\$ 3,195,629	\$ 2,441,444	\$ 1,827,533	\$ 2,474,361	\$ 26,762,739
	Average Salary	\$ 13,043	\$ 17,980	\$ 22,703	\$ 29,470	\$ 30,147	\$ 36,439	\$ 40,612	\$ 63,445	\$ 22,433
TOTAL	Number	12,024	8,011	5,209	4,294	3,283	2,596	1,743	672	37,832
	Total Salary	\$ 279,626,439	\$ 266,741,898	\$ 207,706,179	\$ 192,377,013	\$ 160,973,295	\$ 138,655,872	\$ 101,678,631	\$ 41,365,492	\$ 1,389,124,819
	Average Salary	\$ 23,256	\$ 33,297	\$ 39,874	\$ 44,801	\$ 49,032	\$ 53,411	\$ 58,335	\$ 61,556	\$ 36,718

Total salary is reported annualized prior year pay.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM**

SUMMARY OF MEMBER DATA

H. Reconciliation of Data Submitted By NPERS and Valuation Data

	Active Members	Inactive Members	Retired Members, Beneficiaries, and Disabled	Total
Number of Data Records Submitted By NPERS	38,646	17,899	15,321	71,866
Additions				
a) 2008 Active	15	0	19	34
b) 2007 Balance Only	1	104	0	105
c) 2007 Deferred Vested	0	25	3	28
d) 2007 Retired	0	0	9	9
e) Omaha	<u>0</u>	<u>483</u>	<u>0</u>	<u>483</u>
Total	16	612	31	659
Subtractions				
a) Also Listed as Deaths	0	0	0	0
b) Also Listed as Inactives or Retirees	(297)	(25)	0	(322)
c) Also Listed as Contribution Refunds	(1)	(4)	0	(5)
d) Benefits Expired	0	0	0	0
e) Not a member	(1)	(2)	(12)	(15)
f) Also Listed as Active	0	(16)	(1)	(17)
g) Assumed Terminated based on Date of Last Contribution	<u>(531)</u>	<u>531</u>	<u>0</u>	<u>0</u>
Total	(830)	484	(13)	(359)
Net change	(814)	1,096	18	300
Number of Members Included in the Valuation as of July 1, 2008	37,832	18,995	15,339	72,166

**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
2009	\$ 23,114,204	\$ 273,124,239	\$ 296,238,443
2010	50,440,201	276,037,908	326,478,109
2011	79,782,456	278,796,732	358,579,188
2012	111,317,532	281,198,599	392,516,131
2013	145,904,696	282,857,415	428,762,111
2014	182,483,388	283,399,481	465,882,869
2015	220,579,270	283,811,253	504,390,523
2016	259,523,743	283,749,897	543,273,640
2017	299,332,905	283,049,319	582,382,224
2018	340,476,360	281,681,780	622,158,140
2019	382,621,368	279,882,504	662,503,872
2020	425,403,426	277,427,406	702,830,832
2021	468,626,199	274,180,360	742,806,559
2022	512,590,464	270,058,081	782,648,545
2023	556,961,014	264,918,715	821,879,729
2024	601,556,803	259,759,121	861,315,924
2025	645,794,904	254,171,374	899,966,278
2026	690,431,003	247,762,945	938,193,948
2027	735,108,648	240,560,240	975,668,888
2028	779,176,471	232,544,744	1,011,721,215
2029	823,334,600	223,808,180	1,047,142,780
2030	867,982,188	214,271,265	1,082,253,453
2031	911,782,571	204,091,069	1,115,873,640
2032	955,017,597	193,275,745	1,148,293,342
2033	997,751,440	182,101,624	1,179,853,064
2034	1,037,295,691	170,634,403	1,207,930,094
2035	1,073,414,177	158,685,123	1,232,099,300
2036	1,107,994,812	146,727,120	1,254,721,932
2037	1,140,760,850	134,511,963	1,275,272,813
2038	1,169,987,927	122,199,985	1,292,187,912

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	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	Pre-retirement death benefits are payable only as described above. 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.
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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 five 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.
5. Omaha Service Annuity Fund – pays service annuity benefits to Omaha members.

**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, 2008

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

There have been no changes in plan provisions since the last actuarial valuation as of July 1, 2007, except for revisions to the Service Annuity under LB 1147 enacted in 2008. The service annuity is payable on an unreduced basis for members who are disabled or retire with at least 35 years of service who were hired before July 19, 1996.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM**

SUMMARY OF ACTUARIAL METHODS AND PROCEDURES AS OF JULY 1, 2008

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 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 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. 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, 2008

- 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.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM**

SUMMARY OF ACTUARIAL METHODS AND PROCEDURES AS OF JULY 1, 2008

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 determined from the prior plan year compensation 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. Actual historical compensation is not included in our calculations.

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

Projected benefits were not limited by the dollar limitation required by the Internal Revenue Code Section 415 as it applies to governmental plans. Compensation was 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 130% to estimate the value of deferred benefit payments.

Changes in Methods and Procedures Since the Prior Year

The compensation amounts used in the projection of benefits and liabilities for active members are now determined only from the prior plan year compensation. Actual historical compensation is no longer included for calculations.

Projected benefits were not limited by the dollar limitation required by the Internal Revenue Code Section 415.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM**

SUMMARY OF ACTUARIAL ASSUMPTIONS AS OF JULY 1, 2008

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+	4.55

- | | |
|---------------------------------------|---|
| 4. Interest on Employee Contributions | 5.5% per annum, compounded annually. |
| 5. Increase on Compensation | 3.5% per annum on the 401(a)(17) compensation limit |

DEMOGRAPHIC ASSUMPTIONS

- | | |
|--|---|
| 1. Mortality | |
| a. Healthy lives – Active members | 1994 Group Annuity Mortality Table, projected to 2010 using scale AA (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 using scale AA (sex distinct) |
| c. Disabled lives | 1983 Railroad Retirement Board Disabled Annuity Mortality (unisex) |

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM**

SUMMARY OF ACTUARIAL ASSUMPTIONS AS OF JULY 1, 2008

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, 2008

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, 2008

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, 2008

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

No changes were made to the actuarial assumptions since the last actuarial valuation performed July 1, 2007.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM**

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.