

***NEBRASKA PUBLIC EMPLOYEES
RETIREMENT SYSTEMS***
STATE PATROL RETIREMENT SYSTEM
2002

Forty-seventh Actuarial Report for
State Fiscal Year Ending June 30, 2004
and
System Plan Year Beginning July 1, 2002

December 2002

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NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
STATE PATROL SYSTEM

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June 13, 2008

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

**Certification of Actuarial Valuation
State Patrol Retirement System**

Ladies and Gentlemen:

This report summarizes the results of the actuarial valuation of the State Patrol Retirement System as of July 1, 2002 performed by Buck Consultants, Inc.

The actuarial valuation is based on unaudited financial and member data provided to us by the Nebraska Public Employees Retirement System as summarized in this report. The benefits considered are those delineated in Nebraska State Statutes, effective as amended July 1, 2002.

All costs, liabilities and other factors under the plan were determined in accordance with generally accepted actuarial principles and procedures, including the use of the Entry Age Actuarial Cost Method as defined in LB 407, effective July 1, 2002. This report fully and fairly discloses the actuarial position of the plan.

An actuarial experience analysis was completed in parallel with the July 1, 2002, valuation. A number of revised actuarial assumptions regarding salary increases, mortality, and expected number of retirements, terminations and disabilities were implemented for the July 1, 2002, valuation as directed by the Nebraska Public Employees Retirement Board. 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, the State Patrol Retirement System is actuarially sound. Annual funding required from the State as defined under statute for current plan members is equal to the member contributions and appropriations, plus an additional payment necessary to meet the actuarially required contribution. For the 2003 - 2004 fiscal year, the State's additional payment requirement is \$0.

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.

Respectively submitted,

BUCK CONSULTANTS, INC.

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

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Senior Consultant, Actuary

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
STATE PATROL SYSTEM

**SUMMARY OF ACTUARIAL REPORT FOR CONTRIBUTION REQUIREMENTS AND
FUNDED STATUS FOR PLAN YEAR 2002/2003**

The main purposes of this report are:

1. To determine the level of State contributions for the fiscal year ending June 30, 2004 sufficient to meet the funding policy defined under Nebraska State statutes;
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, 2001 and ending June 30, 2002.

The 2002 actuarial valuation is based upon the plan provisions as of July 1, 2002, as described in Exhibit 8. The actuarial methods and assumptions are described in Exhibit 9 and 10.

Highlights from the current valuation:

1. Under Legislative Bill 407, the Frozen Entry Age Actuarial Cost Method was replaced by the Entry Age Actuarial Cost Method.
2. No additional State contribution is required for the 2003-2004 fiscal year to meet the actuarially required contribution. Expected member contributions and State contributions exceed the total funding requirement. The system reserve has decreased from \$21,088,150 as of July 1, 2001 to \$9,245,140 as of July 1, 2002.
3. An actuarial experience analysis was completed in parallel with the July 1, 2002 actuarial valuation. Under direction of the Nebraska Public Employees Retirement Board, revised assumptions affecting salary increases, mortality and expected rates of retirement, termination and disability were adopted effective July 1, 2002. These changes in assumptions increased the unfunded actuarial accrued liability by \$3,020,194.
4. A loss was experienced on the Actuarial Value of Assets during the 2001/2002 plan year. The annual rate of return on Market Value was -6.1%. The rate of return on Actuarial Value of 4.8% fell short of the 8% assumed investment return rate by 3.2%, resulting in an increase to the unfunded actuarial accrued liability of \$6,651,187.
5. The plan experienced a decremental loss in the actuarial accrued liability since the July 1, 2001 actuarial valuation, primarily due to higher than expected salary increases during the year. The unfunded actuarial accrued liability increased by \$2,948,373 as a result of decremental experience.
6. The funded status of the system as measured by the ratio of the system assets over the Pension Benefit Obligation (PBO) decreased. 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, 2001 actuarial valuation, the funded percentage on Actuarial Value decreased from 112.5% to 106.8%. This decrease was primarily due to salary and asset losses.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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Basic Actuarial Valuation Results

The 2002 actuarial valuation results are based upon the plan provisions as of July 1, 2002 as described in Exhibit 8. The actuarial methods and assumptions are described in detail in Exhibits 9 and 10, respectively.

1. State Contribution

The State's funding policy is to match the 11% of pay contributions paid by members, pay required appropriations through the 2010-2011 Fiscal Year, and make additional payments if necessary, to meet the actuarially required contribution. The 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 25 years.

Total expected State funding for 2002-2003 plan year is \$2,290,246. Member contributions and matching State contributions and appropriations are expected to exceed the total actuarially required funding.

Assets continue to exceed the actuarial accrued liability as of the valuation date. As a result, the unfunded actuarial accrued liability is less than \$0. No additional payment is required for the 2002-2003 plan year.

History of Expected State Contributions			
Plan Year	State Contribution*	Additional Contributions	Total
2002-2003	\$ 2,290,246	\$ 0	\$ 2,290,246
2001-2002	2,257,610	0	2,257,610
2000-2001	1,958,304	0	1,958,304
1999-2000	2,298,256**	0	2,298,256**
1998-1999	1,753,478	0	1,753,478
1997-1998	1,714,946	0	1,714,946
1996-1997	1,728,778	0	1,728,778
1995-1996	1,340,120	0	1,340,120
1994-1995	1,021,870	125,897	1,147,767
1993-1994	1,063,484	0	1,063,484

* Includes State Appropriations.

** Includes accrued State contributions of \$436,759.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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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, 2001	July 1, 2002	Annual Rate of Return
(a) Market value	\$ 194,547,235	\$ 179,067,600	-6.1%
(b) Actuarial value, an adjusted value intended to reduce the effect of market fluctuations (See Exhibit 1B)	\$ 208,372,640	\$ 214,527,994	4.8%

3. Actuarial Liability/(Reserve)

The actuarial liability of the system 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, (ii) the present value of future member and matching State contributions, and (iii) the present value of future State 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, 2001	July 1, 2002
(a) Present value of future benefits	\$ 227,496,005	\$ 244,764,437
(b) Actuarial value of assets	208,372,640	214,527,994
(c) Present value of future member contributions	19,400,461	19,084,181
(d) Present value of matching State contributions	19,400,461	19,084,181
(e) Present value of future State appropriations	<u>1,410,593</u>	<u>1,313,221</u>
(f) Actuarial Liability/(Reserve) (a-b-c-d-e)	\$ (21,088,150)	\$ (9,245,140)

**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, 2001	July 1, 2002
(a) Pension Benefit Obligation		
i) retirees, disabled members and beneficiaries receiving benefits and deferred vested members not yet receiving benefits	\$ 109,153,432	\$ 115,152,700
ii) active members	<u>76,117,162</u>	<u>85,757,455</u>
iii) total pension benefit obligation	\$ 185,270,594	\$ 200,910,155
(b) Assets available for benefit (actuarial value)	<u>208,372,640</u>	<u>214,527,994</u>
(c) Unfunded Pension Benefit Obligation/(Reserve)	\$ (23,102,046)	\$ (13,617,839)
(d) Funded percentage on actuarial value of assets: (b) ÷ (a)(iii)	112.5%	106.8%

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. 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:

	July 1, 2001	July 1, 2002
(a) Benefit accrual cost amount:	\$ 4,456,714	\$ 5,159,053
(b) Annual compensation:	\$ 16,727,477	\$ 18,846,776
(c) Benefit accrual cost rate (a) ÷ (b):	26.643%	27.374%

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 contribution developed in this report is an estimate of the amount 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 is the Entry Age Actuarial Cost Method.

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.

A summary of the actuarial methods and assumptions used in the current valuation is presented in Exhibits 9 and 10, respectively.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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8. Changes Since the Last Actuarial Valuation

There have been changes in the actuarial cost method and assumptions since the last actuarial valuation as of July 1, 2001. The following is a summary of these changes that have been adopted, effective July 1, 2002:

- The actuarial cost method has been changed to the Entry Age Actuarial Cost Method.
- Salary increase assumptions have been increased at earlier ages grading down to 4.5% at age 55.
- Retirement rates have been increased at ages 50-56 and decreased at ages 57-59.
- Healthy mortality has been improved, using 1994 Group Annuity Mortality.
- Withdrawal rates have been increased to 3% at all ages.
- Disability rates have been reduced by 50% at each age.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
STATE PATROL SYSTEM**

SYSTEM ASSETS

A. Summary of Assets	Market Value as of June 30, 2001	Market Value as of June 30, 2002
1. Cash and Equivalents	\$ 149,463	\$ 43,872
2. Investments	193,280,406	185,230,319
3. Receivables and Prepays	1,118,037	(6,206,591)
4. Accounts Payable	(671)	0
5. Net Assets Available for Pension Benefits Considered	\$ 194,547,235	\$ 179,067,600

B. Development of Actuarial Value of Assets	Amount
1. Actuarial Value of Assets as of July 1, 2001	\$ 208,372,640
2. Unrecognized Return as of July 1, 2001	(13,825,405)
3. Contributions	
(a) Member	\$ 2,082,925
(b) State	2,082,925
(c) State appropriation	<u>345,100</u>
(d) Total	\$ 4,510,950
4. Distributions	
(a) Benefit payments	\$ 8,254,812
(b) Other	<u>0</u>
(c) Total	\$ 8,254,812
5. Expected Return at 8% on:	
(a) Item 1	\$ 16,669,810
(b) Item 2	(1,106,032)
(c) Item 3 (d)	176,967
(d) Item 4 (c)	<u>296,375</u>
(e) Total (a) + (b) + (c) - (d)	\$ 15,444,370
6. Actual Return on Market Value for Plan Year, Net of Expenses	\$ (11,735,773)
7. Return to be Spread for Plan Year [6-5(e)]	\$ (27,180,143)

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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SYSTEM ASSETS

B. Development of Actuarial Value of Assets		Amount																								
8. Total Market Value of Assets as of July 1, 2002		\$ 179,067,600																								
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>2001/2002</td> <td>\$ (27,180,143)</td> <td>80%</td> <td>\$ (21,744,114)</td> </tr> <tr> <td>2000/2001</td> <td>(25,103,018)</td> <td>60%</td> <td>(15,061,811)</td> </tr> <tr> <td>1999/2000</td> <td>546,128</td> <td>40%</td> <td>218,451</td> </tr> <tr> <td>1998/1999</td> <td>5,635,401</td> <td>20%</td> <td>1,127,080</td> </tr> <tr> <td colspan="3">Total</td> <td>\$ (35,460,394)</td> </tr> </tbody> </table>			Plan Year	Return to be Spread	Unrecognized Percent	Unrecognized Return	2001/2002	\$ (27,180,143)	80%	\$ (21,744,114)	2000/2001	(25,103,018)	60%	(15,061,811)	1999/2000	546,128	40%	218,451	1998/1999	5,635,401	20%	1,127,080	Total			\$ (35,460,394)
Plan Year	Return to be Spread	Unrecognized Percent	Unrecognized Return																							
2001/2002	\$ (27,180,143)	80%	\$ (21,744,114)																							
2000/2001	(25,103,018)	60%	(15,061,811)																							
1999/2000	546,128	40%	218,451																							
1998/1999	5,635,401	20%	1,127,080																							
Total			\$ (35,460,394)																							
10. Total Actuarial Value of Assets at July 1, 2002 (8-9)		\$ 214,527,994																								
11. Ratio of total actuarial value to market value (10÷8)		119.8%																								

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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SYSTEM ASSETS

C. Change in Asset Values During 2001/2002	Actuarial Value	Market Value
1. Asset value as of July 1, 2001	\$ 208,372,640	\$ 194,547,235
2. Contributions for 2001/2002:		
(a) Member contributions paid during the year	\$ 2,082,925	\$ 2,082,925
(b) State contributions paid	2,082,925	2,082,925
(c) State PPSF appropriation for the year	<u>345,100</u>	<u>345,100</u>
(d) Contributions for 2001/2002: (a) + (b) + (c)	\$ 4,510,950	\$ 4,510,950
3. Disbursements for 2001/2002:		
(a) Benefit payments	\$ 8,254,812	\$ 8,254,812
(b) Expenses and fees	413,853	413,853
(c) Other	<u>0</u>	<u>0</u>
(d) Disbursements for 2001/2002: (a) + (b) + (c)	\$ 8,668,665	\$ 8,668,665
4. Investment return for 2001/2002:	\$ 10,313,069	\$ (11,321,920)
5. Asset value as of July 1, 2002: [1 + 2(d) - 3(d) + 4]	\$ 214,527,994	\$ 179,067,600
6. Approximate rate of investment return, net of expenses	4.8%	(6.1%)

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
STATE PATROL SYSTEM**

ACTUARIAL CONTRIBUTION REQUIREMENT

A. Development of Actuarially Required Funding Rate	July 1, 2002
1. Actuarial present value of benefits	
(a) Active members	\$ 129,611,737
(b) Inactive members	305,684
(c) Retired members, disabilities and beneficiaries	<u>114,847,016</u>
(d) Total	\$ 244,764,437
2. Present Value of Future Normal Costs	<u>47,149,346</u>
3. Total Actuarial Accrued Liability [1(d) - 2]	\$ 197,615,091
4. Actuarial Value of Assets	<u>214,527,994</u>
5. Unfunded Actuarial Accrued Liability/(Reserve) [3-4]	\$ (16,912,903)
6. 25-Year Amortization of the Unfunded Actuarial Accrued Liability/(Reserve)	
(a) Amount	\$ (1,524,570)
(b) Amount as % of Pay	(8.09%)
7. Normal Cost	
(a) Amount	\$ 5,159,053
(b) Amount as % of Pay	27.37%
8. Total Actuarially Required Contribution	
(a) Amount	\$ 3,634,483
(b) Amount as % of Pay	19.28%

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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ACTUARIAL CONTRIBUTION REQUIREMENT

B. Development of Additional State Contributions for 2003/2004		Annual Amount as a % of Pay
1.	Actuarially Required Contribution	
	(a) Total Contribution Amount	\$ 3,634,483
	(b) State PPSF Appropriation	210,220
	(c) Net Contribution Amount	\$ 3,424,263
	(d) Net Amount as % of Pay	18.17%
2.	Statutory Contribution Rates	
	(a) Employee Contribution Rate	11.00%
	(b) Employer Contribution Rate	11.00%
	(c) Total Employee/Employer Contribution Rate 2(a) + 2(b)	22.00%
3.	Additional Required State Contribution	
	(a) Additional Required State Contribution Rate [1(c)-2(c), not less than 0.00%]	0.00%
	(b) Additional Required State Contribution Amount	\$ 0

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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ACTUARIAL CONTRIBUTION REQUIREMENT

C. Schedule of State Amortization Bases	July 1, 2002 Remaining Payments	Date of Last Payment	Outstanding Balance as of July 1, 2002	Annual Contribution
1. 2002 Initial Unfunded Actuarial Accrued Liability base	25	07/01/2027	\$ (16,912,903)	\$ (1,524,570)
Total			\$ (16,912,903)	\$ (1,524,570)

**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, 2001*	\$ 181,079,776
2.	Benefits accrued during the 2001/2002 plan year	4,288,475
3.	Benefit payments during the 2001/2002 plan year	8,254,812
4.	Interest at 8%	<u>14,533,085</u>
5.	Expected Actuarial Accrued Liability as of July 1, 2002 (1 + 2 - 3 + 4)	\$ 191,646,524
6.	Decremental (Gain)/Loss by Source	
	(a) Retirement	\$ 784,598
	(b) Termination	(20,709)
	(c) Disability	(50,078)
	(d) Pre-retirement mortality	(230,713)
	(e) Post-retirement mortality	173,300
	(f) Salary	4,179,548
	(g) New Entrants	40,989
	(h) Data changes/miscellaneous	71,776
	(i) Retiree COLA	<u>(2,000,338)</u>
	(j) Total decremental (gain)/loss	\$ 2,948,373
7.	Change in Actuarial Assumptions	\$ 3,020,194
8.	Change in Plan Provisions	<u>0</u>
9.	Actual Actuarial Accrued Liability as of July 1, 2002 [5 + 6(i) + 7 + 8]	\$ 197,615,091
B. Change in Actuarial Value of Assets		
1.	Expected Actuarial Value of Assets as of July 1, 2002	\$ 221,179,181
2.	Actual Actuarial Value of Assets as of July 1, 2002	<u>214,527,994</u>
3.	Actuarial (Gain)/Loss from Asset Sources (1 - 2)	\$ 6,651,187
C. Total Actuarial (Gain)/Loss for the 2001/2002 plan year [A(6)(j)+B(3)]		\$ 9,599,560

*Determined under the Entry Age Actuarial Cost Method.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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ACTUARIAL BALANCE SHEET

A. Financial Resources	July 1, 2002
1. Actuarial Value of Assets	\$ 214,527,994
2. Present Value of Future Contributions	
(a) Member	\$ 19,084,181
(b) Employer	19,084,181
(c) State PPSF Appropriations	<u>1,313,221</u>
(d) Total	39,481,583
3. Actuarial Liability/(Reserve)	(9,245,140)
4. Total Assets [1 + 2(d) + 3]	\$ 244,764,437

B. Benefit Obligations	July 1, 2002
1. Present Value of Future Benefits	
(a) Active members	\$ 129,611,737
(b) Inactive members	305,684
(c) Retirees, disabilities and beneficiaries	<u>114,847,016</u>
(d) Total	\$ 244,764,437

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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ACCOUNTING INFORMATION

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

	July 1, 2001	July 1, 2002
Pension Benefit Obligation (PBO):		
Vested PBO		
(a) members currently receiving payments	\$ 108,936,849	\$ 114,847,016
(b) other members		
i) accumulated member contributions	22,728,733	24,213,179
ii) employer financed vested	<u>41,223,198</u>	<u>49,049,575</u>
Total Vested PBO	\$ 172,888,780	\$ 188,109,770
Nonvested PBO	<u>12,381,814</u>	<u>12,800,385</u>
Total PBO	\$ 185,270,594	\$ 200,910,155
Actuarial Value of Assets	<u>208,372,640</u>	<u>214,527,994</u>
Unfunded Pension Benefit Obligation (Reserve)	\$ (23,102,046)	\$ (13,617,839)
Funded Percentage		
(a) on vested PBO	120.5%	114.0%
(b) on total PBO	112.5%	106.8%

B. Change in Pension Benefit Obligation from July 1, 2001 to July 1, 2002.

Pension Benefit Obligation at July 1, 2001	\$ 185,270,594
Increase/(Decrease) during Period:	
Plan Provision Changes	\$ 0
Assumption Changes	1,913,590
Benefits Accumulated	4,081,928
Benefits Paid	(8,254,812)
Interest Cost	14,851,827
Plan Experience	<u>3,047,028</u>
Total Change	\$ 15,639,561
Pension Benefit Obligation at July 1, 2002	\$ 200,910,155

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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ACCOUNTING INFORMATION

Exhibit 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, 2002 and 2001, respectively, including the changes provided in LB 711, as outlined in Exhibit 8. The determination of the Pension Benefit Obligation has been made in accordance with generally accepted actuarial principles and practices.

C. Schedule of Employer Contributions - Disclosure Requirements Under GASB No. 25

Plan Year Ending	Annual Required Contributions*	Percentage Contributed
June 30, 2002	\$ 2,428,025	100%
June 30, 2001	2,257,610	100%
June 30, 2000	2,203,735	100%
June 30, 1999	2,190,237**	100%
June 30, 1998	1,714,946	100%
June 30, 1997	1,728,778	100%
June 30, 1996	1,340,120	100%
June 30, 1995	1,147,767	100%
June 30, 1994	1,063,484	100%

* Includes State Appropriations beginning with the plan year ending June 30, 1997 and matching State contributions.

** Includes accrued State contributions of \$436,759.

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

Valuation Date	June 30, 2002
Actuarial Cost Method	Entry Age
Amortization Method	Level dollar amount, closed
Amortization period	25 years
Asset Valuation Method	5 year smoothing
Actuarial Assumptions:	
Investment rate of return*	8.0%
Projected salary increases*	4.5% - 12.0%
*Includes inflation at	3.5%
Cost-of-living adjustment	2.5% with a floor benefit equal to 60% purchasing power of original benefit

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
STATE PATROL 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, 2002	\$ 214,527,994	\$ 197,615,091	\$ (16,912,903)	108.6%	\$ 18,846,776	(89.7)%
June 30, 2001	208,372,640	187,284,490	(21,088,150)	111.3	16,727,477	(126.1)
June 30, 2000	193,019,673	169,545,801	(23,473,872)	113.8	15,789,104	(148.7)
June 30, 1999	171,124,224	162,222,559	(8,901,665)	105.5	14,986,973	(59.4)
June 30, 1998	150,958,315	108,660,934	(42,297,381)	138.9	13,995,091	(302.2)
June 30, 1997	134,721,462	100,796,787	(33,924,675)	133.7	13,768,486	(246.4)

NOTE: The Actuarial Cost Method was changed from Frozen Entry Age to Entry Age as of June 30, 2002, per LB407.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
STATE PATROL SYSTEM

SUMMARY OF MEMBER DATA

A. Active Members	July 1, 2001	July 1, 2002
1. Number of active members		
(a) Before assumed retirement age	403	415
(b) Beyond assumed retirement age	<u>0</u>	<u>0</u>
(c) Total	403	415
2. Annual considered compensation		
(a) Before assumed retirement age	\$ 16,727,477	\$ 18,846,776
(b) Beyond assumed retirement age	<u>0</u>	<u>0</u>
(c) Total	\$ 16,727,477	\$ 18,846,776
3. Accumulated contributions	\$ 22,512,150	\$ 23,907,495
4. Active member averages		
(a) Age	38.4	38.5
(b) Service	12.3	12.4
(c) Compensation	\$ 41,507	\$ 45,414
(d) Accumulated contributions	\$ 55,861	\$ 57,608
B. Inactive Members		
1. Number of inactive members	6	11
2. Accumulated member contributions	\$ 216,583	\$ 305,684
3. Inactive member averages		
(a) Age	\$ 45.8	\$ 41.2
(b) Accumulated member contributions	\$ 36,097	\$ 27,789
C. Retired and Disabled Members and Beneficiaries		
1. Number of members		
(a) Retired	228	234
(b) Disabled	4	4
(c) Beneficiaries	<u>42</u>	<u>42</u>
(d) Total	274	280
2. Annual benefits		
(a) Retired	\$ 7,267,673	\$ 7,629,602
(b) Disabled	105,632	106,501
(c) Beneficiaries	<u>687,127</u>	<u>724,197</u>
(d) Total	\$ 8,060,432	\$ 8,460,300

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
STATE PATROL SYSTEM**

SUMMARY OF MEMBER DATA

D. Distribution of Retired and Disabled Members and Beneficiaries as of July 1, 2002

Age Range	Number	Annual Benefit	Average Annual Benefit
59 & Under	106	\$ 3,909,100	\$ 36,878
60-64	49	1,560,086	31,838
65-69	45	1,199,204	26,649
70-74	27	614,491	22,759
75-79	37	821,647	22,207
80-84	13	305,625	23,510
85-89	1	20,534	20,534
90 & Over	2	29,613	14,807
Total	280	\$ 8,460,300	\$ 30,215

E. Member Data Reconciliation

	Active Members	Inactive Members				Total
		With Deferred Benefits	Terminated With Balance	Retired Members and Beneficiaries	Disabled Members	
As of July 1, 2001	403	4	2	270	4	683
Changes in status						
a) Normal & early retirements	(8)	0	0	8	0	0
b) Became payable	0	(1)	0	1	0	0
c) Deaths	(1)	0	0	(5)	0	(6)
d) Nonvested terminations	0	0	0	0	0	0
e) Vested terminations	(3)	3	0	0	0	0
f) Contribution refund	0	0	0	0	0	0
g) Beneficiaries in receipt	0	0	0	2	0	2
h) Disability retirements	0	0	0	0	0	0
i) Return to active service	1	0	(1)	0	0	0
j) Expired or forfeited benefits	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total changes in status	(11)	2	(1)	6	0	(4)
New entrants / Data Changes						
a) Without prior service	23	0	0	0	0	23
b) With prior service	<u>0</u>	<u>0</u>	<u>4</u>	<u>0</u>	<u>0</u>	<u>4</u>
Total new members	23	0	4	0	0	27
Net change	12	2	3	6	0	23
As of July 1, 2002	415	6	5	276	4	706

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
STATE PATROL SYSTEM**

SUMMARY OF MEMBER DATA

F. Reconciliation Between Data Submitted by NPERS and Valuation Data

	Active Members	Inactive Members	Retired Members, beneficiaries, and Disabled	Total
Number of Data Records Submitted by NPERS	416	11	278	705
Additions				
a) New Alternate Payees	<u>0</u>	<u>0</u>	<u>2</u>	<u>2</u>
Total Additions	0	0	2	2
Subtractions				
a) Also Listed as Retired	0	0	0	0
b) Also Listed as Contribution Refund	<u>(1)</u>	<u>0</u>	<u>0</u>	<u>(1)</u>
Total Subtractions	(1)	0	0	(1)
Net change	(1)	0	2	1
Number of Members Included in the Valuation as of July 1, 2002	415	11	280	706

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
STATE PATROL SYSTEM

SUMMARY OF MEMBER DATA

F. Age and Service Distribution of Active Members as of July 1, 2002

Age Last Birthday		0-4	5-9	10-14	15-19	20-24	25-29	30-34	Over 34	Total
20-24	Number	12	0	0	0	0	0	0	0	12
	Total Salary	\$ 402,283	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 402,283
	Average Sal.	\$ 33,524	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 33,524
25-29	Number	59	4	0	0	0	0	0	0	63
	Total Salary	\$ 2,130,194	\$ 151,934	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,282,128
	Average Sal.	\$ 36,105	\$ 37,984	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 36,224
30-34	Number	37	32	16	0	0	0	0	0	85
	Total Salary	\$ 1,347,892	\$ 1,349,985	\$ 745,720	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,443,597
	Average Sal.	\$ 36,430	\$ 42,187	\$ 46,608	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 40,513
35-39	Number	9	14	42	10	0	0	0	0	75
	Total Salary	\$ 330,415	\$ 595,297	\$ 2,052,553	\$ 479,743	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,458,008
	Average Sal.	\$ 36,713	\$ 42,521	\$ 48,870	\$ 47,974	\$ 0	\$ 0	\$ 0	\$ 0	\$ 46,107
40-44	Number	6	1	21	23	23	0	0	0	74
	Total Salary	\$ 256,838	\$ 51,947	\$ 945,708	\$ 1,159,994	\$ 1,190,973	\$ 0	\$ 0	\$ 0	\$ 3,605,460
	Average Sal.	\$ 42,806	\$ 51,947	\$ 45,034	\$ 50,435	\$ 51,781	\$ 0	\$ 0	\$ 0	\$ 48,722
45-49	Number	2	2	5	9	36	25	0	0	79
	Total Salary	\$ 77,268	\$ 84,936	\$ 233,389	\$ 422,105	\$ 1,931,113	\$ 1,454,340	\$ 0	\$ 0	\$ 4,203,151
	Average Sal.	\$ 38,634	\$ 42,468	\$ 46,678	\$ 46,901	\$ 53,642	\$ 58,174	\$ 0	\$ 0	\$ 53,204
50-54	Number	0	1	2	3	6	8	4	0	24
	Total Salary	\$ 0	\$ 42,743	\$ 96,240	\$ 136,321	\$ 301,643	\$ 426,996	\$ 291,331	\$ 0	\$ 1,295,274
	Average Sal.	\$ 0	\$ 42,743	\$ 48,120	\$ 45,440	\$ 50,274	\$ 53,375	\$ 72,833	\$ 0	\$ 53,970
55 & Up	Number	0	0	0	0	1	2	0	0	3
	Total Salary	\$ 0	\$ 0	\$ 0	\$ 0	\$ 48,025	\$ 108,850	\$ 0	\$ 0	\$ 156,875
	Average Sal.	\$ 0	\$ 0	\$ 0	\$ 0	\$ 48,025	\$ 54,425	\$ 0	\$ 0	\$ 52,292
TOTAL	Number	125	54	86	45	66	35	4	0	415
	Total Salary	\$ 4,544,890	\$ 2,276,842	\$ 4,073,610	\$ 2,198,163	\$ 3,471,754	\$ 1,990,186	\$ 291,331	\$ 0	\$ 18,846,776
	Average Sal.	\$ 36,359	\$ 42,164	\$ 47,368	\$ 48,848	\$ 52,602	\$ 56,862	\$ 72,833	\$ 0	\$ 45,414

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
STATE PATROL SYSTEM

FORECAST OF EXPECTED DISBURSEMENTS

Plan Year Ending June 30	Active Employees	Retired and Disabled Members and Beneficiaries	Total
2003	\$ 231,626	\$ 8,663,471	\$ 8,895,097
2004	692,547	8,833,530	9,526,077
2005	1,289,061	9,001,630	10,290,691
2006	2,016,660	9,163,707	11,180,367
2007	2,730,913	9,318,430	12,049,343
2008	3,404,831	9,464,413	12,869,244
2009	4,146,909	9,602,583	13,749,492
2010	4,971,507	9,729,286	14,700,793
2011	5,734,274	9,843,140	15,577,414
2012	6,475,803	9,942,740	16,418,543
2013	\$ 7,389,441	\$ 10,027,549	\$ 17,416,990
2014	8,463,477	10,095,438	18,558,915
2015	9,657,620	10,145,233	19,802,853
2016	10,631,437	10,175,850	20,807,287
2017	11,704,401	10,186,264	21,890,665
2018	12,770,698	10,179,021	22,949,719
2019	14,020,956	10,149,645	24,170,601
2020	15,226,296	10,097,232	25,323,528
2021	16,513,662	10,020,875	26,534,537
2022	17,849,511	9,919,635	27,769,146
2023	\$ 19,301,792	\$ 9,796,387	\$ 29,098,179
2024	20,783,431	9,646,108	30,429,539
2025	22,527,511	9,467,827	31,995,338
2026	24,248,574	9,260,690	33,509,264
2027	25,892,894	9,026,270	34,919,164
2028	27,355,597	8,761,655	36,117,252
2029	28,879,783	8,466,852	37,346,635
2030	30,250,489	8,143,545	38,394,034
2031	31,365,752	7,791,809	39,157,561
2032	32,425,034	7,413,744	39,838,778

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
STATE PATROL SYSTEM**

SUMMARY OF PLAN PROVISIONS

Member	Any member of the Nebraska State Patrol, permanent force.
Participation Date	Date of becoming a member.
Definitions	
<i>Covered pay</i>	Gross annual earnings subject to contributions. For a patrol officer with service prior to January 4, 1979, total salary includes pay for unused sick leave accrued during his final three years of service, and pay for unused vacation leave (including leave not allowed to be carried over).
<i>Final average earnings</i>	The average of the highest three 12-month periods of covered pay, ending on the earlier of the participant's termination date or retirement date. For a patrol officer with service prior to January 4, 1979, it includes pay for 25% of unused sick leave accrued during his final three years of service, and pay for unused vacation leave (including leave not allowed to be carried over).
<i>Fiscal year</i>	Twelve month period ending June 30.
<i>Member contributions</i>	11% of monthly salary plus 11% of pay received at termination for unused sick leave and vacation leave. Such contributions are credited with regular interest in conformity with the statutes.
<i>Pension benefit</i>	3% of final average salary times pension service. The benefit is subject to a maximum of 75% of Final Average Salary. Effective July 1, 2001, 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 by LB 711. Also provided is a minimum floor benefit equal to 60% of the purchasing power of the original benefit.
<i>Normal Retirement Date (NRD)</i>	First of month coinciding with or next following the completion of ten years of service and attaining age 55, or attaining age 60 regardless of service.
<i>Pension service</i>	Length of service includes all service with the Nebraska State Patrol, permanent force, computed to the nearest one-twelfth year, plus declared emergency service in the armed forces.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
STATE PATROL SYSTEM**

SUMMARY OF PLAN PROVISIONS

Eligibility for Benefits

<i>Deferred vested</i>	Termination for reasons other than death, disability, or retirement after completing at least six years of pension service.
<i>Disability retirement</i>	Retirement by reason of disability as defined by statute.
<i>Early retirement</i>	Retirement before NRD and on or after both attaining age 50 and completing ten years of pension service.
<i>Normal retirement</i>	Retire on NRD.
<i>Postponed retirement</i>	Retire after NRD.
<i>Post-retirement death benefit</i>	Death after retirement with surviving spouse or dependent children under age 19. For non-disability retirement, the surviving spouse must have been married to the member at the date of retirement.
<i>Pre-retirement death benefit</i>	Death prior to retirement.

Monthly Benefits Paid Upon the Following Events

<i>Normal retirement</i>	Pension benefit determined as of NRD.
<i>Early retirement</i>	Pension benefit determined as of early retirement date, reduced by 5/9% for each month that commencement (which must be after age 50 and ten years of service) of payment precedes the earlier of age 55 or completion of 25 years of service. No reduction is made after 25 years of service.
<i>Postponed retirement</i>	Monthly pension benefit determined as of actual retirement date.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
STATE PATROL SYSTEM**

SUMMARY OF PLAN PROVISIONS

Termination with deferred vested benefit

Refund of contributions with regular interest or a percentage of the pension benefit determined as of termination date, reduced by 5/9% for each month that commencement (which must be after age 50 and ten years of service) of payment precedes the earlier of age 55 or completion of 25 years of service. This percentage is based upon completed years of pension service as follows:

<u>Years</u>	<u>Vested Percentage</u>
5 and under	0%
6	20
7	40
8	60
9	80
10 or more	100

Disability retirement

A monthly benefit equal to 50% of current monthly salary at the date of disablement for members with less than 17 years of service.

For members with more than 17 years of service, a monthly benefit equal to the product of 3% of final monthly salary, times total years of service subject to a maximum of 75% of final average monthly salary.

Pre-retirement death benefits

Surviving spouse or dependent children under age 19: Benefit is computed as if member retired for disability on the date of death. This benefit is payable to the surviving spouse as long as spouse has dependent children under age 19. If spouse dies or remarries, 75% of this benefit continues to children until the youngest attains age 19. If there are no dependent children under age 19, 75% of this benefit is payable to the surviving spouse until death or remarriage.

No surviving spouse or dependent children under age 19: A lump sum equal to the member's contributions plus regular interest.

Post-retirement death benefits

100% of member's annuity is payable to the surviving spouse provided spouse has dependent children under 19. If there is no surviving spouse or spouse dies or remarries, 75% of member's annuity continues to children until the youngest attains age 19. If there are no dependent children under age 19, 75% of member's annuity continues to surviving spouse.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
STATE PATROL SYSTEM

SUMMARY OF PLAN PROVISIONS

State Appropriations

LB 700, passed in 1996, provided for annual cost of living increases of 0.3%, beginning in the sixth year after retirement for members ceasing employment on or after April 10, 1996. Funding for these benefits shall be made by the State into the State Patrol Purchasing Power Stabilization Fund. Beginning with the 1996-97 fiscal year, the funding shall be 3.04888% of \$6,895,000, or \$210,220 will be made for each year through the 2010-2011 Fiscal Year.

LB 674, passed in 2000 (effective July 1, 2001), provided for an annual cost-of-living increase equal to the CPI-W index, with a maximum of 2% in any one year, a minimum floor benefit equal to 60% of the purchasing power of the original benefit and the elimination of the State Patrol Purchasing Power Stabilization Fund. The existing assets in the State Patrol PPSF were transferred to the Nebraska State Patrol Retirement Fund. The State appropriation continues, as defined above to the Nebraska Patrol Retirement Fund through the 2010-2011 Fiscal Year. LB711, passed in 2001, increased the maximum annual cost-of-living increase in any one year from 2% to 2.5%.

Benefits Reflected in Valuation

All benefits were valued, including future cost of living increases granted by LB 711.

Plan Provisions Effective After June 30, 2002

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 Prior Year

LB 407 changed the actuarial funding method from the Frozen Entry Age Actuarial Cost Method to the Entry Age Actuarial Cost Method effective July 1, 2002.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
STATE PATROL SYSTEM

SUMMARY OF ACTUARIAL METHODS AND PROCEDURES AS OF JULY 1, 2002

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 60. 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 60 and determining an average normal cost rate which is then related to the total payroll of active members under age 60. 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 60 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 normal costs are now 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 unfunded actuarial accrued liability is funded with a level dollar payment amount over 25 years from July 1, 2002.

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
STATE PATROL SYSTEM

SUMMARY OF ACTUARIAL METHODS AND PROCEDURES AS OF JULY 1, 2002

- 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.
 - (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. Effective July 1, 2001, 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.

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.

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).

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
STATE PATROL SYSTEM**

SUMMARY OF ACTUARIAL ASSUMPTIONS AS OF JULY 1, 2002

d. Life expectancies under the mortality tables are shown below at sample ages:

Sample Age	Life Expectancy (Years)			
	Healthy Members		Disabled Members	
	Males	Females	Males	Females
30	49.7	54.3	45.6	51.0
40	40.1	44.5	36.0	41.3
50	30.7	34.9	26.9	31.8
60	21.8	25.6	18.8	23.5
70	14.3	17.3	11.9	15.3
80	8.4	10.3	7.0	8.9

2. Retirement

Retirement is assumed to occur upon attaining certain age and service requirements. The retirement assumption varies depending on benefit eligibility age at retirement, and years elapsed since first eligible for benefits.

Those eligible for reduced early retirement (age 50 and 10 years of service) are assumed to retire at a rate of 21% in the first year eligible and 3% in the second and following years eligible.

Those eligible for unreduced early retirement (age 50 and 25 years of service or age 55 and 10 years of service) are assumed to retire at a rate of 75% in the first year eligible, 50% in the second year eligible, and 25% in the third and following years eligible.

Those reaching age 60 are assumed to retire at a rate of 100%.

3. Termination

3% at all ages.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
STATE PATROL SYSTEM**

SUMMARY OF ACTUARIAL ASSUMPTIONS AS OF JULY 1, 2002

4. Disability Rates vary by age. Sample rates are as follows:

Age	Rate
25	.08%
30	.10%
35	.13%
40	.20%
45	.31%
50	.52%
55	.91%
60	1.36%

OTHER ASSUMPTIONS

1. Form of Payment 75% Joint & Survivor Annuity.
2. Marital Status
 a. Percent married 100% married
 b. Spouse's age Females assumed to be three years younger than males.
3. Children All members are assumed to have one dependent child at death or retirement. The child is assumed to be 28 years younger than the member, and is assumed to always survive until age 19.
3. Administrative Expense Investment return is assumed to be net of expenses.
4. Cost of living adjustments 2.5% per annum, compounded annually, and 3.5% per annum, compounded annually, after reaching 60% purchasing power floor benefit.

NOTE: The actuarial assumptions for inflation, salary increase, mortality, retirement, and termination were changed for the July 1, 2002, valuation to better reflect expected plan experience.