

***NEBRASKA PUBLIC EMPLOYEES***  
***RETIREMENT SYSTEMS***  
**JUDGES' RETIREMENT SYSTEM**  
**2000**

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Thirty-fifth Actuarial Report for  
State Fiscal Year Ending June 30, 2002  
and  
System Plan Year Beginning July 1, 2000

November 2000

**BUCK**  
**CONSULTANTS**

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS**  
**JUDGES' SYSTEM**

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November 6, 2000

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

**Certification of Actuarial Valuation  
Judges' Retirement System**

Ladies and Gentlemen:

This report summarizes the results of the actuarial valuation of the Judges' Retirement System as of July 1, 2000 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, 1999, including the plan changes made by LB 674 effective July 1, 2000.

All costs, liabilities and other factors under the plan were determined in accordance with generally accepted actuarial principles and procedures, using actuarial cost methods which we believe are reasonable, and that follow the Nebraska State Statutes. This report fully and fairly discloses the actuarial position of the plan.

In our opinion, the actuarial assumptions used are reasonable, taking into account the experience of the plan and reasonable expectations, and represent 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 11.

Based on the results of our actuarial valuation, the Judges' Retirement System is actuarially sound. Annual funding required from the State as defined under statute for current plan members is equal to the difference between the annual gross normal cost and the total court fees, member contributions and State appropriation to the Purchasing Power Stabilization Fund. For the 2001-2002 fiscal year, that amount 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.  
Consulting Actuary

William B. Fornia, F.S.A., E.A., M.A.A.A.  
Principal and Consulting Actuary

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS**  
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**SUMMARY OF ACTUARIAL REPORT FOR CONTRIBUTION REQUIREMENTS AND  
FUNDED STATUS FOR PLAN YEAR 2000/2001**

The main purposes of this report are:

1. To determine the level of State contributions for the fiscal year ending June 30, 2002 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, 1999 and ending June 30, 2000.

The 2000 actuarial valuation is based upon the plan provisions as of July 1, 2000, as described in Exhibit 9. The actuarial methods and assumptions are described in Exhibit 10 and 11.

Highlights from the current valuation:

1. No additional State contribution is required for the 2001-2002 fiscal year. Member contributions, PPSF appropriations, and expected court fees exceed the total funding requirement. The system's reserve including the value of future court fees, has increased from \$3,403,654 as of July 1, 1999 to \$8,905,559 as of July 1, 2000.
2. Asset gains which exceeded actuarial assumptions were experienced during the 1999/2000 plan year. The annual rate of return on Market Value was 8.3%. The rate of return on Actuarial Value of 14.7% exceeded the 8% assumed investment return rate by 6.7%, resulting in an increase to the actuarial reserve of \$4,348,927.
3. The Asset Valuation method was modified effective July 1, 2000, to include interest on the previous year's unrecognized return in determining the expected return. The effect of this change was to increase the Actuarial Value of Assets by \$654,760.
4. The plan experienced an increase in the actuarial liability since the July 1, 1999 actuarial valuation, primarily due to new judges entering the system. The actuarial reserve decreased by \$717,957 as a result of total liability experience.
5. The funded status of the system as measured by the ratio of the system assets over the Pension Benefit Obligation (PBO) also 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, 1999 actuarial valuation, the funded percentage on Actuarial Value increased from 114.8% to 122.9%.

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**EXECUTIVE SUMMARY**

**Basic Actuarial Valuation Results**

The 2000 actuarial valuation results are based upon the plan provisions as of July 1, 2000 as described in Exhibit 9. The actuarial methods and assumptions are described in detail in Exhibits 10 and 11, respectively.

**1. State Normal Cost Contribution**

The State's funding policy is to contribute the gross normal cost in excess of court fees, member contributions and State appropriations to the PPSF, plus payments to fund any unfunded actuarial accrued liability. Unfunded liabilities created due to plan changes or assumption changes are amortized over 25 years.

Total required additional State funding for 2000-2001 plan year is \$0. The State contribution in excess of the PPSF appropriation, payable as of July 1, 2001, totals \$0. Member contributions, PPSF appropriation, and court fees are expected to exceed the total required funding.

Assets continue to exceed the entry age actuarial accrued liability as of the valuation date. As a result, the frozen entry age unfunded accrued liability is zero. Therefore, no additional payment is required toward unfunded actuarial accrued liabilities.

<b>History of Expected Employer Contributions</b>			
<b>Plan Year</b>	<b>State Normal Cost</b>	<b>Court Fees and PPSF Appropriation</b>	<b>Total</b>
2000-2001	\$ 0	\$ 546,082	\$ 546,082
1999-2000	0	561,406*	561,406
1998-1999	0	517,325	517,325
1997-1998	0	526,597	526,597
1996-1997	0	534,436	534,436
1995-1996	121,929	450,105	572,034
1994-1995	658,833	446,076	1,104,909
1993-1994	561,345	454,812	1,016,157

\*Includes accrued court fees of \$41,091.

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**2. Asset Values**

The total assets of the system as of the current and prior valuation date including the Purchasing Power Stabilization Fund (PPSF), and the rate of return during the period is as follows:

	July 1, 1999	July 1, 2000	Annual Rate of Return
(a) Market value	\$ 85,752,133	\$ 90,725,744	8.3%
(b) Actuarial value, an adjusted value intended to reduce the effect of market fluctuations (See Exhibit 1)	\$ 75,521,517	\$ 84,483,073	14.7%

**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 contributions, (iii) the present value of future State PPSF appropriations, and (iv) the present value of future court fees). 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, 1999	July 1, 2000
(a) Present value of future benefits	\$ 80,583,301	\$ 84,380,055
(b) Actuarial value of assets*	75,521,517	84,483,073
(c) Present value of future member contributions	4,596,750	4,771,376
(d) Present value of future State PPSF appropriations	544,436	515,747
(e) Present value of future court fees	<u>3,324,252</u>	<u>3,515,418</u>
(f) Actuarial liability/(Reserve) (a-b-c-d-e)	\$ (3,403,654)	\$ (8,905,559)

\*The Actuarial Value of Assets includes the PPSF as of July 1, 1999 and July 1, 2000.

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**4. Unfunded Frozen Actuarial Accrued Liability**

Under the Frozen Entry Age Actuarial Cost Method, changes in the Entry Age Actuarial Accrued Liability due to plan or assumption changes are frozen and amortized over a period of 25 years pursuant to Nebraska State Statutes. When the unfunded actuarial accrued liability under the Entry Age Cost Method is less than \$0, the unfunded frozen actuarial accrued liability is considered fully amortized. The unfunded frozen actuarial accrued liability as of the current and prior valuation dates follows:

July 1, 1999	July 1, 2000
\$ 0	\$ 0

**5. 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, 1999	July 1, 2000
(a) Pension Benefit Obligation		
i) retirees, disabled members and beneficiaries receiving benefits and deferred vested members not yet receiving benefits	\$ 33,677,038	\$ 35,731,782
ii) active members	<u>32,080,907</u>	<u>33,005,900</u>
iii) total pension benefit obligation	\$ 65,757,945	\$ 68,737,682
(b) Assets available for benefits (actuarial value)*	<u>75,521,517</u>	<u>84,483,073</u>
(c) Unfunded Pension Benefit Obligation/(Reserve)	\$ (9,763,572)	\$ (15,745,391)
(d) Funded percentage on actuarial value of assets: (b) ÷ (a)(iii)	114.8%	122.9%

\*The Actuarial Value of Assets includes the PPSF as of July 1, 1999 and July 1, 2000.

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**6. 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:

	<b>July 1, 1999</b>	<b>July 1, 2000</b>
(a) Benefit accrual cost amount:	\$ 2,175,790	\$ 2,299,262
(b) Annual compensation before assumed normal retirement age:	\$ 13,364,597	\$ 13,808,455
(c) Benefit accrual cost rate (a) ÷ (b):	16.280%	16.651%

**7. Forecast of Disbursements**

A forecast of the annual benefit disbursements expected over the next thirty years is presented in Exhibit 8. This forecast is based on the same actuarial assumptions with respect to salary increases and decrement rates used to determine the State normal cost contribution and actuarial accrued liability including the new plan provisions implemented by Legislative Bill 674. 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.

**8. Actuarial Methods and Assumptions**

The State 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 State contribution is the Frozen 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 10 and 11, respectively.



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**9. Changes Since the Last Actuarial Valuation**

There have been no changes in the actuarial cost method, assumptions, or plan provisions since the last actuarial valuation as of July 1, 1999. The asset valuation method has been changed to reflect interest on the previous year's unrecognized return for determining the expected return.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
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**SYSTEM ASSETS**

<b>A. Summary of Assets</b>	<b>Market Value as of June 30, 1999</b>	<b>Market Value as of June 30, 2000</b>
1. Cash and Equivalents	\$ 194,863	\$ 277,904
2. Investments	\$ 85,059,088	\$ 89,855,692
3. Receivables and Prepaids	\$ 524,095	\$ 617,421
4. Accounts Payable	(25,913)	(25,273)
<b>5. Net Assets Available for Pension Benefits Considered (1+2+3+4)</b>	<b>\$ 85,752,133</b>	<b>\$ 90,725,744</b>

<b>B. Development of Actuarial Value of Assets*</b>	<b>Amount</b>
1. Actuarial Value of Assets as of July 1, 1999	\$ 75,521,517
2. Unrecognized return as of July 1, 1999	10,230,616
3. Contributions	
(a) Member	\$ 689,463
(b) Court fees	473,838
(c) State appropriation to PPSF	<u>72,244</u>
(d) Total	\$ 1,235,545
4. Benefit Payments	\$ 3,251,141
5. Expected Return at 8% on:	
(a) Item 1	\$ 6,041,721
(b) Item 2	818,449
(c) Item 3(d)	48,471
(d) Item 4	<u>116,727</u>
(e) Total (a) + (b) + (c) - (d)	\$ 6,791,914
6. Actual Return on Market Value for 1999/2000 Plan Year, net of expenses	\$ 6,989,207
7. Return to be Spread for 1999/2000 Plan Year [6-5(e)]	\$ 197,293

\* Reflects a charge in the asset valuation method to include interest on the previous year's unrecognized return.

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<b>B. Development of Actuarial Value of Assets</b>		<b>Amount</b>																								
8.	Total Market Value of Assets as of July 1, 2000	\$ 90,725,744																								
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>1999/2000</td> <td>\$ 197,293</td> <td>80%</td> <td>\$ 157,834</td> </tr> <tr> <td>1998/1999</td> <td>2,487,712</td> <td>60%</td> <td>1,492,627</td> </tr> <tr> <td>1997/1998</td> <td>8,214,584</td> <td>40%</td> <td>3,285,834</td> </tr> <tr> <td>1996/1997</td> <td>6,531,881</td> <td>20%</td> <td>1,306,376</td> </tr> <tr> <td colspan="3"><b>Total</b></td> <td><b>\$ 6,242,671</b></td> </tr> </tbody> </table>	Plan Year	Return to be Spread	Unrecognized Percent	Unrecognized Return	1999/2000	\$ 197,293	80%	\$ 157,834	1998/1999	2,487,712	60%	1,492,627	1997/1998	8,214,584	40%	3,285,834	1996/1997	6,531,881	20%	1,306,376	<b>Total</b>			<b>\$ 6,242,671</b>	
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1996/1997	6,531,881	20%	1,306,376																							
<b>Total</b>			<b>\$ 6,242,671</b>																							
10.	Total Actuarial Value of Assets at July 1, 2000 (8-9)	\$ 84,483,073																								
11.	Ratio of Actuarial Value to Market Value (10÷8)	\$ 93.1%																								

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS**  
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<b>C. Change in Asset Values During 1999/2000</b>	<b>Actuarial Value</b>	<b>Market Value</b>
1. Asset value as of July 1, 1999	\$ 75,521,517	\$ 85,752,133
2. Contributions for 1999/2000:		
(a) Member contributions paid during the year	\$ 689,463	\$ 689,463
(b) Court fees collected during the year	473,838	473,838
(c) State appropriation to PPSF during the year	<u>72,244</u>	<u>72,244</u>
(d) Contributions for 1999/2000: (a) + (b) + (c)	\$ 1,235,545	\$ 1,235,545
3. Disbursements for 1999/2000:		
(a) Benefit payments	\$ 3,251,141	\$ 3,251,141
(b) Expenses and fees	<u>225,644</u>	<u>225,644</u>
(c) Disbursements for 1999/2000: (a) + (b)	\$ 3,476,785	\$ 3,476,785
4. Investment return for 1999/2000:	\$ 11,202,796	\$ 7,214,851
5. Asset value as of July 1, 2000: [1 + 2(d) - 3(c) + 4]	\$ 84,483,073	\$ 90,725,744
6. Approximate rate of investment return, net of expenses	14.7%	8.3%

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
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***SUMMARY OF UNFUNDED FROZEN ACTUARIAL ACCRUED LIABILITY***

Development of Unfunded Frozen Actuarial Accrued Liability	July 1, 2000
1. Actuarial present value of benefits	
(a) Active members	\$ 48,648,273
(b) Inactive members	1,765,315
(c) Retired members and beneficiaries	31,648,392
(d) Disabled members	<u>2,318,075</u>
(e) Total	\$ 84,380,055
2. Present value of future State normal costs and court fees (EAACM)	10,911,385
3. Present value of future member contributions	4,771,376
4. Present value of future State PPSF appropriations	<u>515,747</u>
5. Total actuarial accrued liability [1(e) - 2 - 3 - 4]	\$ 68,181,547
6. Actuarial value of assets*	<u>84,473,073</u>
7. Unfunded actuarial accrued liability (5 - 6)**	\$ (16,291,526)
8. Unfunded frozen actuarial accrued liability (7, not less than \$0)	\$ 0
9. Payment required to amortize unfunded frozen actuarial accrued liability over 25 years (mid-year payment)	\$ 0

\* Includes Purchasing Power Stabilization Fund, per LB 674.

\*\*The development of the unfunded actuarial accrued liability uses the Entry Age Actuarial Cost Method (EAACM).

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**SUMMARY OF NORMAL COST AND STATE CONTRIBUTION**

<b>A. Development of Gross Normal Cost</b>	<b>July 1, 2000</b>
1. Actuarial present value of benefits	\$ 84,380,055
2. Actuarial value of assets*	84,483,073
3. Unfunded frozen actuarial accrued liability	<u>0</u>
4. Present value of future gross normal costs (1 - 2 - 3)	\$ (103,018)
5. Present value of future service	981
6. Gross normal cost rate (4÷5)	\$ (105.01)
7. Number of members before assumed retirement age	157
8. Gross normal cost (6 x 7, not less than \$0)	\$ 0
<b>B. Development of State Normal Cost</b>	
1. Gross normal cost	\$ 0
2. Expected member contributions	647,100
3. Expected court fees	473,838
4. State PPSF appropriations	<u>72,244</u>
5. State normal cost (1 - 2 - 3 - 4, not less than \$0)	\$ 0
<b>C. Development of Additional State Contribution (mid-year)</b>	
1. State normal cost	\$ 0
2. State amortization payment (From Exhibit 2)	<u>0</u>
3. Additional State contribution (1 + 2)	\$ 0

\* Includes Purchasing Power Stabilization Fund, per LB 674.

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**ACTUARIAL (GAIN)/LOSS**

<b>A. Change in Actuarial Liability</b>		
1.	Actual Actuarial Liability as of July 1, 1999	\$ 80,583,301
2.	Benefit payments during the 1999/2000 plan year	3,251,141
3.	Interest at 8%	<u>6,329,938</u>
4.	Expected Actuarial Liability as of July 1, 2000 (1 - 2 + 3)	\$ 83,662,098
5.	Change in Actuarial Liability by Source:	
	(a) Retirement	\$ (388,186)
	(b) Pre-retirement mortality	68,036
	(c) Post-retirement mortality	328,450
	(d) Salary	405,899
	(e) New Entrants	1,317,687
	(f) Data changes/miscellaneous	<u>(1,013,929)</u>
	(g) Total	\$ 717,957
6.	Change in Actuarial Assumptions	\$ 0
7.	Change in Plan Provisions	0
8.	Change in Actuarial Methods	<u>0</u>
9.	Actual Actuarial Liability as of July 1, 2000 [4 + 5(g) + 6 + 7 + 8]	\$ 84,380,055
<b>B. Change in Actuarial Value of Assets</b>		
1.	Expected Actuarial Value of Assets as of July 1, 2000	\$ 79,479,386
2.	Actual Actuarial Value of Assets as of July 1, 2000 before change in asset valuation method	<u>83,828,313</u>
3.	Actuarial (Gain)/Loss from Asset Sources (1 - 2)	\$ (4,348,927)
<b>C. Total Actuarial (Gain)/Loss for the 1999/2000 plan year [A(5g) + B(3)]</b>		<b>\$ (3,630,970)</b>

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**ACTUARIAL BALANCE SHEET**

<b>A. Financial Resources</b>	<b>July 1, 2000</b>
1. Actuarial value of assets	\$ 84,483,073
2. Present value of future member contributions	4,771,376
3. Present value of future State normal costs and court fees	(5,390,141)
4. Present value of future State PPSF appropriations	515,747
5. Total Assets (1 + 2 + 3 + 4)	\$ 84,380,055
<b>B. Benefit Obligations</b>	
1. Actuarial present value of future benefits	
(a) Active members	\$ 48,648,273
(b) Inactive members	1,765,315
(c) Retired and disabled members and beneficiaries	33,966,467
2. Total Liabilities [1(a) + 1(b) + 1(c)]	\$ 84,380,055



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**ACCOUNTING INFORMATION**

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

	July 1, 1999	July 1, 2000
<b>Pension Benefit Obligation (PBO):</b>		
Vested PBO		
(a) members currently receiving payments	\$ 32,754,110	\$ 33,966,467
(b) other members		
i) accumulated member contributions	12,436,977	13,117,448
ii) employer financed vested	<u>20,566,858</u>	<u>21,653,767</u>
Total Vested PBO	\$ 65,757,945	\$ 68,737,682
Nonvested PBO	<u>0</u>	<u>0</u>
Total PBO	\$ 65,757,945	\$ 68,737,682
Actuarial Value of Assets*	<u>75,521,517</u>	<u>84,483,073</u>
Unfunded Pension Benefit Obligation (Reserve)	\$ (9,763,572)	\$ (15,745,391)
Funded Percentage		
(a) on vested PBO	114.8%	122.9%
(b) on total PBO	114.8%	122.9%

\*The Actuarial Value of Assets includes the PPSF as of July 1, 1999 and July 1, 2000.

**B. Change in Pension Benefit Obligation from July 1, 1999 to July 1, 2000.**

<b>Pension Benefit Obligation at July 1, 1999</b>	<b>\$ 65,757,945</b>
Increase/(Decrease) during Period:	
Plan Provision Changes	\$ 0
Assumption Changes	0
Benefits Accumulated	1,916,043
Benefits Paid	(3,251,141)
Interest Cost	5,297,192
Plan Experience	<u>(982,357)</u>
Total Change	\$ 2,979,737
<b>Pension Benefit Obligation at July 1, 2000</b>	<b>\$ 68,737,682</b>

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Exhibit 10 and 11 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, 2000 and 1999, respectively, including the changes provided in LB 674, as outlined in Exhibit 9. 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, 2000	\$ 546,082	100%
June 30, 1999	561,406**	100%
June 30, 1998	517,325	100%
June 30, 1997	526,597	100%
June 30, 1996	584,121	100%
June 30, 1995	1,108,938	100%

\* Includes contributions to the Purchasing Power Stabilization Fund beginning with the plan year ending June 30, 1997 and court fees.

\*\* Includes accrued court fees of \$41,091.

<b>D. Actuarial Assumptions, Method and Additional Information under GASB No. 25</b>	
Valuation Date	June 30, 2000
Actuarial Cost Method	Frozen Entry Age
Amortization Method	Level dollar amount closed
Amortization period	Lesser of 25 years or the average expected future service of active members
Asset Valuation Method	5 year smoothing
Actuarial Assumptions:	
Investment rate of return*	8.0%
Projected salary increases*	5.0%
*Includes inflation at	3.8%
Cost-of-living adjustment	2.0% with a floor benefit equal to 75% purchasing power of original benefit

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**E. Schedule of Funding Progress Under GASB No. 25**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded Accrued Liabilities (UAL) (b-a)</b>	<b>Funded Ratio (a÷b)</b>	<b>Covered Payroll (c)</b>	<b>UAL as a % of Covered Payroll [(b-a)/c]</b>
June 30, 2000	\$ 84,483,073	\$ 84,483,073	\$ 0	100%	\$ 13,913,264	0%
June 30, 1999	75,521,517	75,521,517	0	100	13,462,643	0
June 30, 1998	67,541,962	67,541,962	0	100	12,729,379	0
June 30, 1997	60,668,012	60,668,012	0	100	12,175,863	0
June 30, 1996	56,060,318	56,060,318	0	100	11,615,752	0
June 30, 1995	51,676,228	51,676,228	0	100	11,131,148	0

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
JUDGES' SYSTEM**

**SUMMARY OF MEMBER DATA**

<b>A. Active Members</b>	<b>July 1, 1999</b>	<b>July 1, 2000</b>
1. Number of Active Members		
(a) Before assumed retirement age	164	157
(b) Beyond assumed retirement age	<u>2</u>	<u>2</u>
(c) Total	166	159
2. Annual Considered Compensation		
(a) Before assumed retirement age	\$ 13,364,597	\$ 13,808,455
(b) Beyond assumed retirement age	<u>98,046</u>	<u>104,809</u>
(c) Total	\$ 13,462,643	\$ 13,913,264
3. Active member Averages		
(a) Age	54.4	54.8
(b) Service	12.3	11.9
(c) Compensation	\$ 81,100	\$ 87,505
<b>B. Inactive Members</b>		
1. Number of inactive members	14	22
2. Accumulated member contributions	\$ 922,928	\$ 1,765,315
3. Inactive member averages		
(a) Age	56.8	57.5
(b) Accumulated member contributions	\$ 65,923	\$ 80,242
<b>C. Retired and Disabled Members and Beneficiaries</b>		
1. Number of members		
(a) Retired	120	122
(b) Disabled	3	5
(c) Beneficiaries	<u>37</u>	<u>36</u>
(d) Total	160	163
2. Annual benefits		
(a) Retired	\$ 2,456,290	\$ 2,682,826
(b) Disabled	68,837	168,498
(c) Beneficiaries	<u>510,792</u>	<u>574,723</u>
(d) Total	\$ 3,035,919	\$ 3,426,047

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS**  
**JUDGES' SYSTEM**

**D. Distribution of Retired and Disabled Members and Beneficiaries as of July 1, 2000**

Age Range	Number	Annual Benefit	Average Annual Benefit
59 & Under	5	\$ 143,749	\$ 28,750
60-64	8	236,271	29,534
65-69	25	532,224	21,289
70-74	31	829,900	26,771
75-80	40	837,223	20,931
80-84	26	396,557	15,252
85-89	16	284,022	17,751
90 & Over	12	166,101	13,842
<b>Total</b>	<b>163</b>	<b>\$ 3,426,047</b>	<b>\$ 21,019</b>

**E. Member Data Reconciliation**

	Active Members	Inactive Members			Total
		With Deferred Benefits	Retired Members and Beneficiaries	Disabled Members	
As of July 1, 1999	166	14	157	3	340
Changes in status					
a) Normal & early retirements	(3)	0	3	0	0
b) Became payable	0	(1)	1	0	0
c) Deaths	0	0	(4)	0	(4)
d) Nonvested terminations	0	0	0	0	0
e) Vested terminations	(9)	9	0	0	0
f) Contribution refund	0	0	0	0	0
g) Beneficiaries in receipt	0	0	1	0	1
h) Disability retirements	(2)	0	0	2	0
i) Return to active service	0	0	0	0	0
j) Expired benefits	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total changes in status	(14)	8	1	2	(3)
New entrants					
a) Without prior service	7	0	0	0	7
b) With prior service	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total new members	7	0	0	0	7
Net change	(7)	8	1	2	4
As of July 1, 2000	159	22	158	5	344

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS**  
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**F. Age and Service Distribution of Active Members as of July 1, 2000**

Age Last Birthday		0-4	5-9	10-14	15-19	20-24	25-29	30-34	Over 34	Total
<b>Under 40</b>	Number	2	0	0	0	0	0	0	0	2
	Total Salary	\$ 186,953	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 186,953
	Average Salary	\$ 93,476	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 93,476
<b>40-44</b>	Number	7	3	0	0	0	0	0	0	10
	Total Salary	\$ 671,330	\$ 285,209	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 956,539
	Average Salary	\$ 95,904	\$ 95,070	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 95,654
<b>45-49</b>	Number	3	14	3	3	2	0	0	0	25
	Total Salary	\$ 294,769	\$ 1,354,604	\$ 289,989	\$ 222,196	\$ 72,093	\$ 0	\$ 0	\$ 0	\$ 2,233,651
	Average Salary	\$ 98,256	\$ 96,757	\$ 96,663	\$ 74,065	\$ 36,047	\$ 0	\$ 0	\$ 0	\$ 89,346
<b>50-54</b>	Number	14	14	13	7	5	0	0	0	53
	Total Salary	\$ 1,357,023	\$ 1,365,909	\$ 1,244,421	\$ 556,102	\$ 418,709	\$ 0	\$ 0	\$ 0	\$ 4,944,164
	Average Salary	\$ 97,073	\$ 97,565	\$ 95,725	\$ 79,443	\$ 83,742	\$ 0	\$ 0	\$ 0	\$ 93,286
<b>55-59</b>	Number	4	8	0	5	13	0	0	0	30
	Total Salary	\$ 379,234	\$ 771,711	\$ 0	\$ 482,271	\$ 886,751	\$ 0	\$ 0	\$ 0	\$ 2,519,967
	Average Salary	\$ 94,809	\$ 96,464	\$ 0	\$ 96,454	\$ 68,212	\$ 0	\$ 0	\$ 0	\$ 83,999
<b>60-64</b>	Number	2	3	2	4	16	0	0	0	27
	Total Salary	\$ 195,125	\$ 293,382	\$ 186,953	\$ 273,615	\$ 1,125,786	\$ 0	\$ 0	\$ 0	\$ 2,074,861
	Average Salary	\$ 97,563	\$ 97,794	\$ 93,476	\$ 68,404	\$ 70,362	\$ 0	\$ 0	\$ 0	\$ 76,847
<b>65-69</b>	Number	0	1	1	2	4	0	0	0	8
	Total Salary	\$ 0	\$ 98,256	\$ 98,256	\$ 187,855	\$ 321,001	\$ 0	\$ 0	\$ 0	\$ 705,368
	Average Salary	\$ 0	\$ 98,256	\$ 98,256	\$ 93,928	\$ 80,250	\$ 0	\$ 0	\$ 0	\$ 88,171
<b>70 &amp; Over</b>	Number	0	0	0	0	4	0	0	0	4
	Total Salary	\$ 0	\$ 0	\$ 0	\$ 0	\$ 291,761	\$ 0	\$ 0	\$ 0	\$ 291,761
	Average Salary	\$ 0	\$ 0	\$ 0	\$ 0	\$ 72,940	\$ 0	\$ 0	\$ 0	\$ 72,940
<b>TOTAL</b>	Number	32	43	19	21	44	0	0	0	159
	Total Salary	\$ 3,086,434	\$ 4,169,071	\$ 1,819,619	\$ 1,722,039	\$ 3,116,101	\$ 0	\$ 0	\$ 0	\$ 13,913,264
	Average Salary	\$ 96,451	\$ 96,955	\$ 95,769	\$ 82,002	\$ 70,820	\$ 0	\$ 0	\$ 0	\$ 87,505

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
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**FORECAST OF EXPECTED DISBURSEMENTS**

<b>Plan Year Ending June 30</b>	<b>Active Employees</b>	<b>Retired and Disabled Members and Beneficiaries</b>	<b>Total</b>
2001	\$ 190,619	\$ 3,518,148	\$ 3,708,767
2002	567,970	3,489,649	4,057,619
2003	892,089	3,461,114	4,353,203
2004	1,207,627	3,390,476	4,598,103
2005	1,552,649	3,331,397	4,884,046
2006	1,923,293	3,264,889	5,188,182
2007	2,322,334	3,179,859	5,502,193
2008	2,737,341	3,097,011	5,834,352
2009	3,194,640	3,029,540	6,224,180
2010	3,694,845	2,974,998	6,669,843
2011	\$ 4,223,155	\$ 2,920,320	\$ 7,143,475
2012	4,766,227	2,854,485	7,620,712
2013	5,308,509	2,779,108	8,087,617
2014	5,875,341	2,697,283	8,572,624
2015	6,446,837	2,608,708	9,055,545
2016	6,983,929	2,512,379	9,496,308
2017	7,460,977	2,408,811	9,869,788
2018	7,870,625	2,298,638	10,169,263
2019	8,235,299	2,182,649	10,417,948
2020	8,528,624	2,061,787	10,590,411
2021	\$ 8,736,891	\$ 1,937,124	\$ 10,674,015
2022	8,852,556	1,809,819	10,662,375
2023	8,894,716	1,681,050	10,575,766
2024	8,889,575	1,551,994	10,441,569
2025	8,828,772	1,423,810	10,252,582
2026	8,708,305	1,297,598	10,005,903
2027	8,520,776	1,174,419	9,695,195
2028	8,285,007	1,055,305	9,340,312
2029	8,016,297	941,180	8,957,477
2030	7,721,056	832,860	8,553,916

**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  
JUDGES' SYSTEM**

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***SUMMARY OF PLAN PROVISIONS***

**Member**

*Original* A judge who first serves prior to December 25, 1969, and who does not elect to become a Future member on or before November 1, 1981.

*Future* A judge who first serves on or after December 25, 1969, or who elects to become a Future member on or before November 1, 1981.

**Participation Date**

Date of becoming a member

**Definitions**

*Final average earnings* 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.

*Fiscal year* Twelve month period ending June 30.

*Member contributions* Members contribute 6% of pensionable pay. Such contributions are credited with interest as determined by the Statutes. Contributions cease if the member has accrued the maximum benefit.

*Monthly pension benefit* A monthly benefit equal to one-twelfth of 3.5% of final average salary times total years of service, subject to a maximum of 70% of final average salary. Effective July 1, 2000, an automatic annual cost-of-living adjustment (COLA) equal to the CPI-W index, with a maximum increase of 2% in any one year is provided for current and future retirees by LB 674. Also provided is a minimum floor benefit equal to 75% of the purchasing power of the original benefit.

*Normal Retirement Date (NRD)* Attainment of age 65.

*Pension service* Length of service includes all service as a Supreme Court, District Court, Worker's Compensation Court, separate Juvenile Court, County Court, Municipal Court, or Appeals Court judge in Nebraska, computed to the nearest one-twelfth year and includes declared emergency service in the armed forces.



**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS**  
**JUDGES' SYSTEM**

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**Eligibility for Benefits**

<i>Deferred vested</i>	Termination for reasons other than death, disability, or retirement.
<i>Disability retirement</i>	Retirement by reason of permanent disability as determined by the Commission of Judicial Qualifications.
<i>Early retirement</i>	Retirement before NRD and after attaining age 55.
<i>Normal retirement</i>	Retire on NRD.
<i>Postponed retirement</i>	Retire after NRD.
<i>Pre-retirement spouse benefit</i>	Death prior to retirement.

**Monthly Benefits Paid Upon the Following Events**

<i>Normal retirement</i>	Monthly pension benefit determined as of NRD.
<i>Early retirement</i>	Monthly pension benefit determined as of early retirement date, actuarially reduced for each month that commencement of payment precedes age 65.
<i>Postponed retirement</i>	Monthly pension benefit determined as of actual retirement date.
<i>Termination with deferred vested benefit</i>	Members may elect to receive either (i) a refund of their contributions with regular interest, or (ii) a deferred normal retirement benefit payable at age 65 and calculated based upon service and salary at the date of termination.
<i>Disability retirement</i>	Monthly pension benefit determined as of disability retirement date.
<i>Pre-retirement spouse benefits</i>	<ol style="list-style-type: none"><li><b>1) With 5 or more years of service:</b> A life annuity is payable to the surviving spouse in the amount which would have been payable had the member retired on the date of death and elected a joint and 100% survivor annuity.</li><li><b>2) With less than 5 years of service:</b> A lump sum equal to the member's contributions plus regular interest.</li></ol>

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS**  
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*Forms of payment*

Benefits are paid in the form of a modified cash refund annuity. Optional forms are: life annuity, life annuity with period certain, contingent annuity and joint annuity. Pre-retirement spouse benefits are payable only as described above.

**Funding Arrangement**

The Nebraska Retirement Fund for Judges is established in the State Treasury. The fund receives member contributions and pays benefits and expenses. Additional funds are received as follows:

*Court Fees*

A fee of one dollar is taxed for each cause of action in district and county courts and a fee of 10% of court costs in county courts.

*State*

Each year the State makes payments to the Fund to amortize their unfunded actuarial accrued liabilities by January 1, 2000, plus amounts necessary to amortize changes in unfunded actuarial accrued liabilities resulting from plan or assumption changes over the lesser of the average future service of the active members, or 25 years. In addition, the State transfers to the Fund an amount equal to the excess of the current normal cost over current receipts from other sources (member contributions, court fees and State appropriations to the PPSF).

**Judges Purchasing Power Stabilization Fund**

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 Judges Purchasing Power Stabilization Fund (PPSF). Beginning with the 1996-97 fiscal year, the funding equal to 1.04778% of \$6,985,000 will be made for each year through the 2010-2011 fiscal year to the PPSF.

LB 674, passed in 1999 (effective July 1, 2000), provides 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 75% of the purchasing power of the original benefit and the elimination of the Judges Purchasing Power Stabilization Fund. The existing assets in the Judges PPSF are to be transferred to the Nebraska Judges Retirement Fund. The State appropriation to the PPSF as defined above, will be directed to the Nebraska Judges Retirement Fund through the 2010 – 2011 Fiscal Year beginning in year 2000.

**Benefits Reflected in Valuation**

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

**Plan Provisions Effective After June 30, 2000**

No future changes in plan provisions were recognized in determining the GASB 25 funded status and in determining the State's normal cost.

**Changes in Plan Provisions Since Prior Year**

There have been no changes in plan provisions considered for valuation purposes since the July 1, 1999 valuation.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
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***SUMMARY OF ACTUARIAL METHODS AND PROCEDURES AS OF JULY 1, 2000***

**A. ACTUARIAL METHODS**

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

**Frozen Entry Age Actuarial Cost Method**

Sometimes called "funding method," a cost method is a particular technique used by actuaries for establishing the amount and incidence of the annual actuarial cost of pension plan benefits or normal cost, and the related unfunded actuarial accrued liability. Ordinarily the actuarially required annual contribution to the plan is the sum of (1) the normal cost and (2) an amortization payment on the unfunded actuarial accrued liability.

Under the Frozen Entry Age Actuarial Cost Method, the excess of the Actuarial Present Value of Future Benefits for all members on the valuation date, over the sum of (1) the Actuarial Value of Assets and (2) the Unfunded Frozen Actuarial Accrued Liability, is allocated as a level dollar amount over the expected future service of the membership group between the valuation date and assumed termination or retirement, and is called the Normal Cost. This allocation is performed in the aggregate, not as a sum of individual calculations.

The initial unfunded actuarial accrued liability is determined under the Entry Age Actuarial Cost Method, frozen as of the valuation date, and is referred to as the Unfunded Frozen Actuarial Accrued Liability. Future changes in the actuarial accrued liability due to changes in plan benefits, actuarial assumptions, or methods adjust the Unfunded Frozen Actuarial Accrued Liability. The amount of change or base, established as of the valuation date is amortized over a 25 year period. The Unfunded Frozen Actuarial Accrued Liability remaining at each subsequent valuation date is determined after the addition of interest and the deduction of amortization payments. If the Unfunded Actuarial Accrued Liability under the Entry Age Method is less than \$0 on any valuation date, the bases are considered fully amortized and the Unfunded Frozen Actuarial Accrued Liability is set to \$0.

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 future normal costs.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS**  
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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, 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.

**B. VALUATION PROCEDURES**

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.

The present value of future court costs were determined assuming the prior year's court costs would continue in the same amount for a period equal to the lesser of (i) 25 years, or (ii) the average future working lifetime of active members as of the valuation date (10 years as of July 1, 2000).

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
JUDGES' SYSTEM**

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***SUMMARY OF ACTUARIAL ASSUMPTIONS AS OF JULY 1, 2000***

**ECONOMIC ASSUMPTIONS**

- |                      |   |
|----------------------|---|
| 1. Investment Return | 8% per annum, compounded annually, net of expenses. |
| 2. Inflation         | 3.8% per annum, compounded annually.                |
| 3. Salary Increases  | Salaries are assumed to increase 5% each year.      |

**DEMOGRAPHIC ASSUMPTIONS**

- |   |  |
|---|--|
| 1. Mortality  |  |
| a. Healthy lives - active and retired members   | 1971 Group Annuity Mortality Table, setback three years. |
| b. Disabled lives   | 1971 Group Annuity Mortality Table, setback three years. |
| c. Mortality rates and life expectancies under the mortality tables are shown below at sample ages: |  |

Sample Age	Mortality Rate		Life Expectancy (years)	
	Males	Females	Males	Females
30	.07%	.04%	48.1	54.3
40	.13	.08	38.5	44.5
50	.38	.17	29.2	34.9
60	1.00	.40	20.6	25.7
70	2.63	1.16	13.2	17.1
80	6.59	4.08	7.6	10.2

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS**  
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2. Retirement

Rates vary by age . Rates are as follows:

Ages	Rate
55-59	5%
60-64	10%
65-69	20%
70-71	50%
72	100%

3. Termination

None.

4. Disability

None.

**OTHER ASSUMPTIONS**

1. Form of Payment

Modified Cash Refund Annuity

2. Marital Status

- a. Percent married
- b. Spouse's age

100% married  
Females assumed to be three years younger than males.

3. Administrative Expense

Investment return is assumed to be net of expenses.

4. Cost of Living Adjustment

2% per annum, compounded annually, and 3.8% per annum, compounded annually, after reaching 75% purchasing power floor benefit.