

NEBRASKA PUBLIC EMPLOYEES
RETIREMENT SYSTEMS
JUDGES' RETIREMENT SYSTEM
2001

Thirty-sixth Actuarial Report for
State Fiscal Year Ending June 30, 2003
and
System Plan Year Beginning July 1, 2001

November 2001

BUCK
CONSULTANTS

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
JUDGES' SYSTEM

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November 30, 2001

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, 2001 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, 2001, including the plan changes made by LB 711 effective July 1, 2001.

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 applicable State appropriations. For the 2002-2003 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

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Principal and Consulting Actuary

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
JUDGES' SYSTEM

**SUMMARY OF ACTUARIAL REPORT FOR CONTRIBUTION REQUIREMENTS AND
FUNDED STATUS FOR PLAN YEAR 2001/2002**

The main purposes of this report are:

1. To determine the level of State contributions for the fiscal year ending June 30, 2003, 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, 2000 and ending June 30, 2001.

The 2001 actuarial valuation is based upon the plan provisions as of July 1, 2001, 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 2002-2003 fiscal year. Member contributions, State appropriations, and expected court fees exceed the total funding requirement. The system's reserve including the value of future court fees, has decreased from \$8,905,559 as of July 1, 2000, to \$7,661,778 as of July 1, 2001.
2. The maximum annual cost-of-living adjustment was increased from 2.0% to 2.5% under Legislative Bill 711. The impact of this change was to reduce the actuarial reserve by \$3,193,569.
3. Again was experienced on the Actuarial Value of Assets during the 2000/2001 plan year. However, there was a loss on Market Value. The annual rate of return on Market Value was -4.3%. The rate of return on Actuarial Value of 10.1% exceeded the 8% assumed investment return rate by 2.1%, resulting in an increase to the actuarial reserve of \$1,788,712.
4. The plan experienced an increase in the actuarial liability since the July 1, 2000 actuarial valuation, primarily due to new judges entering the system. The actuarial reserve decreased by \$1,234,256 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 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, 2000 actuarial valuation, the funded percentage on Actuarial Value decreased from 122.9% to 121.2%.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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EXECUTIVE SUMMARY

Basic Actuarial Valuation Results

The 2001 actuarial valuation results are based upon the plan provisions as of July 1, 2001 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, plus payments to fund any unfunded actuarial accrued liability. Unfunded liabilities created due to plan changes or assumption changes are amortized over the lesser of the average future working lifetime of active members or 25 years.

Total required additional State funding for 2001-2002 plan year is \$0. The State contribution in excess of current annual appropriations, payable as of July 1, 2002, totals \$0. Member contributions, State appropriations, 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.

History of Expected Employer Contributions			
Plan Year	State Normal Cost	Court Fees and State Appropriation	Total
2001-2002	\$ 0	\$ 559,256	\$ 559,256
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.

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, 2000	July 1, 2001	Annual Rate of Return
(a) Market value	\$ 90,748,042*	\$ 84,654,248	-4.3%
(b) Actuarial value, an adjusted value intended to reduce the effect of market fluctuations (See Exhibit 1)	\$ 84,483,073	\$ 90,685,851	10.1%

*After adjustment.

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 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, 2000	July 1, 2001
(a) Present value of future benefits	\$ 84,380,055	\$ 91,883,060
(b) Actuarial value of assets	84,483,073	90,685,851
(c) Present value of future member contributions	4,771,376	4,978,133
(d) Present value of future State appropriations	515,747	484,763
(e) Present value of future court fees	<u>3,515,418</u>	<u>3,396,091</u>
(f) Actuarial liability/(Reserve) (a-b-c-d-e)	\$ (8,905,559)	\$ (7,661,778)

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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 the period defined under 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, 2000	July 1, 2001
\$ 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, 2000	July 1, 2001
(a) Pension Benefit Obligation		
i) retirees, disabled members and beneficiaries receiving benefits and deferred vested members not yet receiving benefits	\$ 35,731,782	\$ 35,958,643
ii) active members	<u>33,005,900</u>	<u>38,850,893</u>
iii) total pension benefit obligation	\$ 68,737,682	\$ 74,809,536
(b) Assets available for benefits (actuarial value)	<u>84,483,073</u>	<u>90,685,851</u>
(c) Unfunded Pension Benefit Obligation/(Reserve)	\$ (15,745,391)	\$ (15,876,315)
(d) Funded percentage on actuarial value of assets: (b) ÷ (a)(iii)	122.9%	121.2%

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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:

	July 1, 2000	July 1, 2001*
(a) Benefit accrual cost amount:	\$ 2,299,262	\$ 2,607,106
(b) Annual compensation before assumed normal retirement age:	\$ 13,808,455	\$ 15,074,673
(c) Benefit accrual cost rate (a) ÷ (b):	16.651%	17.295%

*Includes increase in annual COLA maximum to 2.5% under LB711.

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 711. 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.

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

There have been no changes in the actuarial cost method, assumptions, or asset valuation method since the last actuarial valuation as of July 1, 2000. Effective July 1, 2001, Legislative Bill 711 increased the maximum annual cost of living adjustment from 2.0% to 2.5%.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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SYSTEM ASSETS

A. Summary of Assets	Market Value as of June 30, 2000	Market Value as of June 30, 2001
1. Cash and Equivalents	\$ 277,904	\$ 35,001
2. Investments	89,855,692	84,246,651
3. Receivables and Prepaids	617,421	373,413
4. Accounts Payable	(25,273)	(817)
5. Net Assets before adjustment (1+2+3+4)	\$ 90,725,744	\$ 84,654,248
6. Adjustment to Market Value	22,298	N/A
7. Net Assets Available for Pension Benefits Considered (5+6)	\$ 90,748,042	\$ 84,654,248

B. Development of Actuarial Value of Assets	Amount
1. Actuarial Value of Assets as of July 1, 2000	\$ 84,483,073
2. Unrecognized return as of July 1, 2000	6,242,671
3. Contributions	
(a) Member	\$ 721,157
(b) Court fees	487,012
(c) State appropriation	<u>72,244</u>
(d) Total	\$ 1,280,413
4. Benefit Payments	\$ 3,547,845
5. Expected Return at 8% on:	
(a) Item 1	\$ 6,758,646
(b) Item 2	499,414
(c) Item 3(d)	50,231
(d) Item 4	<u>127,379</u>
(e) Total (a) + (b) + (c) - (d)	\$ 7,180,912
6. Actual Return on Market Value for 2000/2001 Plan Year, net of expenses	\$ (3,804,064)*
7. Return to be Spread for 2000/2001 Plan Year [6-5(e)]	\$ (10,984,976)

* Includes adjustment to market value as of June 30, 2000 of \$22,298.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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B. Development of Actuarial Value of Assets		Amount																								
8. Total Market Value of Assets as of July 1, 2001		\$ 84,654,248																								
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>2000/2001</td> <td>\$ -10,984,976</td> <td>80%</td> <td>\$ -8,787,981</td> </tr> <tr> <td>1999/2000</td> <td>197,293</td> <td>60%</td> <td>118,376</td> </tr> <tr> <td>1998/1999</td> <td>2,487,712</td> <td>40%</td> <td>995,085</td> </tr> <tr> <td>1997/998</td> <td>8,214,584</td> <td>20%</td> <td>1,642,917</td> </tr> <tr> <td colspan="3">Total</td> <td>\$ -6,031,603</td> </tr> </tbody> </table>			Plan Year	Return to be Spread	Unrecognized Percent	Unrecognized Return	2000/2001	\$ -10,984,976	80%	\$ -8,787,981	1999/2000	197,293	60%	118,376	1998/1999	2,487,712	40%	995,085	1997/998	8,214,584	20%	1,642,917	Total			\$ -6,031,603
Plan Year	Return to be Spread	Unrecognized Percent	Unrecognized Return																							
2000/2001	\$ -10,984,976	80%	\$ -8,787,981																							
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1997/998	8,214,584	20%	1,642,917																							
Total			\$ -6,031,603																							
10. Total Actuarial Value of Assets at July 1, 2001 (8-9)		\$ 90,685,851																								
11. Ratio of Actuarial Value to Market Value (10÷8)		107.1%																								

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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C. Change in Asset Values During 2000/2001	Actuarial Value	Market Value
1. Asset value as of July 1, 2000	\$ 84,483,073	\$ 90,748,042*
2. Contributions for 2000/2001:		
(a) Member contributions paid during the year	\$ 721,157	\$ 721,157
(b) Court fees collected during the year	487,012	487,012
(c) State appropriation during the year	<u>72,244</u>	<u>72,244</u>
(d) Contributions for 2000/2001: (a) + (b) + (c)	\$ 1,280,413	\$ 1,280,413
3. Disbursements for 2000/2001:		
(a) Benefit payments	\$ 3,547,845	\$ 3,547,845
(b) Expenses and fees	<u>248,744</u>	<u>248,744</u>
(c) Disbursements for 2000/2001: (a) + (b)	\$ 3,796,589	\$ 3,796,589
4. Investment return for 2000/2001:	\$ 8,718,954	\$ (3,577,618)
5. Asset value as of July 1, 2001: [1 + 2(d) - 3(c) + 4]	\$ 90,685,851	\$ 84,654,248
6. Approximate rate of investment return, net of expenses	10.1%	(4.3%)

*After adjustment.

**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, 2001
1. Actuarial present value of benefits	
(a) Active members	\$ 55,924,417
(b) Inactive members	952,002
(c) Retired members and beneficiaries	32,736,452
(d) Disabled members	<u>2,270,189</u>
(e) Total	\$ 91,883,060
2. Present value of future State normal costs and court fees (EAACM)	12,169,347
3. Present value of future member contributions	4,978,133
4. Present value of future State appropriations	<u>484,763</u>
5. Total actuarial accrued liability [1(e) - 2 - 3 - 4]	\$ 74,250,817
6. Actuarial value of assets	<u>90,685,851</u>
7. Unfunded actuarial accrued liability (5 - 6)*	\$ (16,435,034)
8. Unfunded frozen actuarial accrued liability (7, not less than \$0)	\$ 0
9. Payment required to amortize unfunded frozen actuarial accrued liability over lesser of average future working lifetime (10 years) or 25 years (mid-year payment)	\$ 0

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

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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SUMMARY OF NORMAL COST AND STATE CONTRIBUTION

A. Development of Gross Normal Cost	July 1, 2001
1. Actuarial present value of benefits	\$ 91,883,060
2. Actuarial value of assets	90,685,851
3. Unfunded frozen actuarial accrued liability	<u>0</u>
4. Present value of future gross normal costs (1 - 2 - 3)	\$ 1,197,209
5. Present value of future service	994
6. Gross normal cost rate (4 ÷ 5)	\$ 1,204.44
7. Number of members before assumed retirement age	162
8. Gross normal cost (6 x 7, not less than \$0)	\$ 195,119
B. Development of State Normal Cost	
1. Gross normal cost	\$ 195,119
2. Expected member contributions	699,308
3. Expected court fees	487,012
4. State appropriations	<u>72,244</u>
5. State normal cost (1 - 2 - 3 - 4, not less than \$0)	\$ 0
C. Development of Additional State Contribution (mid-year)	
1. State normal cost	\$ 0
2. State amortization payment (From Exhibit 2)	<u>0</u>
3. Additional State contribution (1 + 2)	\$ 0

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

A. Change in Actuarial Liability		
1.	Actual Actuarial Liability as of July 1, 2000	\$ 84,380,055
2.	Benefit payments during the 2000/2001 plan year	3,547,845
3.	Interest at 8%	<u>6,623,025</u>
4.	Expected Actuarial Liability as of July 1, 2001 (1 - 2 + 3)	\$ 87,455,235
5.	Change in Actuarial Liability by Source:	
	(a) Retirement	\$ 114,727
	(b) Pre-retirement mortality	72,721
	(c) Post-retirement mortality	448,668
	(d) Salary	198,036
	(e) New Entrants	1,101,915
	(f) Data changes/miscellaneous	<u>(701,811)</u>
	(g) Total	\$ 1,234,256
6.	Change in Actuarial Assumptions	\$ 0
7.	Change in Plan Provisions	3,193,569
8.	Change in Actuarial Methods	<u>0</u>
9.	Actual Actuarial Liability as of July 1, 2001 [4 + 5(g) + 6 + 7 + 8]	\$ 91,883,060
B. Change in Actuarial Value of Assets		
1.	Expected Actuarial Value of Assets as of July 1, 2001	\$ 88,897,139
2.	Actual Actuarial Value of Assets as of July 1, 2001	<u>90,685,851</u>
3.	Actuarial (Gain)/Loss from Asset Sources (1 - 2)	\$ (1,788,712)
C. Total Actuarial (Gain)/Loss for the 2000/2001 plan year [A(5g) + B(3)]		
		\$ (554,456)

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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ACTUARIAL BALANCE SHEET

A. Financial Resources	July 1, 2001
1. Actuarial value of assets	\$ 90,685,851
2. Present value of future member contributions	4,978,133
3. Present value of future State normal costs and court fees	(4,265,687)
4. Present value of future State appropriations	484,763
5. Total Assets (1 + 2 + 3 + 4)	\$ 91,883,060
B. Benefit Obligations	
1. Actuarial present value of future benefits	
(a) Active members	\$ 55,924,417
(b) Inactive members	952,002
(c) Retired and disabled members and beneficiaries	35,006,641
2. Total Liabilities [1(a) + 1(b) + 1(c)]	\$ 91,883,060

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ACCOUNTING INFORMATION

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

	July 1, 2000	July 1, 2001
Pension Benefit Obligation (PBO):		
Vested PBO		
(a) members currently receiving payments	\$ 33,966,467	\$ 35,006,641
(b) other members		
i) accumulated member contributions	13,117,448	13,714,455
ii) employer financed vested	<u>21,653,767</u>	<u>26,088,440</u>
Total Vested PBO	\$ 68,737,682	\$ 74,809,536
Nonvested PBO	<u>0</u>	<u>0</u>
Total PBO	\$ 68,737,682	\$ 74,809,536
Actuarial Value of Assets	<u>84,483,073</u>	<u>90,685,851</u>
Unfunded Pension Benefit Obligation (Reserve)	\$ (15,745,391)	\$ (15,876,315)
Funded Percentage		
(a) on vested PBO	122.9%	121.2%
(b) on total PBO	122.9%	121.2%

B. Change in Pension Benefit Obligation from July 1, 2000 to July 1, 2001.

Pension Benefit Obligation at July 1, 2000	\$ 68,737,682
Increase/(Decrease) during Period:	
Plan Provision Changes	\$ 2,393,732
Assumption Changes	0
Benefits Accumulated	1,962,683
Benefits Paid	(3,547,845)
Interest Cost	5,528,650
Plan Experience	<u>(265,366)</u>
Total Change	\$ 6,071,854
Pension Benefit Obligation at July 1, 2001	\$ 74,809,536

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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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, 2001 and 2000, respectively, including the changes provided in LB 711, 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, 2001	\$ 559,256	100%
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.

D. Actuarial Assumptions, Method and Additional Information under GASB No. 25	
Valuation Date	June 30, 2001
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	2.5% 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

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, 2001	\$ 90,685,851	\$ 90,685,851	\$ 0	100%	\$ 15,188,085	0%
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

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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SUMMARY OF MEMBER DATA

A. Active Members	July 1, 2000	July 1, 2001
1. Number of Active Members		
(a) Before assumed retirement age	157	162
(b) Beyond assumed retirement age	<u>2</u>	<u>2</u>
(c) Total	159	164
2. Annual Considered Compensation		
(a) Before assumed retirement age	\$ 13,808,455	\$ 15,074,673
(b) Beyond assumed retirement age	<u>104,809</u>	<u>113,412</u>
(c) Total	\$ 13,913,264	\$ 15,188,085
3. Accumulated Contributions	\$ 12,762,453	\$ 11,352,133
4. Active member Averages		
(a) Age	54.8	55.1
(b) Service	11.9	12.1
(c) Compensation	\$ 87,505	\$ 92,610
B. Inactive Members		
1. Number of inactive members	22	13
2. Accumulated member contributions	\$ 1,765,315	\$ 952,002
3. Inactive member averages		
(a) Age	57.5	58.0
(b) Accumulated member contributions	\$ 80,242	\$ 73,231
C. Retired and Disabled Members and Beneficiaries		
1. Number of members		
(a) Retired	122	123
(b) Disabled	5	6
(c) Beneficiaries	<u>36</u>	<u>36</u>
(d) Total	163	165
2. Annual benefits		
(a) Retired	\$ 2,682,826	\$ 2,985,805
(b) Disabled	168,498	179,104
(c) Beneficiaries	<u>574,723</u>	<u>530,981</u>
(d) Total	\$ 3,426,047	\$ 3,695,890

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

D. Distribution of Retired and Disabled Members and Beneficiaries as of July 1, 2001

Age Range	Number	Annual Benefit	Average Annual Benefit
59 & Under	5	\$ 108,007	\$ 21,601
60-64	9	255,240	28,360
65-69	30	735,252	24,508
70-74	29	776,818	26,787
75-80	36	794,195	22,061
80-84	26	518,988	19,961
85-89	16	293,380	18,336
90 & Over	14	214,010	15,286
Total	165	\$ 3,695,890	\$ 22,399

E. Member Data Reconciliation

	Active Members	Inactive Members			Total
		With Deferred Benefits	Retired Members and Beneficiaries	Disabled Members	
As of July 1, 2000	159	22	158	5	344
Changes in status					
a) Normal & early retirements	(6)	0	6	0	0
b) Became payable	0	(2)	2	0	0
c) Deaths	0	0	(9)	0	(9)
d) Nonvested terminations	0	0	0	0	0
e) Vested terminations	(2)	2	0	0	0
f) Contribution refund	0	(1)	(1)	0	(2)
g) Beneficiaries in receipt	0	0	3	0	3
h) Disability retirements	(1)	0	0	1	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	(9)	(1)	1	1	(8)
New entrants					
a) Without prior service	6	0	0	0	6
b) With prior service	<u>8</u>	<u>(8)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total new members	14	(8)	0	0	6
Net change	5	(9)	1	1	(2)
As of July 1, 2001	164	13	159	6	342

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
JUDGES' SYSTEM

F. Reconciliation Between Data submitted by NPERS and Valuation Data

	Active Members	Inactive Members	Retired Members, Beneficiaries, and Disabled	Total
Submitted by NPERS	403	14	273	690
Changes in status				
a) Normal & early retirements	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total changes in status	(9)	(1)	1	1
Subtractions				
a) Also Listed as Retired	0	(3)	0	(3)
b) Also Listed as Contribution Refund	<u>0</u>	<u>(5)</u>	<u>0</u>	<u>(5)</u>
Total new members	0	(8)	0	(8)
Net change	0	(8)	1	(7)
As of July 1, 2001	403	6	274	683

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
JUDGES' SYSTEM

F. Age and Service Distribution of Active Members as of July 1, 2001

Age Last Birthday		0-4	5-9	10-14	15-19	20-24	25-29	30-34	Over 34	Total
Under 40	Number	2	0	0	0	0	0	0	0	2
	Total Salary	\$ 197,586	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 197,586
	Average Salary	\$ 98,793	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 98,793
40-44	Number	6	1	1	0	0	0	0	0	8
	Total Salary	\$ 603,302	\$ 98,793	\$ 98,793	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 800,888
	Average Salary	\$ 100,550	\$ 98,793	\$ 98,793	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 100,111
45-49	Number	7	13	5	1	2	0	0	0	28
	Total Salary	\$ 707,090	\$ 1,338,141	\$ 505,619	\$ 37,148	\$ 75,935	\$ 0	\$ 0	\$ 0	\$ 2,663,933
	Average Salary	\$ 101,013	\$ 102,934	\$ 101,124	\$ 37,148	\$ 37,968	\$ 0	\$ 0	\$ 0	\$ 95,141
50-54	Number	14	10	11	6	7	0	0	0	48
	Total Salary	\$ 1,438,044	\$ 1,034,549	\$ 1,113,916	\$ 600,527	\$ 465,779	\$ 0	\$ 0	\$ 0	\$ 4,652,815
	Average Salary	\$ 102,718	\$ 103,455	\$ 101,265	\$ 100,088	\$ 66,540	\$ 0	\$ 0	\$ 0	\$ 96,934
55-59	Number	5	9	2	9	17	0	0	0	42
	Total Salary	\$ 497,849	\$ 924,656	\$ 205,356	\$ 907,450	\$ 1,264,379	\$ 0	\$ 0	\$ 0	\$ 3,799,690
	Average Salary	\$ 99,570	\$ 102,740	\$ 102,678	\$ 100,828	\$ 74,375	\$ 0	\$ 0	\$ 0	\$ 90,469
60-64	Number	2	3	2	2	16	0	0	0	25
	Total Salary	\$ 209,796	\$ 312,474	\$ 197,586	\$ 143,736	\$ 1,180,947	\$ 0	\$ 0	\$ 0	\$ 2,044,539
	Average Salary	\$ 104,898	\$ 104,158	\$ 98,793	\$ 71,868	\$ 73,809	\$ 0	\$ 0	\$ 0	\$ 81,782
65-69	Number	0	1	1	2	2	0	0	0	6
	Total Salary	\$ 0	\$ 102,678	\$ 102,678	\$ 204,246	\$ 205,356	\$ 0	\$ 0	\$ 0	\$ 614,958
	Average Salary	\$ 0	\$ 102,678	\$ 102,678	\$ 102,123	\$ 102,678	\$ 0	\$ 0	\$ 0	\$ 102,493
70 & Over	Number	0	0	0	0	5	0	0	0	5
	Total Salary	\$ 0	\$ 0	\$ 0	\$ 0	\$ 413,676	\$ 0	\$ 0	\$ 0	\$ 413,676
	Average Salary	\$ 0	\$ 0	\$ 0	\$ 0	\$ 82,735	\$ 0	\$ 0	\$ 0	\$ 82,735
TOTAL	Number	36	37	22	20	49	0	0	0	164
	Total Salary	\$ 3,653,667	\$ 3,811,291	\$ 2,223,948	\$ 1,893,107	\$ 3,606,072	\$ 0	\$ 0	\$ 0	\$ 15,188,085
	Average Salary	\$ 101,491	\$ 103,008	\$ 101,089	\$ 94,655	\$ 73,593	\$ 0	\$ 0	\$ 0	\$ 92,610

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

FORECAST OF EXPECTED DISBURSEMENTS

Plan Year Ending June 30	Active Employees	Retired and Disabled Members and Beneficiaries	Total
2002	\$ 263,865	\$ 3,643,459	\$ 3,907,324
2003	690,879	3,637,253	4,328,132
2004	1,005,499	3,568,298	4,573,797
2005	1,361,537	3,530,031	4,891,568
2006	1,744,265	3,486,601	5,230,866
2007	2,162,904	3,424,181	5,587,085
2008	2,614,508	3,363,986	5,978,494
2009	3,121,702	3,271,768	6,393,470
2010	3,679,646	3,193,902	6,873,548
2011	4,267,031	3,114,846	7,381,877
2012	\$ 4,870,260	\$ 3,029,119	\$ 7,899,379
2013	5,472,682	2,934,611	8,407,293
2014	6,102,746	2,834,094	8,936,840
2015	6,734,197	2,728,676	9,462,873
2016	7,330,317	2,610,912	9,941,229
2017	7,862,885	2,479,621	10,342,506
2018	8,323,775	2,348,311	10,672,086
2019	8,738,556	2,218,095	10,956,651
2020	9,076,209	2,084,955	11,161,164
2021	9,325,201	1,949,213	11,274,414
2022	\$ 9,477,044	\$ 1,814,191	\$ 11,291,235
2023	9,550,807	1,678,952	11,229,759
2024	9,575,006	1,545,917	11,120,923
2025	9,534,305	1,414,847	10,949,152
2026	9,425,860	1,286,837	10,712,697
2027	9,241,991	1,162,905	10,404,896
2028	9,002,616	1,045,858	10,048,474
2029	8,725,483	934,414	9,659,897
2030	8,414,768	829,246	9,244,014
2031	8,069,871	732,187	8,802,058

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**

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, 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 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**

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">1) With 5 or more years of service: 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.2) With less than 5 years of service: A lump sum equal to the member's contributions plus regular interest.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
JUDGES' SYSTEM

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 in an amount 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).

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 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.

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 were transferred to the Nebraska Judges Retirement Fund. The State appropriation continues as defined above to the Nebraska Judges Retirement Fund 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 711.

Plan Provisions Effective After July 1, 2001

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

LB 711 increased the maximum yearly cost-of-living adjustment to 2.5%.

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

SUMMARY OF ACTUARIAL METHODS AND PROCEDURES AS OF JULY 1, 2001

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 the lesser of (i) a 25 year period, or (ii) the average expected future service of active members. 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, 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

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).

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, 2001).

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

SUMMARY OF ACTUARIAL ASSUMPTIONS AS OF JULY 1, 2001

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
JUDGES' SYSTEM

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 100% 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. Cost of Living Adjustment 2.5% per annum, compounded annually, and 3.8% per annum, compounded annually, after reaching 75% purchasing power floor benefit.