

***NEBRASKA PUBLIC EMPLOYEES  
RETIREMENT SYSTEMS  
JUDGES' RETIREMENT SYSTEM  
2002***

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Thirty-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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of human resources™*  
**BUCK  
CONSULTANTS®**  
A Mellon Financial Company<sup>SM</sup>

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS**  
**JUDGES' 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  
Judges' Retirement System**

Ladies and Gentlemen:

This report summarizes the results of the actuarial valuation of the Judges' 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. Revised actuarial assumptions regarding mortality, and expected number of retirements 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, an additional contribution to the Judges' Retirement System will keep it actuarially sound. Annual funding required from the State as defined under statute for current plan members is equal to the difference between the actuarially required contribution and the total court fees, member contributions and applicable State appropriations. For the 2003-2004 fiscal year, that amount is \$726,806.

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**  
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**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. An additional State contribution of \$726,806 is required for the 2003-2004 fiscal year. Member contributions, State appropriations, and expected court fees were exceeded by the total funding requirement. The system's reserve including the value of future court fees was \$7,661,778 as of July 1, 2001. As of July 1, 2002, there is an actuarial liability of \$2,432,212.
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 mortality and expected rates of retirement were adopted effective July 1, 2002. These changes in assumptions increased the unfunded actuarial accrued liability by \$4,930,234.
4. A loss was experienced on the Actuarial Value of Assets during the 2001/2002 plan year. There was also a loss on Market Value. 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 in the unfunded actuarial accrued liability by \$2,858,188.
5. The plan experienced a slight gain in actuarial liability since the July 1, 2001 actuarial valuation. The unfunded actuarial accrued liability increased by \$167,206 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) 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, 2001 actuarial valuation, the funded percentage on Actuarial Value decreased from 121.2% to 109.2%.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
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**EXECUTIVE SUMMARY**

**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 contribute any additional payments necessary to meet the actuarially required contribution in excess of court fees, member contributions and other State appropriations. 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 required additional State funding for 2003-2004 plan year in excess of current annual appropriations, payable as of July 1, 2003, is \$726,806.

Assets continue to exceed the entry age actuarial accrued liability as of the valuation date. As a result, the unfunded actuarial accrued liability is less than zero. However, the amortization of this amount plus the Normal Cost is not covered by current contribution levels; therefore, an additional payment is required.

<b>History of Expected Employer Contributions</b>			
<b>Plan Year</b>	<b>Additional State Contribution</b>	<b>Court Fees and State Appropriation</b>	<b>Total</b>
2002-2003	\$ 726,806	\$ 564,857	\$ 1,291,663
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.

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**EXECUTIVE SUMMARY**

**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	\$ 84,654,248	\$ 77,147,416	-6.1%
(b) Actuarial value, an adjusted value intended to reduce the effect of market fluctuations (See Exhibit 1B)	\$ 90,685,851	\$ 92,596,279	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 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, 2001	July 1, 2002
(a) Present value of future benefits	\$ 91,883,060	\$ 103,575,001
(b) Actuarial value of assets	90,685,851	92,596,279
(c) Present value of future member contributions	4,978,133	4,897,188
(d) Present value of future State appropriations	484,763	451,300
(e) Present value of future court fees	<u>3,396,091</u>	<u>3,198,022</u>
(f) Actuarial Liability/(Reserve) (a-b-c-d-e)	\$ (7,661,778)	\$ 2,432,212

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
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**EXECUTIVE SUMMARY**

**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	\$ 35,958,643	\$ 37,118,820
ii) active members	<u>38,850,893</u>	<u>47,689,030</u>
iii) total pension benefit obligation	\$ 74,809,536	\$ 84,807,850
(b) Assets available for benefits (actuarial value)	<u>90,685,851</u>	<u>92,596,279</u>
(c) Unfunded Pension Benefit Obligation/(Reserve)	\$ (15,876,315)	\$ (7,788,429)
(d) Funded percentage on actuarial value of assets: (b) ÷ (a)(iii)	121.2%	109.2%

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS**  
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**EXECUTIVE SUMMARY**

**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:	\$ 2,607,106	\$ 3,048,892
(b) Annual compensation before assumed normal retirement age:	\$ 15,074,673	\$ 15,942,905
(c) Benefit accrual cost rate (a) ÷ (b):	17.295%	19.124%

**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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**EXECUTIVE SUMMARY**

**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.
- Retirement rates have been increased at ages 65 and 66 and decreased at ages 67 to 71.
- Healthy mortality has been improved using 1994 Group Annuity Mortality with a 2-year setback.

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

A. Summary of Assets	Market Value as of June 30, 2001	Market Value as of June 30, 2002
1. Cash and Equivalents	\$ 35,001	\$ 22,984
2. Investments	84,246,651	79,918,784
3. Receivables and Prepaids	373,413	(2,794,352)
4. Accounts Payable	(817)	0
<b>5. Net Assets Available for Pension Benefits Considered</b>	<b>\$ 84,654,248</b>	<b>\$ 77,147,416</b>

B. Development of Actuarial Value of Assets	Amount
1. Actuarial Value of Assets as of July 1, 2001	\$ 90,685,851
2. Unrecognized return as of July 1, 2001	(6,031,603)
3. Contributions	
(a) Member	\$ 740,598
(b) Court fees	492,613
(c) State appropriation	<u>72,244</u>
(d) Total	\$ 1,305,455
4. Benefit Payments	\$ 3,709,729
5. Expected Return at 8% on:	
(a) Item 1	\$ 7,254,868
(b) Item 2	(482,528)
(c) Item 3(d)	51,214
(d) Item 4	<u>133,192</u>
(e) Total (a) + (b) + (c) - (d)	\$ 6,690,362
6. Actual Return on Market Value for 2001/2002 Plan Year, net of expenses	\$ (5,102,558)
7. Return to be Spread for 2001/2002 Plan Year [6-5(e)]	\$ (11,792,920)

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

<b>B. Development of Actuarial Value of Assets</b>		<b>Amount</b>																								
8.	Total Market Value of Assets as of July 1, 2002	\$ 77,147,416																								
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>\$ (11,792,920)</td> <td>80%</td> <td>\$ (9,434,336)</td> </tr> <tr> <td>2000/2001</td> <td>(10,984,976)</td> <td>60%</td> <td>(6,590,986)</td> </tr> <tr> <td>1999/2000</td> <td>197,293</td> <td>40%</td> <td>78,917</td> </tr> <tr> <td>1998/1999</td> <td>2,487,712</td> <td>20%</td> <td>497,542</td> </tr> <tr> <td colspan="3"><b>Total</b></td> <td><b>\$ (15,448,863)</b></td> </tr> </tbody> </table>	Plan Year	Return to be Spread	Unrecognized Percent	Unrecognized Return	2001/2002	\$ (11,792,920)	80%	\$ (9,434,336)	2000/2001	(10,984,976)	60%	(6,590,986)	1999/2000	197,293	40%	78,917	1998/1999	2,487,712	20%	497,542	<b>Total</b>			<b>\$ (15,448,863)</b>	
Plan Year	Return to be Spread	Unrecognized Percent	Unrecognized Return																							
2001/2002	\$ (11,792,920)	80%	\$ (9,434,336)																							
2000/2001	(10,984,976)	60%	(6,590,986)																							
1999/2000	197,293	40%	78,917																							
1998/1999	2,487,712	20%	497,542																							
<b>Total</b>			<b>\$ (15,448,863)</b>																							
10.	Total Actuarial Value of Assets at July 1, 2002 (8-9)	\$ 92,596,279																								
11.	Ratio of Actuarial Value to Market Value (10÷8)	120.0%																								

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

<b>C. Change in Asset Values During 2001/2002</b>	<b>Actuarial Value</b>	<b>Market Value</b>
1. Asset value as of July 1, 2001	\$ 90,685,851	\$ 84,654,248
2. Contributions for 2001/2002:		
(a) Member contributions paid during the year	\$ 740,598	\$ 740,598
(b) Court fees collected during the year	492,613	492,613
(c) State appropriation for the year	<u>72,244</u>	<u>72,244</u>
(d) Contributions for 2001/2002: (a) + (b) + (c)	\$ 1,305,455	\$ 1,305,455
3. Disbursements for 2001/2002:		
(a) Benefit payments	\$ 3,709,729	\$ 3,709,729
(b) Expenses and fees	<u>197,132</u>	<u>197,132</u>
(c) Disbursements for 2001/2002: (a) + (b)	\$ 3,906,861	\$ 3,906,861
4. Investment return for 2001/2002:	\$ 4,511,834	\$ (4,905,426)
5. Asset value as of July 1, 2002: [1 + 2(d) - 3(c) + 4]	\$ 92,596,279	\$ 77,147,416
6. Approximate rate of investment return, net of expenses	4.8%	(6.1%)

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
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**ACTUARIAL CONTRIBUTION REQUIREMENT**

<b>A. Development of Actuarially Required Funding Rate</b>	<b>July 1, 2002</b>
1. Actuarial present value of benefits	
(a) Active members	\$ 66,456,181
(b) Inactive members	902,034
(c) Retired members, disabilities and beneficiaries	<u>36,216,786</u>
(d) Total	\$ 103,575,001
2. Present Value of Future Normal Costs	<u>22,383,277</u>
3. Total Actuarial Accrued Liability [1(d) - 2]	\$ 81,191,724
4. Actuarial Value of Assets	<u>92,596,279</u>
5. Unfunded Actuarial Accrued Liability/(Reserve) [3-4]	\$ (11,404,555)
6. 25-Year Amortization of the Unfunded Actuarial Accrued Liability/(Reserve)	
(a) Amount	\$ (1,028,034)
(b) Amount as % of Pay	(6.44%)
7. Normal Cost	
(a) Amount	\$ 3,048,892
(b) Amount as % of Pay	19.12%
8. Total Actuarially Required Contribution	
(a) Amount	\$ 2,020,858
(b) Amount as % of Pay	12.68%

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
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**ACTUARIAL CONTRIBUTION REQUIREMENT**

<b>B. Development of Additional State Contributions for 2003/2004</b>	<b>Annual Amount as a % of Pay</b>
1. Required Contribution	
(a) Total Contribution Amount	\$ 2,020,858
(b) Amounts to be Contributed	
• State Appropriations	\$ 72,244
• Expected Court Fees	492,613
• Total	\$ 564,857
(c) Net Contribution Amount [1(a) - 1(b)]	\$ 1,456,001
(d) Net Contribution Amount as % of Pay	9.06%
2. Statutory Member Contribution Rate (6% of pay by members before 20 years of service)	4.53%
3. Additional Required State Contribution	
(a) Additional Required State Contribution Rate [1(d)-2, not less than 0.00%]	4.53%
(b) Additional Required State Contribution Amount	\$ 726,806

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
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**ACTUARIAL CONTRIBUTION REQUIREMENT**

<b>C. Schedule of State Amortization Bases</b>	<b>July 1, 2002 Remaining Payments</b>	<b>Date of Last Payment</b>	<b>Outstanding Balance as of July 1, 2002</b>	<b>Annual Contribution</b>
1. 2002 Initial Unfunded Actuarial Accrued Liability base	25	07/01/2027	\$ (11,404,555)	\$ (1,028,034)
<b>Total</b>			<b>\$ (11,404,555)</b>	<b>\$ (1,028,034)</b>

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**ACTUARIAL (GAIN)/LOSS**

<b>A. Change in Actuarial Accrued Liability</b>		
1.	Actual Actuarial Accrued Liability as of July 1, 2001*	\$ 71,816,882
2.	Benefits accrued during the plan year	2,508,689
3.	Benefit payments during the plan year	3,709,729
4.	Interest at 8%	<u>5,812,854</u>
5.	Expected Actuarial Accrued Liability as of July 1, 2002 (1 + 2 - 3 + 4)	\$ 76,428,696
6.	Decremental (Gain)/Loss by Source:	
	(a) Retirement	\$ 557,587
	(b) Pre-retirement mortality	(38,935)
	(c) Post-retirement mortality	822,489
	(d) Salary	(449,293)
	(e) New Entrants	59,305
	(f) Data changes/miscellaneous	(42,796)
	(g) Retiree COLA	<u>(1,075,563)</u>
	(h) Total decremental (gain)/loss	\$ (167,206)
7.	Change in Actuarial Assumptions	\$ 4,930,234
8.	Change in Plan Provisions	<u>0</u>
9.	Actual Actuarial Accrued Liability as of July 1, 2002 [5 + 6(h) + 7 + 8]	\$ 81,191,724
<b>B. Change in Actuarial Value of Assets</b>		
1.	Expected Actuarial Value of Assets as of July 1, 2002	\$ 95,454,467
2.	Actual Actuarial Value of Assets as of July 1, 2002	<u>92,596,279</u>
3.	Actuarial (Gain)/Loss from Asset Sources (1 - 2)	\$ 2,858,188
<b>C. Total Actuarial (Gain)/Loss for the 2001/2002 plan year [A(6h) + B(3)]</b>		
		<b>\$ 2,690,982</b>

\*Determined under the Entry Age Actuarial Cost Method.



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**ACTUARIAL BALANCE SHEET**

<b>A. Financial Resources</b>	<b>July 1, 2002</b>
1. Actuarial Value of Assets	\$ 92,596,279
2. Present Value of Future Contributions	
(a) Member	\$ 4,897,188
(b) Court Fees	3,198,022
(c) State Appropriations	<u>451,300</u>
(d) Total	8,546,510
3. Actuarial Liability/(Reserve)	2,432,212
4. Total Assets [1 + 2(d) + 3]	\$ 103,575,001

  

<b>B. Benefit Obligations</b>	<b>July 1, 2002</b>
1. Present Value of Future Benefits	
(a) Active members	\$ 66,456,181
(b) Inactive members	902,034
(c) Retirees, disabilities and beneficiaries	<u>36,216,786</u>
(d) Total	\$ 103,575,001

**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
<b>Pension Benefit Obligation (PBO):</b>		
Vested PBO		
(a) members currently receiving payments	\$ 35,006,641	\$ 36,216,786
(b) other members		
i) accumulated member contributions	13,714,455	14,813,331
ii) employer financed vested	<u>26,088,440</u>	<u>33,777,733</u>
Total Vested PBO	\$ 74,809,536	\$ 84,807,850
Nonvested PBO	<u>0</u>	<u>0</u>
Total PBO	\$ 74,809,536	\$ 84,807,850
Actuarial Value of Assets	<u>90,685,851</u>	<u>92,596,279</u>
Unfunded Pension Benefit Obligation (Reserve)	\$ (15,876,315)	\$ (7,788,429)
Funded Percentage		
(a) on vested PBO	121.2%	109.2%
(b) on total PBO	121.2%	109.2%

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

<b>Pension Benefit Obligation at July 1, 2001</b>	<b>\$ 74,809,536</b>
Increase/(Decrease) during Period:	
Plan Provision Changes	\$ 0
Assumption Changes	5,282,982
Benefits Accumulated	2,894,293
Benefits Paid	(3,709,729)
Interest Cost	6,083,115
Plan Experience	<u>(552,347)</u>
Total Change	\$ 9,998,314
<b>Pension Benefit Obligation at July 1, 2002</b>	<b>\$ 84,807,850</b>

**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	\$ 1,291,663	100%
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%

\* 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, 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*	5.0%
*Includes inflation at	3.5%
Cost-of-living adjustment	2.5% with a floor benefit equal to 75% purchasing power of original benefit

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
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**ACCOUNTING INFORMATION**

**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, 2002	\$ 92,596,279	\$ 81,191,724	\$ (11,404,555)	114%	\$ 16,062,274	(71.0%)
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

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**  
**JUDGES' SYSTEM**

**SUMMARY OF MEMBER DATA**

<b>A. Active Members</b>	<b>July 1, 2001</b>	<b>July 1, 2002</b>
1. Number of Active Members		
(a) Before assumed retirement age	162	164
(b) Beyond assumed retirement age	<u>2</u>	<u>2</u>
(c) Total	164	166
2. Annual Considered Compensation		
(a) Before assumed retirement age	\$ 15,074,673	\$ 15,942,905
(b) Beyond assumed retirement age	<u>113,412</u>	<u>119,369</u>
(c) Total	\$ 15,188,085	\$ 16,062,274
3. Accumulated Contributions	\$ 12,762,453	\$ 13,911,297
4. Active member Averages		
(a) Age	55.1	55.9
(b) Service	12.2	12.7
(c) Compensation	\$ 92,610	\$ 96,761
<b>B. Inactive Members</b>		
1. Number of inactive members	13	12
2. Accumulated member contributions	\$ 952,002	\$ 902,034
3. Inactive member averages		
(a) Age	58.0	57.7
(b) Accumulated member contributions	\$ 73,231	\$ 75,170
<b>C. Retired and Disabled Members and Beneficiaries</b>		
1. Number of members		
(a) Retired	123	123
(b) Disabled	6	7
(c) Beneficiaries	<u>36</u>	<u>33</u>
(d) Total	165	163
2. Annual benefits		
(a) Retired	\$ 2,985,805	\$ 3,019,408
(b) Disabled	179,104	208,219
(c) Beneficiaries	<u>530,981</u>	<u>520,721</u>
(d) Total	\$ 3,695,890	\$ 3,748,348

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
JUDGES' 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	3	\$ 70,992	\$ 23,664
60-64	9	255,783	28,420
65-69	30	677,374	22,579
70-74	26	698,478	26,864
75-80	36	886,557	24,627
80-84	28	587,518	20,983
85-89	18	340,386	18,910
90 & Over	13	231,260	17,789
Total	163	\$ 3,748,348	\$ 22,996

**E. Member Data Reconciliation**

	Active Members	Inactive Members			Total
		With Deferred Benefits	Retired Members and Beneficiaries	Disabled Members	
As of July 1, 2001	164	13	159	6	342
Changes in status					
a) Normal & early retirements	(1)	0	1	0	0
b) Became payable	0	(1)	1	0	0
c) Deaths	0	0	(3)	0	(3)
d) Nonvested terminations	0	0	0	0	0
e) Vested terminations	(1)	1	0	0	0
f) Contribution refund	0	0	0	0	0
g) Beneficiaries in receipt	0	0	0	0	0
h) Disability retirements	0	(1)	0	1	0
i) Return to active service	0	0	0	0	0
j) Expired benefits	<u>0</u>	<u>0</u>	<u>(2)</u>	<u>0</u>	<u>(2)</u>
Total changes in status	(2)	(1)	(3)	1	(5)
New entrants					
a) Without prior service	4	0	0	0	4
b) With prior service	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total new members	4	0	0	0	4
Net change	2	(1)	(3)	1	(1)
As of July 1, 2002	166	12	156	7	341

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
JUDGES' 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
Submitted by NPERS	166	12	163	341
Changes in status				
a) Normal & early retirements	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total changes in status	0	0	0	0
Subtractions				
a) Also Listed as Retired	0	0	0	0
b) Also Listed as Contribution Refund	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total new members	0	0	0	0
Net change	0	0	0	0
As of July 1, 2002	166	12	163	341

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

**SUMMARY OF MEMBER DATA**

**G. 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
<b>Under 40</b>	Number	2	0	0	0	0	0	0	0	2
	Total Salary	\$ 205,844	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 205,844
	Average Salary	\$ 102,922	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 102,922
<b>40-44</b>	Number	5	1	0	0	0	0	0	0	6
	Total Salary	\$ 523,188	\$ 102,922	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 626,110
	Average Salary	\$ 104,638	\$ 102,922	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 104,352
<b>45-49</b>	Number	9	9	5	2	0	0	0	0	25
	Total Salary	\$ 940,595	\$ 954,890	\$ 523,188	\$ 85,461	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,504,134
	Average Salary	\$ 104,511	\$ 106,099	\$ 104,638	\$ 42,731	\$ 0	\$ 0	\$ 0	\$ 0	\$ 100,165
<b>50-54</b>	Number	8	10	13	5	8	0	0	0	44
	Total Salary	\$ 840,533	\$ 1,060,672	\$ 1,375,156	\$ 520,329	\$ 594,948	\$ 0	\$ 0	\$ 0	\$ 4,391,638
	Average Salary	\$ 105,067	\$ 106,067	\$ 105,781	\$ 104,066	\$ 74,369	\$ 0	\$ 0	\$ 0	\$ 99,810
<b>55-59</b>	Number	8	7	10	11	15	0	0	0	51
	Total Salary	\$ 831,955	\$ 749,046	\$ 1,057,812	\$ 1,149,299	\$ 1,066,244	\$ 0	\$ 0	\$ 0	\$ 4,854,356
	Average Salary	\$ 103,994	\$ 107,007	\$ 105,781	\$ 104,482	\$ 71,083	\$ 0	\$ 0	\$ 0	\$ 95,183
<b>60-64</b>	Number	1	3	3	0	18	0	0	0	25
	Total Salary	\$ 102,922	\$ 323,061	\$ 320,202	\$ 0	\$ 1,456,764	\$ 0	\$ 0	\$ 0	\$ 2,202,949
	Average Salary	\$ 102,922	\$ 107,687	\$ 106,734	\$ 0	\$ 80,931	\$ 0	\$ 0	\$ 0	\$ 88,118
<b>65-69</b>	Number	0	0	1	2	3	0	0	0	6
	Total Salary	\$ 0	\$ 0	\$ 105,781	\$ 208,703	\$ 317,343	\$ 0	\$ 0	\$ 0	\$ 631,827
	Average Salary	\$ 0	\$ 0	\$ 105,781	\$ 104,352	\$ 105,781	\$ 0	\$ 0	\$ 0	\$ 105,305
<b>70 &amp; Over</b>	Number	0	1	0	1	5	0	0	0	7
	Total Salary	\$ 0	\$ 105,781	\$ 0	\$ 108,640	\$ 430,995	\$ 0	\$ 0	\$ 0	\$ 645,416
	Average Salary	\$ 0	\$ 105,781	\$ 0	\$ 108,640	\$ 86,199	\$ 0	\$ 0	\$ 0	\$ 92,202
<b>TOTAL</b>	Number	33	31	32	21	49	0	0	0	166
	Total Salary	\$ 3,445,037	\$ 3,296,372	\$ 3,382,139	\$ 2,072,432	\$ 3,866,294	\$ 0	\$ 0	\$ 0	\$ 16,062,274
	Average Salary	\$ 104,395	\$ 106,335	\$ 105,692	\$ 98,687	\$ 78,904	\$ 0	\$ 0	\$ 0	\$ 96,761



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

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**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
2003	\$ 297,116	\$ 3,704,796	\$ 4,001,912
2004	841,200	3,646,764	4,487,964
2005	1,281,424	3,627,867	4,909,291
2006	1,711,813	3,603,110	5,314,923
2007	2,170,847	3,557,104	5,727,951
2008	2,683,222	3,517,499	6,200,721
2009	3,252,192	3,449,431	6,701,623
2010	3,886,568	3,392,198	7,278,766
2011	4,592,314	3,333,309	7,925,623
2012	5,312,750	3,264,273	8,577,023
2013	\$ 6,008,665	\$ 3,187,954	\$ 9,196,619
2014	6,734,363	3,106,884	9,841,247
2015	7,455,975	3,018,131	10,474,106
2016	8,157,203	2,916,007	11,073,210
2017	8,824,380	2,798,762	11,623,142
2018	9,444,912	2,676,753	12,121,665
2019	10,027,693	2,553,411	12,581,104
2020	10,513,914	2,424,088	12,938,002
2021	10,921,852	2,289,224	13,211,076
2022	11,234,060	2,151,186	13,385,246
2023	\$ 11,437,635	\$ 2,011,212	\$ 13,448,847
2024	11,582,860	1,869,905	13,452,765
2025	11,678,938	1,728,733	13,407,671
2026	11,705,045	1,588,098	13,293,143
2027	11,627,910	1,449,316	13,077,226
2028	11,489,397	1,314,524	12,803,921
2029	11,295,392	1,185,168	12,480,560
2030	11,049,212	1,060,916	12,110,128
2031	10,764,711	943,411	11,708,122
2032	10,423,275	833,630	11,256,905

**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, 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**

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**SUMMARY OF PLAN PROVISIONS**

**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**  
**JUDGES' SYSTEM**

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**SUMMARY OF PLAN PROVISIONS**

*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 \$6,895,000, or \$72,244, 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. LB 711, 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 as provided for by LB 711.

**Plan Provisions Effective After July 1, 2002**

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 since the July 1, 2001 valuation.

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

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***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 72. 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 72 and determining an average normal cost rate which is then related to the total payroll of active members under age 72. 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 72 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**  
**JUDGES' SYSTEM**

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**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**

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 (9 years as of July 1, 2002).

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

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***SUMMARY OF ACTUARIAL ASSUMPTIONS AS OF JULY 1, 2002***

**ECONOMIC ASSUMPTIONS**

- |                                       |   |
|---------------------------------------|---|
| 1. Investment Return                  | 8% per annum, compounded annually, net of expenses. |
| 2. Inflation                          | 3.5% per annum, compounded annually.                |
| 3. Salary Increases                   | Salaries are assumed to increase 5% each year.      |
| 4. Interest on Employee Contributions | 5.5% per annum, compounded annually.                |

**DEMOGRAPHIC ASSUMPTIONS**

1. Mortality
- a. Active and retired members 1994 Group Annuity Mortality Table, setback two years.
- b. 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	.08%	.03%	51.7	56.2
40	.09	.06	42.1	46.4
50	.21	.12	32.6	36.8
60	.63	.34	23.5	27.4
70	1.99	1.18	15.7	18.9
80	5.02	3.17	9.4	11.6



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

**SUMMARY OF ACTUARIAL ASSUMPTIONS AS OF JULY 1, 2002**

2. Retirement Rates vary by age. Rates are as follows:

Ages	Rate
55-59	5%
60-64	10%
65-66	25%
67-69	15%
70-71	25%
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 3.5% per annum, compounded annually, after reaching 75% purchasing power floor benefit.

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