NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL RETIREMENT SYSTEM
2000

Forty-seventh 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
SCHOOL SYSTEM

TABLE OF CONTENTS

November 10, 2000

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

**Certification of Actuarial Valuation
School Retirement System**

Ladies and Gentlemen:

This report summarizes the results of the actuarial valuation of the School Retirement System as of July 1, 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 Systems and summarized in this report. The benefits considered are those delineated in Nebraska State Statutes, effective as amended July 1, 2000, including 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. Summaries of the actuarial assumptions used in this actuarial valuation are shown in Exhibit 11.

Based on the results of our actuarial valuation, the School Retirement System is actuarially sound. The contributions paid by members, school employers, and the State defined by statute to fund the Excess Formula Annuity are more than sufficient to meet the actuarially required contribution. Annual funding required from the State defined by statute for Service Annuity benefits is equal to the sum of the annual normal cost and the annual payment necessary to amortize unfunded frozen liabilities over 25 years. 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.   William B. Fornia, F.S.A., E.A., M.A.A.A.
Consulting Actuary   Principal and Consulting Actuary

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 necessary to fund the Service Annuity for the fiscal year ending June 30, 2002, defined under Nebraska State Statutes;
2. To determine the actuarial soundness of the School District and member contributions defined under Nebraska State Statutes to fund the Excess Formula Annuity, and whether additional contributions are required for the fiscal year ending June 30, 2002;
3. To review the current funded status of the System; and
4. 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 State contribution is required for the 2001 - 2002 fiscal year to pay the State normal cost and amortize any unfunded liabilities for the Service Annuity. The net present value of the State normal costs and the unfunded frozen actuarial accrued liability is less than $0. The present value of future Service Annuity benefits is less than the Actuarial Value of Assets and PPSF appropriations, resulting in a reserve of $78,138,301 in Service Annuity funding.

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 14.2% exceeded the 8% assumed investment return rate by 6.2%, resulting in an increase to the actuarial reserve of $169,341,948.

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 $29,200,293.

4. The plan experienced a decremental loss over the period, primarily due to new members added to the system and fewer deaths than expected. The actuarial reserve decreased by $65,960,175 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) 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 105.3% to 112.5%.

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 key findings of the actuarial valuation are summarized below.

1. Funding of the Excess Formula Annuity

The member contribution rate is equal to the greater of 7.25% of pay or 49.75% of the total actuarially required contribution rate. The School District's funding toward excess formula annuity liabilities is equal to 101% of the employee contribution rate, currently 7.32% of pay. The State contributes .7% of covered pay toward the excess formula annuity benefits, as well as funding required for the service annuity.

The minimum total required contribution rate decreased from 11.92% to 9.15% of pay from the 1999/2000 plan year to the 2000/2001 plan year. A history of required contribution rates is shown below. For fiscal years 1994/1995 through 1996/1997, this contribution rate includes the 0.3% COLA contribution made to the School Employees Retirement System Reserve Fund.

History of Required Contribution Rates and Current Year's Contribution Rate			
Fiscal Year	**Member Rate**	**School District Rate**	**Total**
2001-2002	4.55%	4.60%	9.15%
2000-2001	5.93	5.99	11.92
1999-2000	2.83	2.86	5.69
1998-1999	4.41	4.45	8.86
1997-1998	6.94	7.00	13.94
1996-1997	7.23	7.30	14.53
1995-1996	7.31	7.38	14.69
1994-1995	7.26	7.33	14.59

Based on the 2000 actuarial valuation, the total required contribution rate is below 14.57%. As a result, the actuarial value of future funding is expected to exceed the funding required to meet the System's liabilities. For the current participant group, the present value of the additional funding is $443,470,079. This amount is referenced as an actuarial reserve on the plan's balance sheet, and will be available to offset actuarial losses or plan changes, or to allow for reduced contribution rates in the future.

2. Required State Deposit to Fund the Service Annuity

The law requires annual State deposits equal to the current normal cost and a level payment to fund the unfunded frozen actuarial accrued liabilities of the system in level payments over 25 years. The level payments are required to amortize each change (base) in the unfunded actuarial accrued liability during the 25 year period following the effective date of increase in benefits, method change, or assumption change that created the base. See page 7.

Exhibit 3 summarizes the required State deposits for amortization of the changes to the unfunded actuarial accrued liability, and the current normal cost for Service Annuities. These amortization payments will fund twelve changes to the unfunded actuarial accrued liability.

Please note that the State's normal cost, as shown on page 6, is less than $0. This negative normal cost is primarily a result of the better than expected asset performance in recent years. The current actuarial value of assets plus the present value of remaining amortization payments and future PPSF appropriations are currently more than adequate to fund the Service Annuity. This funded status will be affected by future plan experience, benefit improvements (if any), and the addition of new members into the System.

The required State deposit for the Service Annuity remains at $0 for the 2001 - 2002 fiscal year. This is primarily attributable to higher than expected asset returns and other experience, which over time has offset benefit improvements. The required State deposit consists of the State normal cost and amortization payments. A history of the required State deposits is shown below:

History of Required State Deposits for Service Annuities	
Fiscal Year	**Amount**
2001-2002	$ 0
2000-2001	0
1999-2000	0
1998-1999	0
1997-1998	0
1996-1997	809,350
1995-1996	4,413,418
1994-1995	1,709,842

3. Asset Values

The total assets of the system as of the current and prior valuation date including the Retirement System Reserve Fund (RSRF) and 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	$ 4,044,861,240	$ 4,422,099,251	8.3%
(b) Actuarial value, an adjusted value intended to reduce the effect of market fluctuations (Exhibit 2)	$ 3,585,839,386	$ 4,140,568,607	14.2%

4. Actuarial Liability/(Reserve) of the Excess Formula Annuity

The actuarial liability of the Excess Formula Annuity benefits is the excess of the total benefit obligation (present value of future benefits) over the projected financial resources (sum of (i) the actuarial value of assets and (ii) the present value of future member, employer, and State contributions). 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	$ 3,430,199,284	$ 3,572,647,222
(b) Net actuarial value of assets (excluding RSRF, PPSF, and Service Annuity funds)	2,433,185,757	2,767,064,197
(c) Present value of future member contributions	572,600,629	593,034,381
(d) Present value of future employer contributions	578,129,187	598,760,231
(e) Present value of future State contributions	55,285,578	57,258,492
(f) Actuarial Liability/(Reserve) (a) - (b) - (c) - (d) - (e)	$ (209,001,867)	$ (443,470,079)

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	$ 1,232,836,170	$ 1,390,400,764
ii) active members	2,149,624,975	2,266,521,485
iii) total pension benefit obligation	$ 3,382,461,145	$ 3,656,922,249
(b) Net assets available for benefits (actuarial value)	3,562,732,617	4,115,606,664
(c) Unfunded Pension Benefit Obligation/(Reserve)	$ (180,271,472)	$ (458,684,415)
(d) Funded percentage on actuarial value of assets: (b)÷(a)(iii)	105.3%	112.5%

6. School Employees Retirement System Reserve Fund

Effective July 1, 1993, members began contributing .3% of covered pay into this fund, with school districts matching at 101% of this amount. This fund is used to provide periodic ad-hoc COLA increases to retirees. Contributions ceased when sufficient funds were available to provide a one-time 3% COLA benefit. For members ceasing employment prior to April 10, 1996 and receiving benefits as of September 1996, a one-time 3% COLA increase was approved by the Board effective September 1996. The benefits payable from this fund were not included in this actuarial valuation report.

7. School Purchasing Power Stabilization Fund

The School Purchasing Power Stabilization Fund was created by LB 700 in 1996. This fund provided cost-of-living benefit adjustments to members ceasing employment on or after April 10, 1996. The adjustment is equal to .3% per year, beginning six years after retirement, and is funded solely by State contributions. The benefits payable from this fund were not included in the July 1, 1998 valuation. 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 Schools Purchasing Power Stabilization Fund. The existing assets in the Schools PPSF are to be transferred to the School Annuity Reserve Account. The State appropriation to the PPSF as defined above, will be directed to the School Annuity Reserve Account through the 2010 – 2011 Fiscal Year beginning in year 2000.

8. **Benefit Accrual Cost**

The cost of benefits accruing over an active member's working career can be expressed as a level percentage of compensation or a level dollar amount. This cost represents the true cost of accruing benefits since it is not adjusted for any overfunding or underfunding which may exist on the valuation date. It is determined using the Entry Age Actuarial Cost Method and is also called the Normal Cost. The level benefit accrual cost determined during the current and prior valuation dates for both the Formula Annuity and the Service Annuity are as follows:

Formula Annuity Benefit	July 1, 1999	July 1, 2000
(a) Benefit accrual cost amount:	$ 105,991,057	$ 110,573,862
(b) Annual compensation before assumed normal retirement age:	$ 943,377,732	$ 984,773,253
(c) Benefit accrual cost rate as a level percentage of compensation (a) ÷ (b):	11.235%	11.228%

Service Annuity Benefit	July 1, 1999	July 1, 2000
(a) Benefit accrual cost amount:	$ 2,582,010	$ 2,616,473
(b) Number of active members (including Omaha):	39,727	40,371
(c) Benefit accrual cost per active member as a level dollar amount (a) ÷ (b):	$ 64.99	$ 64.81

9. **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 funding requirements of the Excess Formula Annuity and the Service Annuity including the new plan provision 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.

10. **Actuarial Methods and Assumptions**

The required contributions developed in this report are estimates of the amounts necessary to provide the 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 necessary to fund the Service Annuity is the Frozen Entry Age Actuarial Cost Method. The actuarial method used to determine the actuarial soundness of employer and member contributions funding the Excess Formula Annuity is the Aggregate Actuarial Cost Method. A description of these methods can be found in Exhibit 10.

The actuarial assumptions represent the expected long-term experience of the system on an explicit basis for each risk area considered. The experience is reviewed periodically. Where necessary, changes are recommended by the actuary and adopted by the Public Employees Retirement Board. Summaries of the actuarial methods and assumptions used in the current valuation are presented in Exhibits 10 and 11, respectively.

11. Changes Since the Last Actuarial Valuation

There have been no changes in the actuarial cost method or assumptions since the last valuation as of July 1, 1999. Effective July 1, 2000, the asset valuation method has been modified to include interest on the previous year's unrecognized return for determining the expected return.

EXHIBIT 1

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM

SYSTEM ASSETS

A. Summary of Assets	Market Value as of June 30, 1999	Market Value as of June 30, 2000
1. Cash and Equivalents	$ 8,693,789	$ 3,625,446
2. Investments	4,004,072,004	4,382,039,655
3. Receivables and Prepaids	36,451,435	40,694,995
4. Accounts Payable	(4,355,988)	(4,260,845)
5. Total Assets	$ 4,044,861,240	$ 4,422,099,251
6. Retirement System Reserve Fund	26,064,657	26,659,186
7. **Net Assets Available for Pension Benefits Considered (5-6)**	**$ 4,018,796,583**	**$ 4,395,440,065**

B. Development of Actuarial Value of Assets*	Amount
1. Actuarial Value of Assets as of July 1, 1999	$ 3,585,839,386
2. Unrecognized Return as of July 1, 1999	$ 459,021,854
3. Contributions (a) Member (b) Employer (c) State (d) State appropriation to PPSF and supplemental benefit fund (e) Total (a + b + c + d)	$ 69,663,138 69,945,377 7,437,026 6,665,144 $ 153,710,685
4. Benefit Payments (including transfers to Omaha)	$ 113,729,986
5. Expected Return at 8% on: (a) Item 1 (b) Item 2 (c) Item 3(e) (d) Item 4 (e) Total (a+b+c-d)	$ 286,867,151 36,721,748 6,030,145 4,083,283 $ 325,535,761
6. Actual Return on Market Value for 1998/99 Plan Year, net of expenses	$ 337,257,312
7. Return to be Spread for 1998/99 Plan Year [6-5(e)]	$ 11,721,551

* Reflects a change in the asset valuation method to include interest on the previous years unrecognized return.

EXHIBIT 1
(cont'd)

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM

B. Development of Actuarial Value of Assets	Amount
8. Total Market Value of Assets as of July 1, 2000	$ 4,422,099,251
9. Return to be Spread:	

Plan Year	Return to be Spread	Unrecognized Percent	Unrecognized Return
1999/2000	$ 11,721,551	80%	$ 9,377,241
1998/1999	116,908,917	60%	70,145,350
1997/1998	362,386,882	40%	144,954,753
1996/1997	285,266,502	20%	57,053,300
	Total		$ 281,530,644

10. Total Actuarial Value of Assets at July 1, 2000 (8-9)	$ 4,140,568,607
11. Actuarial Value of School Retirement System Reserve Fund (RSRF)	
(a) Market value of RSRF $ 26,659,186	
(b) Ratio of total actuarial value to total market value 93.633553%	
(c) Actuarial value of RSRF: (a) x (b)	24,961,943
12. Net Actuarial Value of Assets at July 1, 2000 [10-11(c)]	$ 4,115,606,664

EXHIBIT 1
(cont'd)

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM

C.	Change in Asset Values During 1999/2000	Actuarial Value	Market Value
1.	Total asset value as of July 1, 1999	$ 3,585,839,386	$ 4,044,861,240
2.	Contributions for 1999/2000:		
	(a) Member contributions paid during the year	$ 69,663,139	$ 69,663,139
	(b) Employer contributions paid during the year	69,945,377	69,945,377
	(c) State contributions and appropriations during the year	14,102,170	14,102,170
	(d) Contributions for 1999/2000: (a) + (b) + (c)	$ 153,710,685	$ 153,710,685
3.	Disbursements for 1999/2000:		
	(a) Benefit payments*	$ 113,729,986	$ 113,729,986
	(b) Expenses and fees	10,915,003	10,915,003
	(c) Disbursements for 1999/2000: (a) + (b)	$ 124,644,989	$ 124,644,989
4.	Investment return for 1999/2000:	$ 524,983,408	$ 348,172,315
5.	Total asset value as of July 1, 2000: [1 + 2(d) - 3(c) + 4]	$ 4,140,568,607	$ 4,422,099,251
6.	Asset value of RSRF	24,961,943	26,659,186
7.	Net asset value as of July 1, 2000: (5) - (6)	$ 4,115,606,664	$ 4,395,440,065
8.	Approximate rate of investment return, net of expenses	14.2%	8.3%

*Includes transfers to Omaha.

EXHIBIT 1
(cont'd)

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM

		As of June 30, 2000	
D.	**Summary of Reserve Fund Assets****	**Actuarial Value**	**Market Value**
1.	Excess Formula Annuity Assets		
	(a) Employee Savings Account	$ 996,284,128	$ 1,064,024,705
	(b) Employer Deposit Account	1,770,780,069	1,891,181,130
	(c) Total	$ 2,767,064,197	$ 2,955,205,835
2.	Service Annuity Assets		
	(a) Service Annuity Account	$ 305,160,979	$ 325,909,861
	(b) Annuity Reserve Account	1,012,193,312	1,081,015,608
	(c) Expense Fund	59,682	63,740
	(d) Contingent Account	2,794,876	2,984,909
	(e) Retired Teachers Supplementary Fund	6,382	6,816
	(f) Purchasing Power Stabilization Fund*	28,327,236	30,253,296
	(g) Total	$ 1,348,542,467	$ 1,440,234,230
3.	Retirement System Reserve Fund	$ 24,961,943	$ 26,659,186
4.	Total Assets: [1(c) + 2(g) + 3]	$ 4,140,568,607	$ 4,422,099,251

* The Purchasing Power Stabilization Fund assets were transferred to the Annuity Reserve Account effective July 1, 2000 per LB 674.

** In determining the market value separately for each fund, the total market value on an accrual basis was prorated based on the cash value of each fund to the total market value on a cash basis.

EXHIBIT 2

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM

EXCESS FORMULA ANNUITY FUNDING

A.	Development of Required Funding Rate	July 1, 2000
1.	Actuarial present value of benefits	
	(a) Active members	$ 3,370,103,388
	(b) Inactive members	202,543,834
	(c) Total	$ 3,572,647,222
2.	Net Actuarial Value of Assets*	2,767,064,197
3.	Present value of future State contributions	57,258,492
4.	Present value of future employee/employer contributions [1(c) - 2 - 3]	$ 748,324,533
5.	Present value of future compensation	$ 8,179,784,600
6.	Total required funding rate: (4) ÷ (5)	9.15%
7.	Required employee funding rate: (6) x .4975	4.55%
8.	Required employer funding rate: (7) x 101%	4.60%
B.	**Summary of Actual Contribution Rate**	
1.	Employee contribution rate	7.25%
2.	Employer contribution rate	7.32%
3.	Total employee/employer contribution rate: (1) + (2)	14.57%
C.	**Additional Required Contribution Rate**	
1.	Additional employee contribution rate: [A(7) - B(1), not less than 0%]	0.00%
2.	Additional employer contribution rate: [A(8) - B(2), not less than 0%]	0.00%
3.	Total additional required contribution rate	0.00%

* Excludes Retirement System Reserve Fund and Service Annuity Assets.

EXHIBIT 3

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM

SERVICE ANNUITY FUNDING

A. Development of State Normal Cost		July 1, 2000
1. Actuarial present value of benefits		
(a) Active members	$	107,946,266
(b) Inactive members		10,484,408
(c) Retired members and beneficiaries		1,177,306,983
(d) Omaha		
(i) active		14,859,260
(ii) retired		65,539
(e) Total	$	1,310,662,456
2. State Unfunded Frozen Actuarial Accrued Liability		177,519,040
3. Net Actuarial Value of Assets*		1,348,542,467
4. Present Value of Future PPSF appropriations		40,258,290
5. Present Value of Future State Normal Costs: [1(e) - 2 - 3 - 4]	$	(255,657,341)
6. Average Future Service Annuity Value		5.75956
7. State Normal Cost: (5) ÷ (6)	$	(44,388,346)

* Excludes Retirement System Reserve Fund and Excess Formula Annuity Assets.

EXHIBIT 3
(cont'd)

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM

B. Schedule of State Amortization Bases	June 30, 2001 Remaining Payments	Date of Last Payment	Outstanding Balance as of June 30, 2000	June 30, 2001 Contribution
1. 1981 change to the unfunded actuarial accrued liability	6	07/01/2005	$ 3,172,212	$ 686,197
2. 1984 change to the unfunded actuarial accrued liability	10	07/01/2009	(4,996,683)	(744,652)
3. 1987 increase in the unfunded actuarial accrued liability due to the service buy-back and assumption changes	13	07/01/2012	19,582,164	2,477,571
4. 1988 change in unfunded actuarial accrued liability due to service buy-back	14	07/01/2013	810,551	98,317
5. 1989 change in the unfunded actuarial accrued liability due to the service buy-back and actuarial assumption changes	15	07/01/2014	(1,583,690)	(185,021)
6. 1990 change in unfunded actuarial accrued liability due to service buy-back	16	07/01/2015	70,639	7,980
7. 1991 change in unfunded actuarial accrued liability due to service buy-back	17	07/01/2016	85,841	9,411
8. 1993 change in unfunded actuarial accrued liability due to actuarial assumption changes	19	07/01/2018	36,083,334	3,757,271
9. 1997 change in unfunded actuarial accrued liability due to actuarial assumption changes	22	07/01/2022	(27,759,219)	(2,721,293)
10. 1998 change in unfunded actuarial accrued liability due to actuarial assumption changes	23	07/01/2023	(53,666,671)	(5,174,656)
11. 1999 change in unfunded actuarial accrued liability due to plan provision changes	24	07/01/2024	215,353,657	20,453,851
12. 2000 change in asset valuation method	25	07/01/2025	(9,633,095)	(902,417)
Total			$ 177,519,040	$ 17,762,559

EXHIBIT 3
(cont'd)

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM

C.	Development of Required State Deposit for 2001/2002	Annual Amount
1.	State Normal Cost	$ (44,388,346)
2.	State Amortization Payment	17,762,559
3.	Total Required State Deposit as of July 1, 2001: [(1) + (2), not less than $0]	$ 0

EXHIBIT 4

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM

ACTUARIAL (GAIN)/LOSS

A.	Change in Actuarial Liability		

1.	Actual Actuarial Liability as of July 1, 1999		
	(a) Excess formula annuity		$ 3,430,199,284
	(b) Service annuity		1,137,762,772
	(c) Total		$ 4,567,962,056
2.	Benefit payments during the 1999/2000 plan year*		111,383,893
3.	Interest at 8%		361,437,913
4.	Expected liability as of July 1, 2000 (1 - 2 + 3)		$ 4,818,016,076
5.	Change in Actuarial Liability by Source:		
	(a) Retirement	$ (20,631,745)	
	(b) Termination	(10,396,799)	
	(c) Disability	110,850	
	(d) Pre-retirement mortality	923,262	
	(e) Post-retirement mortality	14,829,924	
	(f) Salary	(31,537,116)	
	(g) New entrants	67,730,788	
	(h) Data changes/miscellaneous	44,264,438	
	(i) Total		$ 65,293,602
6.	Change in Actuarial Assumptions		$ 0
7.	Change in Plan Provisions		0
8.	Change in Actuarial Methods		0
9.	Actual Actuarial Liability as of July 1, 2000 (4 + 5 + 6 + 7 + 8)		$ 4,883,309,678

* Excludes Omaha transfer from PPSF and distributions from RSRF.

EXHIBIT 4
(cont'd)

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM

B.	Change in Net Actuarial Value of Assets	Amount
1.	Net Actuarial Value of Assets as of July 1, 1999	$ 3,585,839,386
2.	Contributions	
	(a) Member	$ 69,663,138
	(b) Employer	69,945,377
	(c) State	7,437,026
	(d) State appropriation to PPSF and supplemental benefit fund	6,665,144
	(e) Total	$ 153,710,685
3.	Benefit Payments*	$ 111,383,893
4.	Expected Return at 8% on:	
	(a) Item 1	$ 286,867,151
	(b) Item 2(e)	6,030,145
	(c) Item 3	3,999,051
	(d) Total (a) + (b) - (c)	$ 288,898,245
5.	Expected Net Actuarial Value of Assets at June 30, 2000 [1 + 2(d) - 3 + 4(d)]	$ 3,917,064,423
6.	Actual Net Actuarial Value of Assets at June 30, 2000	4,086,406,371
7.	Actuarial (Gain)/Loss on Asset Sources (5 - 6) before change in asset valuation method	$ (169,341,948)

* Benefit payments exclude Omaha transfer from PPSF and distributions from RSRF.

C.	Total Actuarial (Gain)/Loss for the 1999/2000 plan year [A(5)(i) + B(7)]	$(104,048,346)

EXHIBIT 5

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM

ACTUARIAL BALANCE SHEET

A.	Financial Resources		July 1, 2000
1.	Net Actuarial Value of Assets		
	(a) Excess formula annuity	$ 2,767,064,197	
	(b) Service annuity	1,348,542,467	
	(c) Total		$ 4,115,606,664
2.	Present Value of Future Excess Formula Annuity Contributions		
	(a) Member	$ 593,034,381	
	(b) Employer	598,760,231	
	(c) State	57,258,492	
	(d) Total		1,249,053,104
3.	Present Value of Future Service Annuity Contributions		
	(a) State normal cost	$ (255,657,341)	
	(b) State payments for unfunded frozen actuarial accrued liability	177,519,040	
	(c) State appropriations to the PPSF	40,258,290	
	(d) Total		(37,880,011)
4.	Actuarial Reserve for Excess Formula Annuity		(443,470,079)
5.	Total Assets [1(c) + 2(d) + 3(d) + 4]		$ 4,883,309,678

EXHIBIT 5
(cont'd)

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM

B.	**Benefit Obligations**		**July 1, 2000**
1.	Present Value of Future Excess Formula Annuity Benefits		
	(a) Active members	$ 3,370,103,388	
	(b) Inactive members	202,543,834	
	(c) Total		$ 3,572,647,222
2.	Present Value of Future Service Annuity Benefits		
	(a) Active members	$ 107,946,266	
	(b) Inactive members	10,484,408	
	(c) Retirees and beneficiaries	1,177,306,983	
	(d) Omaha		
	(i) active	14,859,260	
	(ii) retired	65,539	
	(e) Total		1,310,662,456
3.	Total Liabilities [1(c) + 2(e)]		$ 4,883,309,678

EXHIBIT 6

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM

ACCOUNTING INFORMATION

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

	July 1, 1999	July 1, 2000
Pension Benefit Obligation (PBO):		
Vested PBO		
(a) members currently receiving payments	$ 1,025,189,742	$ 1,177,372,522
(b) other members		
(i) accumulated member contributions	993,412,307	1,055,243,094
(ii) employer financed vested	1,225,981,667	1,279,771,542
Total Vested PBO	$ 3,244,583,716	$ 3,512,387,158
Nonvested PBO	137,877,429	144,535,091
Total PBO	$ 3,382,461,145	$ 3,656,922,249
Net Actuarial Value of Assets*	3,562,732,617	4,115,606,664
Unfunded Pension Benefit Obligation (Reserve)	$ (180,271,472)	$ (458,684,415)
Funded Percentage		
(a) on vested PBO	109.8%	117.2%
(b) on total PBO	105.3%	112.5%

*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

Pension Benefit Obligation at July 1, 1999	$ 3,382,461,145
Increase/(Decrease) during Period:	
Plan Provision Changes	$ 0
Assumption Changes	0
Benefits Accumulated	119,829,315
Benefits Paid*	(111,383,893)
Interest Cost	276,184,186
Plan Experience	(10,168,504)
Total Change	$ 274,461,104
Pension Benefit Obligation at July 1, 2000	$ 3,656,922,249

* Excludes Omaha transfer from PPSF and distributions from RSRF.

EXHIBIT 6
(cont'd)

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM

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, 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 Contributions from Employers and other Contributing Entities - Disclosure Requirements under GASB No. 25

Plan Year Ending	Annual Required Contributions*			Percentage Contributed
	School	State	Total	
June 30, 2000	$ 69,945,377	$ 14,102,170	$ 84,047,547	100%
June 30, 1999	69,983,866	27,637,589	97,621,455**	100%
June 30, 1998	65,135,713	13,511,201	78,646,914	100%
June 30, 1997	63,187,899	13,271,330	76,459,229	100%
June 30, 1996	59,799,324	7,128,691	66,928,015	100%
June 30, 1995	57,809,866	10,743,759	68,553,625	100%

*   Includes funding for the Excess Formula Annuity, the Service Annuity and supplemental funds.

**   Includes accrued School and State contributions of $2,920,270 and $13,882,513, respectively.

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

Valuation Date	June 30, 2000
Actuarial Cost Method	Frozen Entry Age
Amortization Method	Level dollar amount, closed
Amortization Period	25 years
Asset Valuation Method	5 year smoothing

Actuarial Assumptions:
    Investment rate of return*
    Projected salary increases*
	
	8.0%
	4.5% - 8.2%

*Includes inflation at	3.8%
Cost-of-living adjustment	2.0% with a floor benefit equal to 75% purchasing power of original benefit

EXHIBIT 6
(cont'd)

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM

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, 2000	$ 1,348,542,467	$ 1,526,061,507	$ 177,519,040	88.4%	$ 933,339,432	19.0%
June 30, 1999	1,129,546,860	1,345,494,742	215,947,882	84.0	893,801,152	24.2
June 30, 1998	892,780,966	865,412,669	(27,368,297)	103.2	882,963,179	(3.1)
June 30, 1997	742,015,212	771,343,623	29,328,411	96.2	853,842,959	3.4
June 30, 1996	656,168,309	715,569,602	59,401,293	91.7	820,092,017	7.2
June 30, 1995	579,448,575	640,162,938	60,714,363	90.5	786,569,231	7.7

The Schedule of Funding Progress includes liabilities and assets for the Service Annuity benefits for active and inactive members, and all benefits for retired members and beneficiaries. The Excess Formula Annuity benefits for active and inactive members are funded using the Aggregate Actuarial Cost Method and are not required to be disclosed under GASB No. 25.

Exhibit 7

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM

SUMMARY OF MEMBER DATA

A.	Active Members	July 1, 1999	July 1, 2000
1.	Number of Active Members		
	(a) Before assumed retirement age	33,869	34,507
	(b) Beyond assumed retirement age	178	211
	(c) Total	34,047	34,718
2.	Annual Considered Compensation*		
	(a) Before assumed retirement age	$ 943,377,732	$ 984,773,253
	(b) Beyond assumed retirement age	2,112,489	2,475,513
	(c) Total	$ 945,490,221	$ 987,248,766
3.	Active Member Averages		
	(a) Age	44.7	44.7
	(b) Service	11.6	11.7
	(c) Compensation	$ 27,770	$ 28,436
B.	**Inactive Members**		
1.	Number of inactive members	10,605	11,323
2.	Accumulated member contributions	$ 111,929,935	$ 117,191,822
3.	Inactive member averages		
	(a) Age	47.2	49.9
	(b) Accumulated member contributions	$ 10,554	$ 10,350
C.	**Retired Members and Beneficiaries**		
1.	Number of members		
	(a) System retirees	9,911	10,371
	(b) Omaha retirees	Not available	Not available
2.	Annual benefits - regular		
	(a) System retirees	$ 85,070,524	$ 95,834,006
	(b) Omaha retirees	5,948	3,027
	(c) Total	$ 85,076,472	$ 95,837,033
3.	Annual benefits-supplemental		
	(a) System retirees	$ 882,116	$ 6,750,795
	(b) Omaha retirees	7,352	4,036
	(c) Total	$ 889,468	$ 6,754,831

* Considered compensation reflects an increase in the reported pay for each active member using the salary increase assumption. The annual reported pay was $893,801,152 and $933,339,432 as of June 30, 1999 and June 30, 2000, respectively.

EXHIBIT 7
(cont'd)

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM

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

Age Range	Number	Annual Benefit	Average Annual Benefit
59 & Under	477	$ 10,014,499	$ 20,995
60-64	1,544	26,212,194	16,977
65-69	2,271	27,398,996	12,065
70-74	2,058	18,721,823	9,097
75-80	1,554	10,518,361	6,769
80-84	1,137	5,271,230	4,636
85-89	759	2,622,442	3,455
90 & Over	571	1,825,256	3,197
Total	10,371	$ 102,584,801	$ 9,892

E. Member Data Reconciliation

	Active Members	Inactive Members With Deferred Benefits	Inactive Members Terminated with Balance	Inactive Members Retired Members and Beneficiaries	Total
As of July 1, 1999	34,047	4,699	5,906*	9,911	54,563
Changes in status					
a) Normal & early retirements	(562)**	0	0	563**	1
b) Became payable	0	(175)	0	175	0
c) Deaths	(30)	(19)	(11)	(313)	(373)
d) Nonvested terminations	(1,200)	0	1,200	0	0
e) Vested terminations	(716)	716	0	0	0
f) Contribution refund	(942)	(323)	(332)	(1)	(1,598)
g) Beneficiaries in receipt	0	0	0	40	40
h) Disability retirements	(10)	(3)	0	13	0
Return to active service	335	(232)	(102)	(1)	0
j) Expired benefits	0	(6)	0	(20)	(26)
Total changes in status	(3,125)	(42)	755	456	(1,956)
New entrants					
a) Without prior service	3,744	0	0	0	3,744
b) With prior service	52	5	0	4	61
Total new members	3,796	5	0	4	3,805
Net change	671	(37)	755	460	1,849
As of July 1, 2000	34,718	4,662	6,661	10,371	56,412

* Listed as deferred vested last year.

** One active retiree produced two records due to a short return to service.

EXHIBIT 7
(cont'd)

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM

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
15 - 19	Number	15	0	0	0	0	0	0	0	15
	Total Salary	$ 82,783	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 82,783
	Average Salary	$ 5,519	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 5,519
20 - 24	Number	666	1	0	0	0	0	0	0	667
	Total Salary	$ 11,362,571	$ 9,343	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 11,371,914
	Average Salary	$ 17,061	$ 9,343	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 17,049
25 - 29	Number	2,158	592	0	0	0	0	0	0	2,750
	Total Salary	$ 50,745,424	$ 18,140,060	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 68,885,484
	Average Salary	$ 23,515	$ 30,642	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 25,049
30 - 34	Number	2,437	1,384	504	1	0	0	0	0	4,326
	Total Salary	$ 34,086,872	$ 43,647,408	$ 17,776,072	$ 42,485	$ 0	$ 0	$ 0	$ 0	$ 95,552,837
	Average Salary	$ 13,987	$ 31,537	$ 35,270	$ 42,485	$ 0	$ 0	$ 0	$ 0	$ 22,088
35 - 39	Number	1,475	867	1,086	515	6	0	0	0	3,949
	Total Salary	$ 22,288,381	$ 23,512,732	$ 38,773,974	$ 19,772,946	$ 141,078	$ 0	$ 0	$ 0	$ 104,489,111
	Average Salary	$ 15,111	$ 27,120	$ 35,703	$ 38,394	$ 23,513	$ 0	$ 0	$ 0	$ 26,460
40 - 44	Number	1,642	1,038	790	1,034	729	1	0	0	5,234
	Total Salary	$ 24,212,943	$ 24,951,872	$ 24,736,494	$ 39,578,781	$ 30,462,140	$ 34,859	$ 0	$ 0	$ 143,977,089
	Average Salary	$ 14,746	$ 24,038	$ 31,312	$ 38,277	$ 41,786	$ 34,859	$ 0	$ 0	$ 27,508
45 - 49	Number	1,154	1,084	1,057	720	1,279	869	2	0	6,165
	Total Salary	$ 17,997,547	$ 24,844,612	$ 30,114,344	$ 26,071,330	$ 54,290,231	$ 39,079,761	$ 122,213	$ 0	$ 192,520,038
	Average Salary	$ 15,596	$ 22,919	$ 28,490	$ 36,210	$ 42,447	$ 44,971	$ 61,107	$ 0	$ 31,228
50 - 54	Number	751	797	950	766	792	1,150	680	2	5,888
	Total Salary	$ 12,715,934	$ 18,906,096	$ 28,532,449	$ 26,531,139	$ 31,371,227	$ 53,500,139	$ 32,228,973	$ 130,042	$ 203,915,999
	Average Salary	$ 16,932	$ 23,722	$ 30,034	$ 34,636	$ 39,610	$ 46,522	$ 47,396	$ 65,021	$ 34,632
55 - 59	Number	398	413	577	467	573	369	477	212	3,486
	Total Salary	$ 6,114,781	$ 8,710,360	$ 14,322,002	$ 14,421,834	$ 20,217,143	$ 16,528,834	$ 23,485,650	$ 10,408,591	$ 114,209,195
	Average Salary	$ 15,364	$ 21,090	$ 24,821	$ 30,882	$ 35,283	$ 44,794	$ 49,236	$ 49,097	$ 32,762
60 - 64	Number	244	189	267	223	270	117	74	157	1,541
	Total Salary	$ 2,786,187	$ 3,405,142	$ 5,763,841	$ 6,028,850	$ 8,098,744	$ 4,557,540	$ 3,409,495	$ 7,572,681	$ 41,622,480
	Average Salary	$ 11,419	$ 18,017	$ 21,587	$ 27,035	$ 29,995	$ 38,953	$ 46,074	$ 48,234	$ 27,010
65 - 69	Number	249	126	120	83	59	22	15	23	697
	Total Salary	$ 2,340,496	$ 1,505,283	$ 1,966,308	$ 1,509,823	$ 1,169,636	$ 586,171	$ 552,058	$ 992,061	$ 10,621,836
	Average Salary	$ 9,400	$ 11,947	$ 16,386	$ 18,191	$ 19,824	$ 26,644	$ 36,804	$ 43,133	$ 15,239
TOTAL	Number	11,189	6,491	5,351	3,809	3,708	2,528	1,248	394	34,718
	Total Salary	$ 184,733,919	$ 167,632,908	$161,985,484	$133,957,188	$145,750,199	$ 114,287,304	$ 59,798,389	$ 19,103,375	$ 987,248,766
	Average Salary	$ 16,510	$ 25,825	$ 30,272	$ 35,169	$ 39,307	$ 45,209	$ 47,915	$ 48,486	$ 28,436

EXHIBIT 8

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM

FORECAST OF EXPECTED DISBURSEMENTS

Plan Year Ending June 30	Active Employees	Retired and Disabled Members and Beneficiaries	Total
2001	$ 11,393,610	$ 106,844,102	$ 118,237,712
2002	25,566,070	107,559,675	133,125,745
2003	41,442,842	107,982,373	149,425,215
2004	59,324,048	108,306,356	167,630,404
2005	79,916,172	108,478,671	188,394,843
2006	102,853,609	108,392,362	211,245,971
2007	127,837,767	108,022,081	235,859,848
2008	154,563,430	107,464,000	262,027,430
2009	183,314,758	108,056,705	291,371,463
2010	213,854,361	108,419,649	322,274,010
2011	$ 245,672,312	$ 108,547,742	$ 354,220,054
2012	278,505,095	108,383,283	386,888,378
2013	312,383,344	107,389,110	419,772,454
2014	347,196,462	105,769,489	452,965,951
2015	382,005,265	103,897,466	485,902,731
2016	416,017,994	102,253,210	518,271,204
2017	449,527,452	100,571,900	550,099,352
2018	482,984,564	98,531,477	581,516,041
2019	516,012,431	96,098,061	612,110,492
2020	549,019,862	93,264,067	642,283,929
2021	$ 581,209,778	$ 90,048,690	$ 671,258,468
2022	613,185,353	86,454,093	699,639,446
2023	644,639,260	82,512,897	727,152,157
2024	674,974,394	78,245,263	753,219,657
2025	703,564,438	73,687,885	777,252,323
2026	730,680,170	68,898,635	799,578,805
2027	757,230,129	63,919,194	821,149,323
2028	783,225,023	58,815,483	842,040,506
2029	808,076,842	53,654,092	861,730,934
2030	835,708,805	48,506,866	884,215,671

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.

EXHIBIT 9

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM

SUMMARY OF PLAN PROVISIONS

Member	Any person employed by a public school 15 or more hours per week and age 21 by August 15 preceding the school year shall be a member of the system. Employees at the date of establishment could have elected not to participate, and those covered under another system do not participate.
Participation Date	Date of becoming a member.

Definitions

Final average earnings	The average of the highest three fiscal years after July 1, 1968 of pensionable pay during the period ending on the earlier of the participant's termination date or retirement date. For employees who become a member on or after July 1, 1996, earnings will be capped at the maximum earnings defined in Code 401(a)(17).
Fiscal year	Twelve month period ending June 30.
Member contributions	Beginning with 1996-97 fiscal year, members contribute at a rate equal to 49.75% of the greater of (i) the overall rate necessary to fund the liability attributable to benefits in excess of the service annuities, or (ii) 7.25% of pensionable pay. The School Districts contribute at a rate equal to 101% of the members' rate. Such contributions are credited with interest in accordance with State Statutes.
Monthly pension benefit	The greater of (1) or (2).

(1) Amount: A monthly benefit equal to the sum of:

(a) A savings annuity which is the actuarial equivalent of the member's accumulated contributions, and

(b) A service annuity equal to $3.50 per year of service.

EXHIBIT 9
(cont'd)

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM

(2) Amount: Members employed by a class I, II, III, IV, or VI School District may receive a formula annuity. The formula annuity is a monthly amount equal to the product of 1.90% of final average earnings times total years of service for those members who are employed on or after July 1, 2000.

To receive this benefit, retirement must occur after meeting the Rule of 85 requirements (minimum age 55) or attaining age 65 with five years of service.

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)	First of month coinciding with or next following the attainment of age 65 with five years of pension service.
Service	Length of service includes all service as a school employee for which contributions have been made. This service only includes years for which the member was employed on at least a half-time basis, and includes declared emergency service in the armed forces, provided certain conditions are met. Special provisions allow credit for service prior to 1945 and for up to ten years of service in another State upon payment of required member contributions and earnings.
Pensionable pay	Gross earnings subject to contributions.

Eligibility for Benefits

Deferred vested	Termination for reasons other than death or disability retirement after completing five years of service.
Disability retirement	Retirement by reason of disability.
Early retirement	Retirement before NRD and on or after both attaining age 60 and completing five years of service, or attaining 35 years of service regardless of age, or attaining age 55 and age plus service equals at least 85 (Rule of 85).

EXHIBIT 9
(cont'd)

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM

Normal retirement	Retire on NRD.
Postponed retirement	Retire after NRD.
Pre-retirement spouse benefit	Death prior to retirement.

Monthly Benefits Paid Upon the Following Events

Normal retirement	Monthly pension benefit determined as of NRD.
Early retirement	Monthly pension benefit determined as of early retirement date, reduced by 3% for each year that commencement of payment precedes age 65 (member must be age 60 with five years of service). Unreduced benefits are available to members who have attained age 55 and whose age plus service is greater than or equal to 85. Benefits payable upon retirement prior to age 60 (based on the 35 year service rule) are actuarially reduced from age 65.
Postponed retirement	Monthly pension benefit determined as of actual retirement date.
Termination with deferred vested benefit	Monthly pension benefit determined as of termination date, reduced by 3% for each month that commencement of payment precedes the earlier of the Rule of 90 or age 65 (Early Commencement requires attainment of age 60).
Disability retirement	Monthly pension benefit determined as of disability retirement date.
Death with pre-retirement benefits	Survivor portion of 100% Joint and Survivor Annuity paid to spouse assuming retirement by participant at death if participant is age 65 or has 20 years of service at death. If participant has less than 20 years of service and is under age 65, a lump sum equal to the member's contributions plus regular interest is paid to the named beneficiary or estate.

EXHIBIT 9
(cont'd)

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM

Forms of payment

Pre-retirement death benefits are payable only as described above.

Monthly pension benefits are paid under the form of payment elected by the retiree at retirement. Payment forms include: life annuity, five year certain and life annuity, 100% joint and survivor annuity (spouse only), 10-year certain and life annuity, 15-year certain and life annuity, or a modified cash refund annuity.

Funding Arrangement

There are five funds established in the State Treasury, which receive monies and pay the expenses and benefits of the retirement system, as follows:

1. School Retirement Fund which is divided into five accounts:

    A) <u>School Employees Savings Account</u> - receives the required member contributions and pays any contribution withdrawals. Upon retirement, a member's account is transferred to the Annuity Reserve Account. Upon forfeiture, a member's account is transferred to the Contingent Account.

    B) <u>School Employers Deposit Account</u> - receives contributions from the State and applicable employers to fund all formula annuities over the prospective future salaries of eligible members. Upon retirement, the value of a member's formula annuity is transferred to the Annuity Reserve Account.

    C) <u>Service Annuity Account</u> - receives annual deposits from the State to fund service annuities currently being earned and to amortize the unfunded actuarial accrued liability for service annuities by January 1, 1994. Upon retirement, the value of a member's service annuity is transferred to the Annuity Reserve Account.

    D) <u>Annuity Reserve Account</u> - receives transfers of the value of all annuities upon commencement, and pays all annuity benefits.

    E) <u>Contingent Account</u> - receives all interest, dividends, and miscellaneous income, pays all regular interest allocated to the other accounts or funds, and meets any deficiencies occurring in the other accounts or funds.

2. <u>Expense Fund</u> - pays all expenses connected with the operation and administration of the system, and receives annual contributions to cover anticipated expenses.

EXHIBIT 9
(cont'd)

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM

3. <u>Retired Teachers Supplementary Benefits Fund</u> - pays certain supplemental benefits.

4. <u>School Employees Retirement System Reserve Fund (RSRF)</u> - pays a 3% cost-of-living adjustment to members who ceased employment prior to April 10, 1996 and began receiving benefits as of September 1996. The benefit was funded with .3% of pay matching contributions from employees and School Districts. This fund also pays for refund of employee contributions to future terminated members who request a refund. Effective September 1, 1996, contributions from members and School Districts going to this Reserve Fund will go to the School Employees Savings Account and School Employees Deposit Account.

5. <u>School Employees Purchasing Power Stabilization Fund (PPSF)</u> - LB700, passed in 1996, established a separate fund to provide for cost-of-living benefit adjustments to members ceasing employment on or after April 10, 1996. The COLA increases are 0.3% per year, beginning six years after retirement. This benefit is funded by State contributions. Beginning with the 1996-97 fiscal year, the funding shall be 81.7873% of $6,895,000 or $5,639,234 annually, for each year through the 2010-11 fiscal year.

   LB 674, passed in 1999 (effective July 1, 2000), provides for:
   - an increase in the formula annuity multiplier from 1.8% to 1.9%,
   - 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 School Purchasing Power Stabilization Fund.

   The existing assets in the School PPSF are to be transferred to the School Annuity Reserve Account. The State appropriation to the PPSF as defined above, will be directed to the School Annuity Reserve Account through the 2010 – 2011 Fiscal Year beginning in year 2000.

Benefits Reflected in Valuation

All benefits were valued, excluding the 3% cost-of-living adjustment funded by the RSRF and including future cost-of-living increases as provided for by LB 674.

Plan Provisions Effective after July 1, 2000

No future changes in plan provisions were recognized in determining the GASB 25 funded status and in determining the actuarial soundness of statutory contribution levels.

Changes in Plan Provisions since Prior Year

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

EXHIBIT 10

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM

SUMMARY OF ACTUARIAL METHODS AND PROCEDURES AS OF JULY 1, 2000

A. ACTUARIAL METHODS

1. Calculation of Normal Cost and Actuarial Liability: The method used to determine the normal cost and frozen actuarial accrued liability for funding the Service Annuity is the Frozen Entry Age Actuarial Cost Method described below. The method used to determine the normal cost and actuarial liability for funding the Excess Formula Annuity was the Aggregate Actuarial Cost Method described on page 26.

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, if any.

Frozen Entry Age Actuarial Cost Method - Service Annuity Funding

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, (2) the Unfunded Frozen Actuarial Accrued Liability and (3) the present value of future PPSF appropriations, 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.

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.

EXHIBIT **10**
(cont'd)

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM

Aggregate Actuarial Cost Method - Excess Formula Annuity Funding

Under the Aggregate Actuarial Cost Method, the Normal Cost is computed as the level percentage of compensation which, if paid from the valuation date until each member's assumed termination or retirement, will, together with assets of the plan and future State contributions (.7% of compensation) accumulate with interest at the rate assumed in the valuation to a Fund sufficient to pay all benefits under the plan.

The present value of future normal costs is equal to the (i) actuarial present value of future benefits, less (ii) the actuarial value of assets, less (iii) the present value of future State contributions. This amount is divided by the actuarial present value of future member compensation to determine the total Normal Cost rate. The employee rate is 49.75% of the total rate with employers paying 101% of the employee rate pursuant to Section 79-1522.01 of the Nebraska State Statutes.

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.

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. The Actuarial Value is determined using the total assets of the System, and is then allocated on a pro-rata basis to each reserve fund and account using Market Value. Effective July 1, 2000, the expected return on Actuarial Value includes interest on the previous year's unrecognized return.

3. **Calculation of Pension Benefit Obligation:** The method used to determine the Pension Benefit Obligation was the Projected Unit Credit Actuarial Cost Method without service proration. Under this method, the benefit is based on salary projected to assumed termination or retirement and service as of the valuation date.

EXHIBIT 10
(cont'd)

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM

B.   VALUATION PROCEDURES

No actuarial liability is included for participants who terminated without being vested prior to the valuation date, except those due a refund of contributions.

The compensation amounts used in the projection of benefits and liabilities for active members were prior plan year compensations increased one year with the salary scale.

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.

There were approximately 1,300 active participant new hires with missing dates of birth and gender codes. They were assumed to be age 33 (the average entry age for the group as a whole) and gender codes were randomly assigned in the ratio 75% female/25% male.

EXHIBIT 11

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM

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	Rates vary by age. Sample ages are as follows:

Age	Rate
25	8.20%
30	7.40%
35	6.70%
40	6.20%
45	5.70%
50	5.20%
55	4.85%
60	4.60%
65+	4.50%

4.	Interest on Employee Contributions	6% per annum, compounded annually.

DEMOGRAPHIC ASSUMPTIONS

1. Mortality
   - a. Healthy lives - active and retired members and beneficiaries — 1994 Group Annuity Mortality Table, without setback.
   - b. Disabled lives — 1971 Group Annuity Mortality Table, without setback.

EXHIBIT 11
(cont'd)

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM

c. Mortality rates under the mortality tables are shown below at sample ages:

	Mortality Rate			
	Healthy Members		**Disabled Members**	
Sample Age	**Males**	**Females**	**Males**	**Females**
30	.08%	.04%	.08%	.05%
40	.11	.07	.16	.09
50	.26	.14	.53	.22
60	.80	.44	1.31	.55
70	2.37	1.37	3.61	1.65
80	6.20	3.94	8.74	5.61

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

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

EXHIBIT 11
(cont'd)

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM

2. Retirement:

Rates vary by age and eligibility for unreduced benefits. Rates are as follows:

Year Eligible	Select Rates While Eligible for Unreduced Benefits*
1st	25%
2nd	35%
3rd	30%
4th - 7th	25%

*Available under Rule of 85 with minimum age 55.

Ultimate Rates and Eligible for Reduced Benefits		
Age	Male	Female
60	5%	8%
61	10%	8%
62	25%	20%
63	25%	15%
64	25%	15%
65	40%	30%
66	30%	25%
67	30%	25%
68	30%	25%
69	30%	25%
70	100%	100%

EXHIBIT 11
(cont'd)

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM

3. Termination:

Rates vary by age and service. Select rates are applied by service and ultimate rates are applied by age. Sample rates are as follows:

Select Rates by Service:	
Years of Service	Rate
1	25%
2	20%
3	13%

Ultimate Rates by Age		
	Rate	
Age	Male	Female
25	11.4%	11.9%
30	6.2%	8.2%
35	4.1%	6.1%
40	3.3%	4.7%
45	2.7%	4.2%
50	2.6%	3.9%
55	3.2%	4.5%
60	9.6%	9.0%

4. Disability:

Rates vary by age. Sample rates are as follows:

Age	Rate
25	.00%
30	.00%
35	.12%
40	.12%
45	.24%
50	.35%
55	.53%
60	.71%

EXHIBIT 11
(cont'd)

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM

OTHER ASSUMPTIONS

1. Form of Payment: Service annuity - Life annuity
                                     Formula annuity - Five year certain and life
                                     annuity.

2. Marital Status
    a. Percent married   85% married
    b. Spouse's age   Females assumed to be three years younger
                                     than males.

3. Administrative Expense   Investment return is assumed to be net of expenses.

4. Commencement age for deferred   Age 62.
    vested benefit

5. Cost of Living Adjustment   2% per annum, compounded annually, and
                                         3.8% per annum, compounded annually, after
                                         reaching 75% purchasing power floor benefit.

Note: None of the actuarial assumptions have been changed since the last actuarial valuation was
performed as of July 1, 1999.