

***NEBRASKA PUBLIC EMPLOYEES
RETIREMENT SYSTEMS***
**STATE PATROL RETIREMENT SYSTEM
2004**

Forty-ninth Actuarial Report for
State Fiscal Year Ending June 30, 2006
and
System Plan Year Beginning July 1, 2004

December 2004



NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
STATE PATROL SYSTEM

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November 22, 2004

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

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

Ladies and Gentlemen:

This report summarizes the results of the actuarial valuation of the State Patrol Retirement System as of July 1, 2004 performed by Mellon Consultants, LLC.

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, 2004.

All costs, liabilities and other factors under the plan were determined in accordance with generally accepted actuarial principles and procedures. This report fully and fairly discloses the actuarial position of the plan.

An actuarial experience analysis was last completed in parallel with the July 1, 2002, valuation. 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 State Patrol 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 member contributions and appropriations, plus an additional payment necessary to meet the actuarially required contribution. For the 2005 - 2006 fiscal year, the State's additional payment requirement is \$948,654.

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,

MELLON CONSULTANTS, LLC.

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

Robert C. Ridge, A.S.A.
Consultant, Actuary

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
STATE PATROL SYSTEM

**SUMMARY OF ACTUARIAL REPORT FOR CONTRIBUTION REQUIREMENTS AND
FUNDED STATUS FOR PLAN YEAR 2004/2005**

The main purposes of this report are:

1. To determine the level of State contributions for the fiscal year ending June 30, 2006 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, 2003 and ending June 30, 2004.

The 2004 actuarial valuation is based upon the plan provisions as of July 1, 2004, as described in Exhibit 8. The actuarial methods and assumptions are described in Exhibit 9 and 10.

Highlights from the current valuation:

1. An additional State contribution is required for the 2005-2006 fiscal year to meet the actuarially required contribution. Expected member contributions and State contributions fall short of the total funding requirement. The system's liability has increased by \$10,294,091 from \$4,364,701 as of July 1, 2003 to \$14,658,792 as of July 1, 2004.
2. A loss was experienced on the Actuarial Value of Assets during the 2003/2004 plan year. The annual rate of return on Market Value was 14.4%. The rate of return on Actuarial Value of 2.6% fell short of the 8% assumed investment return rate by 5.4%, resulting in a decrease to the Actuarial Value by \$11,617,682.
3. The plan experienced a decremental gain in the actuarial accrued liability since the July 1, 2003 actuarial valuation, primarily due to lower salary increases than expected during the year. The actuarial accrued liability decreased by \$2,320,152 as a result of decremental experience.
4. The funded status of the system as measured by the ratio of the system assets over the Pension Benefit Obligation (PBO) decreased. The PBO is calculated using the Projected Unit Credit Method, which determines the benefit by using service at the valuation date and projecting salary to assumed termination or retirement. Since the July 1, 2003 actuarial valuation, the funded percentage on Actuarial Value decreased from 100.5% to 96.3%. This decrease was primarily due to asset losses.

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

EXECUTIVE SUMMARY

Basic Actuarial Valuation Results

The 2004 actuarial valuation results are based upon the plan provisions as of July 1, 2004 as described in Exhibit 8. The actuarial methods and assumptions are described in detail in Exhibits 9 and 10, respectively.

1. State Contribution

The State's funding policy is to match the 12% of pay contributions paid by members during 2004/2005 (11% of pay contributions, thereafter), pay required appropriations through the 2010-2011 Fiscal Year, and make additional payments if necessary, to meet the actuarially required contribution. The actuarially required contribution is equal to the normal cost plus an amortization payment for unfunded liabilities. Unfunded liabilities created due to experience gains or losses, plan changes or assumption changes are amortized over 25 years.

Total expected State funding for the 2004-2005 plan year is \$3,050,645. Member contributions and matching State contributions and appropriations are not expected to meet the total actuarially required funding. The additional State funding required for the 2004-2005 plan year, payable July 1, 2005, is \$948,654.

The actuarial accrued liability exceeds the actuarial value of assets as of the valuation date. As a result, the unfunded actuarial accrued liability is \$5,738,956.

History of Expected State Contributions			
Plan Year	State Contribution*	Additional Contributions	Total
2004-2005	\$ 3,050,645	\$ 948,654	\$ 3,999,239
2003-2004	2,745,970	434,202	3,180,172
2002-2003	2,413,762	0	2,413,762
2001-2002	2,257,610	0	2,257,610
2000-2001	1,958,304	0	1,958,304
1999-2000	2,298,256**	0	2,298,256**
1998-1999	1,753,478	0	1,753,478
1997-1998	1,714,946	0	1,714,946
1996-1997	1,728,778	0	1,728,778
1995-1996	1,340,120	0	1,340,120
1994-1995	1,021,870	125,897	1,147,767

* Includes State Appropriations.

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

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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2. Asset Values

The total assets of the system as of the current and prior valuation date at both market value and actuarial value, and the rate of return during the period is as follows:

	July 1, 2003	July 1, 2004	Annual Rate of Return
(a) Market value	\$183,989,762	\$206,369,362	14.4%
(b) Actuarial value, an adjusted value intended to reduce the effect of market fluctuations (See Exhibit 1B)	\$214,657,454	\$216,422,556	2.6%

3. Actuarial Liability/(Reserve)

The actuarial liability of the system is the excess of the total benefit obligation (present value of future benefits) over the projected financial resources (sum of (i) the actuarial value of assets, (ii) the present value of future member and matching State contributions, and (iii) the present value of future State appropriations). If the projected financial resources exceed the total benefit obligation, the system has a Reserve. The actuarial position of the system as of the current and prior valuation dates are as follows:

	July 1, 2003	July 1, 2004
(a) Present value of future benefits	\$ 267,617,339	\$ 280,994,281
(b) Actuarial value of assets	214,657,454	216,422,556
(c) Present value of future member contributions	23,291,966	24,022,349
(d) Present value of matching State contributions	23,291,966	24,022,349
(e) Present value of future State appropriations*	<u>2,011,252</u>	<u>1,868,235</u>
(f) Actuarial Liability/(Reserve) (a-b-c-d-e)	\$ 4,364,701	\$ 14,658,792

*Includes appropriation for COLA benefit under LB 137.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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4. Pension Benefit Obligation (PBO)

The Pension Benefit Obligation represents a standardized disclosure measure of the present value of pension benefits payable in the future, which incorporates the effects of projected salary increases, based on service earned at the valuation date. The measure is intended to provide information regarding the Plan's funded status on an ongoing-concern basis, progress made in accumulating sufficient assets to pay benefits when due, and comparability to other plans.

Funded Status	July 1, 2003	July 1, 2004
(a) Pension Benefit Obligation		
i) retirees, disabled members and beneficiaries receiving benefits and deferred vested members not yet receiving benefits	\$ 122,789,500	\$ 131,301,887
ii) active members	<u>90,707,339</u>	<u>93,358,173</u>
iii) total pension benefit obligation	\$ 213,496,839	\$ 224,660,060
(b) Assets available for benefit (actuarial value)	<u>214,657,454</u>	<u>216,422,556</u>
(c) Unfunded Pension Benefit Obligation/(Reserve)	\$ (1,160,615)	\$ 8,237,504
(d) Funded percentage on actuarial value of assets: (b)÷(a)(iii)	100.5%	96.3%

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5. Benefit Accrual Cost

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

	July 1, 2003	July 1, 2004
(a) Benefit accrual cost amount:	\$ 5,928,140	\$ 6,197,796
(b) Annual compensation:	\$ 21,929,399	\$ 22,640,907
(c) Benefit accrual cost rate (a) ÷ (b):	27.033%	27.374%

6. Forecast of Disbursements

A forecast of the annual benefit disbursements expected over the next thirty years is presented in Exhibit 7. This forecast is based on the same actuarial assumptions with respect to salary increases and decrement rates used to determine the funding requirements. The forecast should be a useful guide in discussing the cash-flow needs of the system with investment managers and in projecting the future financing needs of the system.

7. Actuarial Methods and Assumptions

The required contribution developed in this report is an estimate of the amount necessary to provide ongoing benefits to plan members assuming the system is funded in a systematic manner. These estimates are based upon the actuarial method defined under State Statutes to allocate the total cost of the plan to various years and actuarial assumptions regarding the return on investments, salary rates, employee termination rates, mortality rates and other risk factors. The actuarial method used to determine the actuarial contribution requirement is the Entry Age Actuarial Cost Method.

The actuarial assumptions represent the expected long-term experience of the system on an explicit basis for each risk area considered. The experience is reviewed periodically. Where necessary, changes are recommended by the actuary and adopted by the Public Employees Retirement Board.

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

***NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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EXECUTIVE SUMMARY

8. Changes Since the Last Actuarial Valuation

Per LB 514, the Nebraska State Patrol's Statutory Employee and Matching Employer Contribution Rate increased from 11% to 12% for the 2004-2005 Fiscal Year. There have been no other changes in the actuarial cost method, assumptions or plan provisions since the last actuarial valuation as of July 1, 2003.

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

SYSTEM ASSETS

A. Summary of Assets	Market Value as of June 30, 2003	Market Value as of June 30, 2004
1. Cash and Equivalents	\$ 94,872	\$ 51,640
2. Investments	181,604,220	202,068,223
3. Capital Assets	0	1,555,835
4. Receivables and Prepaids	2,290,670	4,317,335
5. Accounts Payable	0	(1,623,671)
6. Net Assets Available for Pension Benefits Considered (1 + 2 + 3 + 4 + 5)	\$ 183,989,762	\$ 206,369,362

B. Development of Actuarial Value of Assets	Amount
1. Actuarial Value of Assets as of July 1, 2003	\$ 214,657,454
2. Unrecognized Return as of July 1, 2003	(30,667,692)
3. Contributions	
(a) Member	\$ 2,572,887
(b) State	2,572,887
(c) State appropriations	<u>333,736</u>
(d) Total	\$ 5,479,510
4. Distributions	
(a) Benefit payments	\$ 9,146,636
(b) Refund of contributions	<u>8,935</u>
(c) Total	\$ 9,155,571
5. Expected Return at 8% on:	
(a) Item 1	\$ 17,172,595
(b) Item 2	(2,453,415)
(c) Item 3 (d)	214,964
(d) Item 4 (c)	<u>328,715</u>
(e) Total (a) + (b) + (c) - (d)	\$ 14,605,429
6. Actual Return on Market Value for Plan Year, Net of Expenses	\$ 26,055,661
7. Return to be Spread for Plan Year [6-5(e)]	\$ 11,450,232

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
STATE PATROL SYSTEM

SYSTEM ASSETS

B. Development of Actuarial Value of Assets		Amount																								
8. Total Market Value of Assets as of July 1, 2004		\$ 206,369,362																								
9. Return to be Spread:																										
<table border="1"> <thead> <tr> <th align="left">Plan Year</th> <th align="right">Return to be Spread</th> <th align="center">Unrecognized Percent</th> <th align="right">Unrecognized Return</th> </tr> </thead> <tbody> <tr> <td>2003/2004</td> <td align="right">\$ 11,450,232</td> <td align="center">80%</td> <td align="right">\$ 9,160,186</td> </tr> <tr> <td>2002/2003</td> <td align="right">(5,534,531)</td> <td align="center">60%</td> <td align="right">(3,320,719)</td> </tr> <tr> <td>2001/2002</td> <td align="right">(27,180,143)</td> <td align="center">40%</td> <td align="right">(10,872,057)</td> </tr> <tr> <td>2000/2001</td> <td align="right">(25,103,018)</td> <td align="center">20%</td> <td align="right">(5,020,604)</td> </tr> <tr> <td align="center" colspan="3">Total</td> <td align="right">\$ (10,053,194)</td> </tr> </tbody> </table>			Plan Year	Return to be Spread	Unrecognized Percent	Unrecognized Return	2003/2004	\$ 11,450,232	80%	\$ 9,160,186	2002/2003	(5,534,531)	60%	(3,320,719)	2001/2002	(27,180,143)	40%	(10,872,057)	2000/2001	(25,103,018)	20%	(5,020,604)	Total			\$ (10,053,194)
Plan Year	Return to be Spread	Unrecognized Percent	Unrecognized Return																							
2003/2004	\$ 11,450,232	80%	\$ 9,160,186																							
2002/2003	(5,534,531)	60%	(3,320,719)																							
2001/2002	(27,180,143)	40%	(10,872,057)																							
2000/2001	(25,103,018)	20%	(5,020,604)																							
Total			\$ (10,053,194)																							
10. Total Actuarial Value of Assets at July 1, 2004 (8-9)		\$ 216,422,556																								
11. Ratio of total actuarial value to market value (10÷8)		104.9%																								

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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SYSTEM ASSETS

C. Change in Asset Values During 2003/2004	Actuarial Value	Market Value
1. Asset value as of July 1, 2003	\$ 214,657,454	\$ 183,989,762
2. Contributions for 2003/2004:		
(a) Member contributions paid during the year	\$ 2,572,887	\$ 2,572,887
(b) State contributions paid	2,572,887	2,572,887
(c) State appropriations for the year	<u>333,736</u>	<u>333,736</u>
(d) Contributions for 2003/2004: (a) + (b) + (c)	\$ 5,479,510	\$ 5,479,510
3. Disbursements for 2003/2004:		
(a) Benefit payments	\$ 9,146,636	\$ 9,146,636
(b) Expenses and fees	926,537	926,537
(c) Refund of contributions	<u>8,935</u>	<u>8,935</u>
(d) Disbursements for 2003/2004: (a) + (b) + (c)	\$ 10,082,108	\$ 10,082,108
4. Investment return for 2003/2004:	\$ 6,367,700	\$ 26,982,198
5. Asset value as of July 1, 2004: [1 + 2(d) - 3(d) + 4]	\$ 216,422,556	\$ 206,369,362
6. Approximate rate of investment return, net of expenses	2.6%	14.4%

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

ACTUARIAL CONTRIBUTION REQUIREMENT

A. Development of Actuarially Required Funding Rate	July 1, 2004
1. Actuarial present value of benefits	
(a) Active members	\$ 149,692,394
(b) Inactive members	483,973
(c) Retired members, disabilities and beneficiaries	<u>130,817,914</u>
(d) Total	\$ 280,994,281
2. Present Value of Future Normal Costs	<u>58,832,769</u>
3. Total Actuarial Accrued Liability [1(d) - 2]	\$ 222,161,512
4. Actuarial Value of Assets	<u>216,422,556</u>
5. Unfunded Actuarial Accrued Liability/(Reserve) [3-4]	\$ 5,738,956
6. 25-Year Amortization of the Unfunded Actuarial Accrued Liability/(Reserve)	
(a) Amount	\$ 517,325
(b) Amount as % of Pay	2.28%
7. Normal Cost	
(a) Amount	\$ 6,197,796
(b) Amount as % of Pay	27.37%
8. Total Actuarially Required Contribution	
(a) Amount	\$ 6,715,121
(b) Amount as % of Pay	29.66%

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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ACTUARIAL CONTRIBUTION REQUIREMENT

B. Development of Additional State Contributions for 2005/2006	Annual Amount as a % of Pay
1. Actuarially Required Contribution	
(a) Total Contribution Amount	\$ 6,715,121
(b) State Appropriations	210,220
(c) Expected State Appropriation for LB 137 COLA benefit	<u>123,516</u>
(d) Net Contribution Amount [1(a)-1(b)-1(c)]	\$ 6,381,385
(e) Net Amount as % of Pay	28.19%
2. Statutory Contribution Rates during 2004/2005	
(a) Employee Contribution Rate	12.00%
(b) Employer Contribution Rate	<u>12.00%</u>
(c) Total Employee/Employer Contribution Rate 2(a) + 2(b)	24.00%
3. Additional Required State Contribution	
(a) Additional Required State Contribution Rate [1(e)-2(c), not less than 0.00%]	4.19%
(b) Additional Required State Contribution Amount	\$ 948,654

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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ACTUARIAL CONTRIBUTION REQUIREMENT

C. Schedule of Amortization Bases	July 1, 2004 Remaining Payments	Date of Last Payment	Outstanding Balance as of July 1, 2004	Annual Contribution
1. 2004 Unfunded Actuarial Accrued Liability Base	25	07/01/2029	\$ 5,738,956	\$ 517,325
Total			\$ 5,738,956	\$ 517,325

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

A. Change in Actuarial Accrued Liability		
1.	Actual Actuarial Accrued Liability as of July 1, 2003	\$ 210,930,784
2.	Benefits accrued during the 2003/2004 plan year	5,928,140
3.	Benefit payments during the 2003/2004 plan year	9,155,571
4.	Interest at 8%	<u>16,778,311</u>
5.	Expected Actuarial Accrued Liability as of July 1, 2004 (1 + 2 - 3 + 4)	\$ 224,481,664
6.	Decremental (Gain)/Loss by Source	
	(a) Retirement	\$ 481,405
	(b) Termination	130,886
	(c) Disability	(16,345)
	(d) Pre-retirement mortality	45,487
	(e) Post-retirement mortality	(275,531)
	(f) Salary	(2,266,617)
	(g) New Entrants	143,635
	(h) Data changes/miscellaneous	(113,068)
	(i) Retiree COLA	<u>(450,004)</u>
	(j) Total decremental (gain)/loss	\$ (2,320,152)
7.	Change in Actuarial Assumptions	\$ 0
8.	Change in Plan Provisions	<u>0</u>
9.	Actual Actuarial Accrued Liability as of July 1, 2004 [5 + 6(j) + 7 + 8]	\$ 222,161,512
B. Change in Actuarial Value of Assets		
1.	Expected Actuarial Value of Assets as of July 1, 2004	\$ 228,040,238
2.	Actual Actuarial Value of Assets as of July 1, 2004	<u>216,422,556</u>
3.	Actuarial (Gain)/Loss from Asset Sources (1 - 2)	\$ 11,617,682
C.	Total Actuarial (Gain)/Loss for the 2003/2004 plan year [A(6)(j)+B(3)]	\$ 9,297,530

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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ACTUARIAL BALANCE SHEET

A. Financial Resources	July 1, 2004
1. Actuarial Value of Assets	\$ 216,422,556
2. Present Value of Future Contributions	
(a) Member	\$ 24,022,349
(b) Employer	24,022,349
(c) State Appropriations	<u>1,868,235</u>
(d) Total	49,912,933
3. Actuarial Liability/(Reserve)	14,658,792
4. Total Assets [1 + 2(d) + 3]	\$ 280,994,281

B. Benefit Obligations	July 1, 2004
1. Present Value of Future Benefits	
(a) Active members	\$ 149,692,394
(b) Inactive members	483,973
(c) Retirees, disabilities and beneficiaries	<u>130,817,914</u>
(d) Total	\$ 280,994,281

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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ACCOUNTING INFORMATION

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

	July 1, 2003	July 1, 2004
Pension Benefit Obligation (PBO):		
Vested PBO		
(a) members currently receiving payments	\$ 122,452,596	\$ 130,817,914
(b) other members		
i) accumulated member contributions	25,609,053	26,525,602
ii) employer financed vested	<u>53,837,669</u>	<u>54,544,951</u>
Total Vested PBO	\$ 201,899,318	\$ 211,888,467
Nonvested PBO	<u>11,597,521</u>	<u>12,771,593</u>
Total PBO	\$ 213,496,839	\$ 224,660,060
Actuarial Value of Assets	<u>214,657,454</u>	<u>216,422,556</u>
Unfunded Pension Benefit Obligation (Reserve)	\$ 1,160,615	\$ 8,237,504
Funded Percentage		
(a) on vested PBO	106.3%	102.1%
(b) on total PBO	100.5%	96.3%

B. Change in Pension Benefit Obligation from July 1, 2003 to July 1, 2004.

Pension Benefit Obligation at July 1, 2003	\$ 213,496,839
Increase/(Decrease) during Period:	
Plan Provision Changes	\$ 0
Assumption Changes	0
Benefits Accumulated	5,004,032
Benefits Paid	(9,155,571)
Interest Cost	17,120,893
Plan Experience	<u>(1,806,133)</u>
Total Change	\$ 11,163,221
Pension Benefit Obligation at July 1, 2004	\$ 224,660,060

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, 2004 and 2003, respectively, 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, 2004	\$ 3,019,323	96.3%
June 30, 2003	2,652,857	100%
June 30, 2002	2,428,025	100%
June 30, 2001	2,257,610	100%
June 30, 2000	2,203,735	100%
June 30, 1999	2,294,332	100%

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

Valuation Date	June 30, 2004
Actuarial Cost Method	Entry Age
Amortization Method	Level dollar amount, closed
Amortization period	25 years
Asset Valuation Method	5 year smoothed market
Actuarial Assumptions:	
Investment rate of return*	8.0%
Projected salary increases*	4.5% - 12.0%
*Includes inflation at	3.5%
Cost-of-living adjustment	2.5% with a floor benefit equal to 60% purchasing power of original benefit

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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ACCOUNTING INFORMATION

E. Schedule of Funding Progress Under GASB No. 25

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Accrued Liabilities (UAL) (b-a)	Funded Ratio (a÷b)	Covered Payroll (c)	UAL as a % of Covered Payroll [(b-a)/c]
June 30, 2004	\$ 216,422,556	\$ 222,161,512	\$ 5,738,956	97.4%	\$ 22,640,907	25.4%
June 30, 2003	214,657,454	210,930,784	(3,726,670)	101.8	21,929,399	(17.0)
June 30, 2002	214,527,994	197,615,091	(16,912,903)	108.6	18,846,776	(89.7)
June 30, 2001	208,372,640	187,284,490	(21,088,150)	111.3	16,727,477	(126.1)
June 30, 2000	193,019,673	169,545,801	(23,473,872)	113.8	15,789,104	(148.7)
June 30, 1999	171,124,224	162,222,559	(8,901,665)	105.5	14,986,973	(59.4)

NOTE: The Actuarial Cost Method was changed from Frozen Entry Age to Entry Age as of June 30, 2002, per LB 407.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
STATE PATROL SYSTEM

SUMMARY OF MEMBER DATA

A. Active Members	July 1, 2003	July 1, 2004
1. Number of active members		
(a) Before assumed retirement age	486	489
(b) Beyond assumed retirement age	0	0
(c) Total	486	489
2. Annual considered compensation		
(a) Before assumed retirement age	\$ 21,929,399	\$ 22,640,907
(b) Beyond assumed retirement age	0	0
(c) Total	\$ 21,929,399	\$ 22,640,907
3. Accumulated contributions	\$ 25,272,149	\$ 26,041,629
4. Active member averages		
(a) Age	38.0	38.3
(b) Service	11.1	11.2
(c) Compensation	\$ 45,122	\$ 46,300
(d) Accumulated contributions	\$ 52,000	\$ 53,255
B. Inactive Members		
1. Number of inactive members	13	15
2. Accumulated member contributions	\$ 336,904	\$ 483,973
3. Inactive member averages		
(a) Age	\$ 43.1	\$ 44.1
(b) Accumulated member contributions	\$ 25,916	\$ 32,265
C. Retired and Disabled Members and Beneficiaries		
1. Number of members		
(a) Retired	239	246
(b) Disabled	4	5
(c) Beneficiaries	45	50
(d) Total	288	301
2. Annual benefits		
(a) Retired	\$ 7,966,057	\$ 8,767,370
(b) Disabled	106,051	141,285
(c) Beneficiaries	756,170	871,167
(d) Total	\$ 8,828,278	\$ 9,779,822

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

SUMMARY OF MEMBER DATA

D. Distribution of Retired and Disabled Members and Beneficiaries as of July 1, 2004

Age Range	Number	Annual Benefit	Average Annual Benefit
59 & Under	109	\$ 4,314,045	\$ 39,578
60-64	50	1,825,722	36,514
65-69	48	1,401,341	29,195
70-74	32	804,849	25,152
75-79	38	897,748	23,625
80-84	17	391,609	23,036
85-89	6	127,687	21,281
90 & Over	1	11,821	11,821
Total	301	\$ 9,779,822	\$ 32,491

E. Member Data Reconciliation

	Active Members	Inactive Members				Total
		With Deferred Benefits	Terminated With Balance	Retired Members and Beneficiaries	Disabled Members	
As of July 1, 2003	486	5	8	284	4	787
Changes in status						
a) Normal & early retirements	(14)	0	0	14	0	0
b) Became payable	0	0	0	0	0	0
c) Deaths	0	0	0	(7)	0	(7)
d) Nonvested terminations	(4)	0	4	0	0	0
e) Vested terminations	(4)	4	0	0	0	0
f) Contribution refund	(3)	0	(1)	0	0	(4)
g) Beneficiaries in receipt	0	0	0	4	0	4
h) Disability retirements	0	0	0	0	0	0
i) Return to active service	5	(2)	(3)	0	0	0
j) Expired or forfeited benefits	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1)</u>	<u>0</u>	<u>(1)</u>
Total changes in status	(20)	2	0	10	0	(8)
New entrants / Data Changes						
a) Without prior service	23	0	0	3	0	26
b) With prior service	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1)</u>	<u>1</u>	<u>0</u>
Total new members	23	0	0	2	1	26
Net change	3	2	0	12	1	18
As of July 1, 2004	489	7	8	296	5	805

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
STATE PATROL SYSTEM

SUMMARY OF MEMBER DATA

F. Reconciliation Between Data Submitted by NPERS and Valuation Data

	Active Members	Inactive Members	Retired Members, beneficiaries, and Disabled	Total
Number of Data Records Submitted by NPERS	490	14	300	804
Additions				
a) New Alternate Payees	<u>0</u>	<u>1</u>	<u>1</u>	<u>2</u>
Total Additions	0	1	1	2
Subtractions				
a) Also Listed as Retired	0	0	0	0
b) Also Listed as Contribution Refund	<u>(1)</u>	<u>0</u>	<u>0</u>	<u>(1)</u>
Total Subtractions	(1)	0	0	(1)
Net change	(1)	1	1	1
Number of Members Included in the Valuation as of July 1, 2004	489	15	301	805

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

SUMMARY OF MEMBER DATA

F. Age and Service Distribution of Active Members as of July 1, 2004

Age Last Birthday		0-4	5-9	10-14	15-19	20-24	25-29	30-34	Over 34	Total
20-24	Number	15	0	0	0	0	0	0	0	15
	Total Salary	\$ 510,210	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 510,210
	Average Sal.	\$ 34,014	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 34,014
25-29	Number	80	7	0	0	0	0	0	0	87
	Total Salary	\$ 2,943,319	\$ 282,353	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,225,671
	Average Sal.	\$ 36,791	\$ 40,336	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 37,077
30-34	Number	43	47	5	0	0	0	0	0	95
	Total Salary	\$ 1,596,195	\$ 1,986,544	\$ 230,469	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,813,208
	Average Sal.	\$ 37,121	\$ 42,267	\$ 46,094	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 40,139
35-39	Number	23	15	37	9	0	0	0	0	84
	Total Salary	\$ 914,139	\$ 656,582	\$ 1,785,838	\$ 474,343	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,830,902
	Average Sal.	\$ 39,745	\$ 43,772	\$ 48,266	\$ 52,705	\$ 0	\$ 0	\$ 0	\$ 0	\$ 45,606
40-44	Number	10	4	19	32	18	0	0	0	83
	Total Salary	\$ 459,438	\$ 180,743	\$ 957,622	\$ 1,764,062	\$ 978,693	\$ 0	\$ 0	\$ 0	\$ 4,340,558
	Average Sal.	\$ 45,944	\$ 45,186	\$ 50,401	\$ 55,127	\$ 54,372	\$ 0	\$ 0	\$ 0	\$ 52,296
45-49	Number	6	1	5	9	34	26	1	0	82
	Total Salary	\$ 290,639	\$ 51,049	\$ 247,141	\$ 464,433	\$ 1,852,418	\$ 1,568,067	\$ 63,271	\$ 0	\$ 4,537,018
	Average Sal.	\$ 48,440	\$ 51,049	\$ 49,428	\$ 51,604	\$ 54,483	\$ 60,310	\$ 63,271	\$ 0	\$ 55,329
50-54	Number	6	1	0	3	8	13	2	0	33
	Total Salary	\$ 309,680	\$ 49,426	\$ 0	\$ 137,469	\$ 410,096	\$ 761,278	\$ 111,365	\$ 0	\$ 1,779,314
	Average Sal.	\$ 51,613	\$ 49,426	\$ 0	\$ 45,823	\$ 51,262	\$ 58,560	\$ 55,683	\$ 0	\$ 53,919
55 & Up	Number	1	1	0	1	0	3	2	2	10
	Total Salary	\$ 53,664	\$ 49,511	\$ 0	\$ 48,565	\$ 0	\$ 158,546	\$ 149,691	\$ 144,049	\$ 604,026
	Average Sal.	\$ 53,664	\$ 49,511	\$ 0	\$ 48,565	\$ 0	\$ 52,849	\$ 74,846	\$ 72,024	\$ 60,403
TOTAL	Number	184	76	66	54	60	42	5	2	489
	Total Salary	\$ 7,077,283	\$ 3,256,208	\$ 3,221,070	\$ 2,888,871	\$ 3,241,206	\$ 2,487,892	\$ 324,328	\$ 144,049	\$ 22,640,907
	Average Sal.	\$ 38,463	\$ 42,845	\$ 48,804	\$ 53,498	\$ 54,020	\$ 59,236	\$ 64,866	\$ 72,024	\$ 46,300

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
STATE PATROL SYSTEM

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

FORECAST OF EXPECTED DISBURSEMENTS

Plan Year Ending June 30	Active Employees	Retired and Disabled Members and Beneficiaries	Total
2005	\$ 326,820	\$ 9,996,789	\$ 10,323,609
2006	969,687	10,168,420	11,138,107
2007	1,676,624	10,334,513	12,011,137
2008	2,347,219	10,494,061	12,841,280
2009	3,025,752	10,645,768	13,671,520
2010	3,793,783	10,788,900	14,582,683
2011	4,496,091	10,922,929	15,419,020
2012	5,210,546	11,048,844	16,259,390
2013	6,155,157	11,161,972	17,317,129
2014	7,236,445	11,261,756	18,498,201
2015	\$ 8,403,678	\$ 11,346,585	\$ 19,750,263
2016	9,400,643	11,417,716	20,818,359
2017	10,478,759	11,470,744	21,949,503
2018	11,538,676	11,504,589	23,043,265
2019	12,770,137	11,517,879	24,288,016
2020	14,038,653	11,511,390	25,550,043
2021	15,361,483	11,481,556	26,843,039
2022	16,754,924	11,427,014	28,181,938
2023	18,204,268	11,346,357	29,550,625
2024	19,817,807	11,237,937	31,055,744
2025	\$ 21,661,506	\$ 11,102,927	\$ 32,764,433
2026	23,533,843	10,937,019	34,470,862
2027	25,555,055	10,738,655	36,293,710
2028	27,622,364	10,506,802	38,129,166
2029	29,835,784	10,243,897	40,079,681
2030	31,780,153	9,946,269	41,726,422
2031	33,572,525	9,614,448	43,186,973
2032	35,271,004	9,249,739	44,520,743
2033	36,809,348	8,854,120	45,663,468
2034	38,035,489	8,431,256	46,466,745

Note: These amounts exclude distributions for vested inactive members eligible to receive future benefit payments. Benefit amounts for these members have not yet been determined.

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

SUMMARY OF PLAN PROVISIONS

Member	Any member of the Nebraska State Patrol, permanent force.
Participation Date	Date of becoming a member.
Definitions	
<i>Covered pay</i>	Gross annual earnings subject to contributions. For a patrol officer with service prior to January 4, 1979, total salary includes pay for unused sick leave accrued during his final three years of service, and pay for unused vacation leave (including leave not allowed to be carried over).
<i>Final average earnings,</i>	The average of the highest three 12-month periods of covered pay, ending on the earlier of the participant's termination date or retirement date. For a patrol officer with service prior to January 4, 1979, it includes pay for 25% of unused sick leave accrued during his final three years of service, and pay for unused vacation leave (including leave not allowed to be carried over).
<i>Fiscal year</i>	Twelve month period ending June 30.
<i>Member contributions</i>	12% of monthly salary for the 2004-2005 fiscal year, 11% thereafter, plus 11% of pay received at termination for unused sick leave and vacation leave for a patrol officer with service prior to January 4, 1979. Such contributions are credited with regular interest in conformity with the statutes.
<i>Pension benefit</i>	3% of final average salary times pension service. The benefit is subject to a maximum of 75% of Final Average Salary. Effective July 1, 2001, an automatic annual cost-of-living adjustment (COLA) equal to the CPI-W index, with a maximum increase of 2.5% in any one year is provided for current and future retirees by LB 711. Also provided is a minimum floor benefit equal to 60% of the purchasing power of the original benefit.
<i>Normal Retirement Date (NRD)</i>	First of month coinciding with or next following the completion of ten years of service and attaining age 55, or attaining age 60 regardless of service.
<i>Pension service</i>	Length of service includes all service with the Nebraska State Patrol, permanent force, computed to the nearest one-twelfth year, plus declared emergency service in the armed forces.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
STATE PATROL SYSTEM

SUMMARY OF PLAN PROVISIONS

Eligibility for Benefits

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

Monthly Benefits Paid Upon the Following Events

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

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

SUMMARY OF PLAN PROVISIONS

Termination with deferred vested benefit

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

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

Disability retirement

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

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

Pre-retirement death benefits

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

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

Post-retirement death benefits

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

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
STATE PATROL SYSTEM

SUMMARY OF PLAN PROVISIONS

State Appropriations

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

LB 137 provides cost-of-living benefits for members who retired prior to 1985. This benefit is funded by an annual state appropriation and declines over time.

LB 674, passed in 2000 (effective July 1, 2001), provided for an annual cost-of-living increase equal to the CPI-W index, with a maximum of 2% in any one year, a minimum floor benefit equal to 60% of the purchasing power of the original benefit and the elimination of the State Patrol Purchasing Power Stabilization Fund. The existing assets in the State Patrol PPSF were transferred to the Nebraska State Patrol Retirement Fund. The State appropriation continues, as defined above to the Nebraska Patrol Retirement Fund through the 2010-2011 Fiscal Year. 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 granted by LB 711.

Plan Provisions Effective After June 30, 2003

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

Per LB 514, the Statutory Employee and Matching Employer Contribution Rate increased from 11% to 12% for the 2004-2005 Fiscal Year. There were no other changes in the Plan Provisions since the last valuation as of July 1, 2003.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
STATE PATROL SYSTEM

SUMMARY OF ACTUARIAL METHODS AND PROCEDURES AS OF JULY 1, 2004

A. ACTUARIAL METHODS

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

Entry Age Actuarial Cost Method

Projected pension and preretirement spouse's death benefits were determined for all active members under age 60. Cost factors designed to produce annual costs as a constant percentage of each member's expected compensation in each year from the assumed entry age to the assumed retirement age were applied to the projected benefits to determine the normal cost (the portion of the total cost of the plan allocated to the current year under the method). The normal cost is determined by summing intermediate results for active members under age 60 and determining an average normal cost rate which is then related to the total payroll of active members under age 60. The actuarial assumptions shown in Exhibit 10 were used in determining the projected benefits and cost factors. The actuarial accrued liability for active members (the portion of the total cost of the plan allocated to prior years under the method) was determined as the excess of the actuarial present value of projected benefits over the actuarial present value of future normal costs.

The actuarial accrued liability for retired members and their beneficiaries currently receiving benefits, active members age 60 and over, terminated vested members and disabled members not yet receiving benefits was determined as the actuarial present value of the benefits expected to be paid. No normal costs are now payable for these members.

The actuarial accrued liability under this method at any point in time is the theoretical amount of the fund that would have been accumulated had annual contributions equal to the normal cost been made in prior years (it does not represent the liability for benefits accrued to the valuation date). The unfunded actuarial accrued liability is the excess of the actuarial accrued liability over the actuarial value of plan assets measured on the valuation date. The unfunded actuarial accrued liability is funded with a level dollar payment amount over 25 years from July 1, 2004.

Under this method, experience gains or losses, i.e., decreases or increases in accrued liabilities attributable to deviations in experience from the actuarial assumptions, adjust the unfunded actuarial accrued liability.

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

SUMMARY OF ACTUARIAL METHODS AND PROCEDURES AS OF JULY 1, 2004

- 2. Calculation of the Actuarial Value of Assets:** The actuarial value of assets is based on a five-year smoothing method and is determined by spreading the effect of each year's investment return in excess of or below the expected return. The Market Value of assets at the valuation date is reduced by the sum of the following:
- (i) 80% of the return to be spread during the first year preceding the valuation date.
 - (ii) 60% of the return to be spread during the second year preceding the valuation date.
 - (iii) 40% of the return to be spread during the third year preceding the valuation date.
 - (iv) 20% of the return to be spread during the fourth year preceding the valuation date.

The return to be spread is the difference between (1) the actual investment return on Market Value and (2) the expected return on Actuarial Value. Effective July 1, 2001, the expected return on Actuarial Value includes interest on the previous year's unrecognized return.

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

B. VALUATION PROCEDURES

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

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

In computing accrued benefits, average compensation was determined by applying the salary scale assumption to most recent compensation to construct any missing salary history.

Projected benefits were limited by the dollar limitation required by the Internal Revenue Code Section 415 as it applies to governmental plans and compensation limited by Section 401(a)(17).

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

SUMMARY OF ACTUARIAL ASSUMPTIONS AS OF JULY 1, 2004

ECONOMIC ASSUMPTIONS

- 1. Investment Return 8% per annum, compounded annually, net of expenses.
- 2. Inflation 3.5% per annum, compounded annually.
- 3. Salary Increases Rates vary by age.
Sample rates are as follows:

Age	Rate*
25	12.0%
30	8.4
35	7.5
40	6.3
45	5.7
50	5.1
55	4.5
60	4.5
65+	4.5

*Projected pay at retirement is adjusted by 8.7% to reflect Halpin decision for members hired before January 4, 1979.

- 4. Interest on Employee Contributions 5.5% per annum, compounded annually.

DEMOGRAPHIC ASSUMPTIONS

- 1. Mortality
 - a. Healthy lives active and retired members 1994 Group Annuity Mortality Table.
 - b. Disabled lives 1971 Group Annuity Mortality Table.
 - c. Mortality rates under the mortality tables are shown below at sample ages:

Sample Age	Mortality Rates			
	Healthy Members		Disabled Members	
	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

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
STATE PATROL SYSTEM

SUMMARY OF ACTUARIAL ASSUMPTIONS AS OF JULY 1, 2004

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

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

2. Retirement

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

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

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

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

3. Termination

3% at all ages.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
STATE PATROL SYSTEM

SUMMARY OF ACTUARIAL ASSUMPTIONS AS OF JULY 1, 2004

4. Disability

Rates vary by age. Sample rates are as follows:

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

OTHER ASSUMPTIONS

1. Form of Payment

75% Joint & Survivor Annuity.

2. Marital Status

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

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

3. Children

All members are assumed to have one dependent child at death or retirement. The child is assumed to be 28 years younger than the member, and is assumed to always survive until age 19.

3. Administrative Expense

Investment return is assumed to be net of expenses.

4. Cost of living adjustments

2.5% per annum, compounded annually, and 3.5% per annum, compounded annually, after reaching 60% purchasing power floor benefit.