NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS

SCHOOL RETIREMENT SYSTEM

2005

Fifty-third Actuarial Report for
State Fiscal Year Ending June 30, 2007
and
System Plan Year Beginning July 1, 2005

December 2005

buckconsultants
an ACS company

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December 5, 2005

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

Re: 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, 2005, performed by Buck Consultants, LLC.

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, 2005.

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 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, current statutory contributions are not sufficient to meet the plan's funding policy. The contributions paid by members, school employers, and the State defined by statute currently fall short of the actuarially required contribution, which is equal to the sum of the annual normal cost and the annual payment necessary to amortize any unfunded liabilities over 25 years. For the 2006/2007 fiscal year, an additional contribution in the amount of $12,847,537 is necessary to meet the actuarially required contribution.

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, LLC.

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

Michelle DeLange, F.S.A., E.A., M.A.A.A.
Senior Consultant, Actuary

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM

SUMMARY OF ACTUARIAL REPORT FOR CONTRIBUTION REQUIREMENTS AND FUNDED STATUS FOR PLAN YEAR 2005/2006

The main purposes of this report are:

1. To determine the actuarial soundness of the School District and member contributions defined under Nebraska State Statutes to fund the total Formula Annuity, and whether additional contributions are required for the fiscal year ending June 30, 2007;
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, 2004 and ending June 30, 2005.

The 2005 actuarial valuation is based upon the plan provisions as of July 1, 2005, as described in Exhibit 8. The actuarial methods and assumptions are described in Exhibits 9 and 10.

Highlights from the current valuation:

1. An additional State contribution is required for the 2006/2007 fiscal year to pay the normal cost and amortize any unfunded liabilities for the system. The present value of future Formula Annuity benefits is greater than the sum of the Actuarial Value of Assets and the present values of future member and employer contributions and State appropriations, resulting in a liability of $502,474,775 in funding. This is an increase of $117,722,915 over last year's liability of $384,751,860.

2. A loss was experienced on the actuarial value of assets during the 2004/2005 plan year. The annual rate of return on Market Value was 9.8%. The rate of return on Actuarial Value of 4.1% fell short of the 8.0% assumed investment return rate by 3.9%, resulting in a decrease to the Actuarial Value by $199,032,882.

3. The plan experienced a decremental gain over the period, primarily due to less retirements and lower salary increases than expected. The actuarial accrued liability decreased by $50,429,712 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, 2004 actuarial valuation, the funded percentage on Actuarial Value decreased from 93.2% to 91.4%. This decrease was primarily due to asset losses.

EXECUTIVE SUMMARY

Basic Actuarial Valuation Results

The 2005 actuarial valuation results are based upon the plan provisions as of July 1, 2005 as described in Exhibit 8. The key findings of the actuarial valuation are summarized below.

1. Funding of Total Formula Annuity

The total 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.

The member contribution rate is 7.25% of pay through August 31, 2005, 7.98% from September 1, 2005 through August 31, 2006, 7.83% from September 1, 2006 through August 31, 2007, and 7.25% thereafter. The School District's funding of liabilities is equal to 101% of the employee contribution rate. The State contributes .7% of covered pay and an annual appropriation of $5,639,235, as well as any additional required funding.

The minimum total required contribution rate increased from 16.97% to 17.95% of pay from the 2004/2005 plan year to the 2005/2006 plan year. A history of required contribution rates is shown below. For fiscal years 1995/1996 through 2002/2003, this contribution rate is the rate required to cover the excess formula annuity only. For fiscal years 2003/2004 and thereafter, this contribution rate is the rate required to cover the entire formula annuity.

History of Required Contribution Rates and Additional State Funding

Fiscal Year	Total	Additional State Contributions
2006/2007	17.95%	$ 12,847,537
2005/2006	16.97%	15,415,949
2004/2005	15.26%	0
2003/2004	13.45%	0
2002/2003	11.98%	0
2001/2002	9.15%	0
2000/2001	11.92%	0
1999/2000	5.69%	0
1998/1999	8.86%	0
1997/1998	13.94%	0
1996/1997	14.53%*	809,350

* Includes a 0.3% COLA contribution made to the School Employees Retirement System Reserve Fund.

EXECUTIVE SUMMARY

1. Funding of Total Formula Annuity (cont'd)

Based on the 2005 actuarial valuation, the total required contribution rate of 17.95% is above the actual contribution rate of 16.50%. For the current participant group, the present value of the additional funding needed is $502,474,775. This amount is referenced as an actuarial liability on the plan's balance sheet.

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, 2004	July 1, 2005	Annual Rate of Return
(a) Market value	$ 4,918,013,255	$ 5,393,380,574	9.8%
(b) Actuarial value, an adjusted value intended to reduce the effect of market fluctuations (Exhibit 1B)	$ 5,118,011,165	$ 5,335,197,409	4.1%

EXECUTIVE SUMMARY

3. Actuarial Liability / (Reserve)

The actuarial liability of the total 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, State contributions and PPSF 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, 2004	July 1, 2005
(a) Present value of future benefits	$ 6,910,423,098	$ 7,295,325,032
(b) Net actuarial value of assets	5,118,011,165	5,335,197,409
(c) Present value of future member contributions	654,399,210	680,421,567
(d) Present value of future employer contributions	660,717,547	686,996,621
(e) Present value of future State contributions	63,183,372	64,165,155
(f) Present value of future PPSF contributions	29,359,944	26,069,505
(g) Actuarial Liability/(Reserve) [(a) - (b) - (c) - (d) - (e) - (f)]	$ 384,751,860	$ 502,474,775

EXECUTIVE SUMMARY

4. Pension Benefit Obligation (PBO)

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

Funded Status	July 1, 2004	July 1, 2005
(a) Pension Benefit Obligation		
i) retirees, disabled members and beneficiaries receiving benefits and deferred vested members not yet receiving benefits	$ 2,407,211,965	$ 2,525,904,317
ii) active members	3,086,227,102	3,313,128,480
iii) total pension benefit obligation	$ 5,493,439,067	$ 5,839,032,797
(b) Net assets available for benefits (actuarial value)	5,118,011,165	5,335,197,409
(c) Unfunded Pension Benefit Obligation/(Reserve)	$ 375,427,902	$ 503,835,388
(d) Funded percentage on actuarial value of assets [(b) ÷ (a)(iii)]	93.2%	91.4%

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 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 are as follows:

Formula Annuity Benefit	**July 1, 2004**	**July 1, 2005**
(a) Benefit accrual cost amount	$ 140,713,706	$ 145,320,060
(b) Annual compensation before assumed normal retirement age	$ 1,233,275,898	$ 1,272,033,381
(c) Benefit accrual cost rate as a level percentage of compensation [(a) ÷ (b)]	11.410%	11.424%

Service Annuity Benefit	**July 1, 2004**	**July 1, 2005**
(a) Annual Actuarial Contribution Amount Allocated to the Service Annuity		
(i) NPERS members	$ 8,297,357	$ 12,847,537*
(ii) Omaha members	564,281	643,656
(iii) Total	$ 8,861,638	$ 13,491,193
(b) Number of active members before assumed retirement age		
(i) NPERS members	36,020	35,709
(ii) Omaha members	6,279	6,347
(iii) Total	42,299	42,056
(c) Benefit accrual cost per active member as a level dollar amount		
(i) NPERS members	$ 67.23	$ 68.46
(ii) Omaha members	$ 65.22	$ 72.14
(iii) Total	$ 66.93	$ 69.02

*Lesser of NPERS service annuity cost or total additional required State contribution (see page 5).

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 contributions developed in this report are estimates of the amounts 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 necessary to fund current and future benefits is the Entry Age Actuarial Cost Method. A description of this method can be found in Exhibit 9.

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 9 and 10, respectively.

8. 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, 2004. The following is a summary of Plan changes that have been adopted, effective July 1, 2005:

- LB503 — Increase member contribution rates to 7.98% for the first year (September 1, 2005 – August 31, 2006) and 7.83% for the second year (September 1, 2006 – August 31, 2007). Contribution rates return to 7.25% on September 1, 2007. Employer contribution rates continue at 101% of the member contribution rates.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM

SYSTEM ASSETS

A. Summary of Assets	Market Value as of June 30, 2004	Market Value as of June 30, 2005
1. Cash and Equivalents	$ 5,986,012	$ 3,058,148
2. Investments	4,800,250,174	5,312,437,830
3. Capital Assets	5,825,234	4,756,152
4. Receivables and Prepaids	115,291,844	83,385,420
5. Accounts Payable	(9,340,009)	(10,256,976)
6. Net Assets Considered [1 + 2 + 3 + 4 + 5]	**$ 4,918,013,255**	**$ 5,393,380,574**

B. Development of Actuarial Value of Assets	Amount
1. Actuarial Value of Assets as of July 1, 2004	$ 5,118,011,165
2. Unrecognized Return as of July 1, 2004	$ (199,997,910)
3. Contributions	
(a) Member (includes purchased service)	$ 92,702,063
(b) Employer	90,178,025
(c) State appropriations*	14,858,489
(d) Total [(a) + (b) + (c)]	$ 197,738,577
4. Benefit Payments (including transfers to Omaha)	$ 191,830,379
5. Expected Return at 8% on:	
(a) Item 1	$ 409,440,894
(b) Item 2	(15,999,833)
(c) Item 3(d)	7,757,380
(d) Item 4	6,887,346
(e) Total [(a) + (b) + (c) -(d)]	$ 394,311,095
6. Actual Return on Market Value for 2004/2005 Plan Year, net of expenses	$ 469,459,121
7. Return to be Spread for 2004/2005 Plan Year [6 - 5(e)]	$ 75,148,026

* Net of Omaha appropriations.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM

SYSTEM ASSETS

B. Development of Actuarial Value of Assets (cont'd)	**Amount**
8. Total Market Value of Assets as of July 1, 2005	$ 5,393,380,574
9. Return to be Spread	

Plan Year	Return to be Spread	Unrecognized Percent	Unrecognized Return
2004/2005	$ 75,148,026	80%	$ 60,118,421
2003/2004	275,145,274	60%	165,087,164
2002/2003	(114,240,187)	40%	(45,696,075)
2001/2002	(606,631,726)	20%	(121,326,345)
		Total	**$ 58,183,165**

10. Total Actuarial Value of Assets at July 1, 2005 [8 – 9]	**$5,335,197,409**
11.Ratio of Actuarial Value to Market Value [10 ÷ 8]	**98.9%**

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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SYSTEM ASSETS

C. Change in Asset Values During 2004/2005	Actuarial Value	Market Value
1. Total asset value as of July 1, 2004	$ 5,118,011,165	$ 4,918,013,255
2. Contributions for 2004/2005		
(a) Member contributions paid during the year	$ 92,702,063	$ 92,702,063
(b) Employer contributions paid during the year	90,178,025	90,178,025
(c) State appropriations for the year*	17,390,485	17,390,485
(d) Contributions for 2004/2005 [(a) + (b) + (c)]	$ 200,270,573	$ 200,270,573
3. Disbursements for 2004/2005		
(a) Benefit payments**	$ 191,830,379	$ 191,830,379
(b) Expenses and fees	14,858,074	14,858,074
(c) Transferred Omaha appropriation	2,531,996	2,531,996
(d) Disbursements for 2004/2005 [(a) + (b) + (c)]	$ 209,220,449	$ 209,220,449
4. Investment return for 2004/2005	$ 226,136,120	$ 484,317,195
5. Total asset value as of July 1, 2005 [1 + 2(d) - 3(c) + 4]	$ 5,335,197,409	$ 5,393,380,574
6. Approximate rate of investment return, net of expenses	4.1%	9.8%

*Includes Omaha appropriation.

**Includes transfers to Omaha for service annuities.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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ACTUARIAL CONTRIBUTION REQUIREMENT

A.	**Development of Actuarially Required Funding Rate**		**July 1, 2005**
1.	Actuarial present value of benefits		
	(a) Active members	$	4,769,420,715
	(b) Inactive members		326,869,451
	(c) Retired members, disabilities and beneficiaries		2,199,034,866
	(d) Total	$	7,295,325,032
2.	Present Value of Future Normal Costs		1,060,667,202
3.	Total Actuarial Accrued Liability [1(d) - 2]	$	6,234,657,830
4.	Net Actuarial Value of Assets		5,335,197,409
5.	Unfunded Actuarial Accrued Liability [3 - 4]	$	899,460,421
6.	Annual Contribution to Amortize Unfunded Actuarial Accrued Liability Bases (see page 6)		
	(a) Amount	$	83,072,353
	(b) Amount as % of Pay		6.53%
7.	Annual Normal Cost		
	(a) Amount	$	145,320,060
	(b) Amount as % of Pay		11.42%
8.	Total Annual Actuarially Required Contribution		
	(a) Amount [6(a) + 7(a)]	$	228,392,413
	(b) Amount as % of Pay		17.95%

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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ACTUARIAL CONTRIBUTION REQUIREMENT

B. Development of Additional State Contributions for Fiscal Year 2006/2007	**Annual Amount as a % of Pay**
1. Actuarially Required Contribution	
a. Amount	$ 228,392,413
b. State PPSF appropriation	5,639,235
c. Net amount [(a) - (b)]	$ 222,753,178
d. Net Amount as % of Pay	17.51%
2. Statutory Contribution Rates	
a. Employee Contribution Rate	7.86%*
b. Employer Contribution Rate	7.94%**
c. State Contribution Rate	.70%
d. Total Contribution Rate [(a) + (b) + (c)]	16.50%
3. Additional Required State Contribution	
a. Additional Required State Contribution Rate [1(d) - 2(d), not less than 0%]	1.01%
b. Additional Required State Contribution Amount	$ 12,847,537

* Weighted average employee contribution rate
** 101% of employee contribution

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ACTUARIAL CONTRIBUTION REQUIREMENT

C. Schedule of Amortization Bases	Original Amount	July 1, 2005 Remaining Payments	Date of Last Payment	Outstanding Balance as of July 1, 2005	Annual Contribution
1. 2002 Initial Unfunded Actuarial Accrued Liability Base	$ 256,078,100	22	07/01/2027	$ 244,706,493	$ 23,083,507
2. 2003 Unfunded Actuarial Accrued Liability Base	259,094,742	23	07/01/2028	251,723,014	23,355,434
3. 2004 Unfunded Actuarial Accrued Liability Base	245,912,962	24	07/01/2029	242,549,173	22,167,196
4. 2005 Unfunded Actuarial Accrued Liability Base	160,481,741	25	07/01/2030	160,481,741	14,466,216
Total				**$ 899,460,421**	**$ 83,072,353**

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, 2004		$ 5,868,266,970
2.	Benefits accrued during the 2004/2005 plan year		140,713,706
3.	Benefit payments during the 2004/2005 plan year*		191,830,379
4.	Interest at 8%		468,094,279
5.	Expected Actuarial Accrued Liability as of July 1, 2005 [1 + 2 – 3 + 4]		**$ 6,285,244,576**
6.	Decremental (Gain)/Loss by Source		
	(a) Retirement	$ (20,522,060)	
	(b) Termination	10,313,115	
	(c) Disability	75,157	
	(d) Pre-retirement mortality	(1,234,524)	
	(e) Post-retirement mortality	4,386,738	
	(f) Salary	(43,676,358)	
	(g) New entrants / Rehires	19,304,045	
	(h) Data changes/miscellaneous	(19,075,825)	
	(i) Total decremental (gain)/loss		$ (50,429,712)
7.	Change in Actuarial Assumptions		0
8.	Change in Plan Provisions		(157,034)
9.	Actual Actuarial Accrued Liability as of July 1, 2005 [5 + 6(i) + 7 + 8]		$ 6,234,657,830

* Net of transfer to Omaha.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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ACTUARIAL (GAIN)/LOSS

B. Change in Net Actuarial Value of Assets	**Amount**
1. Total Actuarial Value of Assets as of July 1, 2004	$ 5,118,011,165
2. Contributions	
(a) Member	$ 92,702,063
(b) Employer	90,178,025
(c) State appropriation*	14,858,489
(d) Total	$ 197,738,577
3. Benefit Payments*	$ 191,830,379
4. Expected Return at 8% on:	
(a) Item 1	$ 409,440,894
(b) Item 2(d)	7,757,380
(c) Item 3	6,887,346
(d) Total [(a) + (b) - (c)]	$ 410,310,928
5. Expected Total Actuarial Value of Assets at June 30, 2005 [1 + 2(e) - 3 + 4(d)]	$ 5,534,230,291
6. Actual Total Actuarial Value of Assets at June 30, 2005	5,335,197,409
7. Actuarial (Gain)/Loss on Asset Sources [5 – 6]	$ 199,032,882

* Net of transfers to Omaha.

C. Total Actuarial (Gain)/Loss for the 2004/2005 plan year [A(6)(j) + B(7)]	**$ 148,603,170**

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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ACTUARIAL BALANCE SHEET

A.	Financial Resources		July 1, 2005
1.	Total Actuarial Value of Assets		$ 5,335,197,409
2.	Present Value of Future Contributions		
	(a) Member	$ 680,421,567	
	(b) Employer	686,996,621	
	(c) State	64,165,155	
	(d) State PPSF Appropriations	26,069,505	
	(e) Total		1,457,652,848
3.	Actuarial Liability/(Reserve)		502,474,775
4.	Total Assets [1 + 2(e) + 3]		$ 7,295,325,032

B.	Benefit Obligations		July 1, 2005
1.	Present Value of Future Benefits		
	(a) Active members	$ 4,754,166,524	
	(b) Inactive members	326,281,845	
	(c) Retirees, disabilities and beneficiaries	2,199,005,380	
	(d) Omaha		
	(i) active	15,254,191	
	(ii) deferred vested	587,606	
	(iii) retired	29,486	
	(e) Total		$ 7,295,325,032

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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ACCOUNTING INFORMATION

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

	July 1, 2004	July 1, 2005
Pension Benefit Obligation (PBO)		
Vested PBO		
(a) members currently receiving payments	$ 2,123,696,982	$ 2,199,034,866
(b) other members		
(i) accumulated member contributions	1,253,038,425	1,324,538,915
(ii) employer financed vested	1,985,241,209	2,184,427,216
Total Vested PBO	$ 5,361,976,616	$ 5,708,000,997
Nonvested PBO	131,462,451	131,031,800
Total PBO	$ 5,493,439,067	$ 5,839,032,797
Total Actuarial Value of Assets	5,118,011,165	5,335,197,409
Unfunded Pension Benefit Obligation (Reserve)	$ 375,427,902	$ 503,835,388
Funded Percentage		
(a) on vested PBO	95.5%	93.5%
(b) on total PBO	93.2%	91.4%

B. Change in Pension Benefit Obligation from July 1, 2004 to July 1, 2005

Pension Benefit Obligation at July 1, 2004	$ 5,493,439,067
Increase/(Decrease) during Period	
Plan Provision Changes	$ 0
Assumption Changes	0
Benefits Accumulated	170,597,450
Benefits Paid*	(191,830,379)
Interest Cost	446,235,576
Plan Experience	(79,408,917)
Total Change	$ 345,593,730
Pension Benefit Obligation at July 1, 2005	$ 5,839,032,797

* Excludes transfer to Omaha.

Exhibits 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, 2005 and 2004, 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.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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ACCOUNTING INFORMATION

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, 2005	$ 90,178,025	$ 29,785,886	$ 119,963,911	90%
June 30, 2004	87,310,577	14,154,879	101,465,456	100%
June 30, 2003	84,467,330	13,119,888	97,587,218	100%
June 30, 2002	80,288,662	12,659,281	92,947,943	100%
June 30, 2001	77,062,544	12,225,219	89,287,763	100%
June 30, 2000	69,990,565	11,948,451	81,939,016	100%

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

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

Valuation Date	June 30, 2005
Actuarial Cost Method	Entry Age
Amortization Method	Level dollar amount, closed
Equivalent Single Amortization Period	23 years
Asset Valuation Method	5 year smoothed market
Actuarial Assumptions:	
Investment rate of return*	8.0%
Projected salary increases*	4.5% - 10.5%
*Includes inflation at	3.5%
Cost-of-living adjustment	2.5% with a floor benefit equal to 75% purchasing power of original benefit

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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ACCOUNTING INFORMATION

E. Schedule of Funding Progress under GASB No. 25

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, 2005	$ 5,335,197,409	$ 6,234,657,830	$ 899,460,421	85.6%	$ 1,214,227,197	74.1%
June 30, 2004	5,118,011,165	5,868,266,970	750,255,805	87.2%	1,170,601,127	64.1%
June 30, 2003	4,952,902,870	5,464,572,876	511,670,006	90.6%	1,138,776,241	44.9%
June 30, 2002	4,799,789,893	5,055,867,993	256,078,100	94.9%	1,065,515,857	24.0%
June 30, 2001	1,486,008,665	1,704,201,512	218,192,847	87.2%	995,348,331	21.9%
June 30, 2000	1,348,542,467	1,526,061,507	177,519,040	88.4%	933,339,432	19.0%

The Schedule of Funding Progress prior to June 30, 2002 excluded liabilities and assets for the Excess Formula Annuity benefit because funding for this benefit was based on the Aggregate Actuarial Cost Method. As of June 30, 2002, per LB 407, the cost method was changed to the Entry Age Actuarial Cost Method for the total Formula Annuity, and thus, from June 30, 2002 forward, the Schedule of Funding Progress under GASB No. 25 includes total liabilities and assets for the School Retirement System.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM

SUMMARY OF MEMBER DATA

A. Active Members	**July 1, 2004**	**July 1, 2005**
1. Number of Active Members		
(a) Before assumed retirement age	36,020	35,709
(b) Beyond assumed retirement age	333	333
(c) Total	36,353	36,042
2. Annual Considered Compensation*		
(a) Before assumed retirement age	$ 1,233,275,898	$ 1,272,033,381
(b) Beyond assumed retirement age	4,704,097	5,210,738
(c) Total	$ 1,237,979,995	$ 1,277,244,119
3. Accumulated Contributions	$ 1,106,539,348	$ 1,165,823,295
4. Active Member Averages		
(a) Age	45.6	46.0
(b) Service	11.7	12.1
(c) Compensation	$ 34,054	$ 35,438
(d) Accumulated Contributions	$ 30,439	$ 32,346
B. Inactive Members		
1. Number of inactive members (including Omaha)	15,245	16,924
2. Accumulated member contributions	$ 146,499,077	$ 158,715,620
3. Inactive member averages		
(a) Age (vesteds only)	51.0	51.3
(b) Accumulated member contributions	$ 9,610	$ 9,378
C. Retired Members and Beneficiaries		
1. Number of members		
(a) System retirees	12,730	13,049
(b) Omaha retirees	3	3
2. Annual benefits - regular		
(a) System retirees	$ 158,736,647	$ 167,473,811
(b) Omaha retirees	3,319	3,319
(c) Total	$ 158,739,966	$ 167,477,130
3. Annual benefits-supplemental		
(a) System retirees	$ 17,366,965	$ 21,357,442
(b) Omaha retirees	0	0
(c) Total	$ 17,366,965	$ 21,357,442

*Prior year pay is increased by the salary scale for each member. Total prior year compensation for 2004 and 2005 was $1,170,601,127 and $1,214,227,197, respectively.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM

SUMMARY OF MEMBER DATA

D. Distribution of Retired Members and Beneficiaries as of July 1, 2005

Age Range	Number	Annual Benefit	Average Annual Benefit
59 & Under	1,026	$ 28,006,044	$ 27,296
60-64	2,111	46,135,271	21,855
65-69	2,737	45,658,609	16,682
70-74	2,535	32,214,444	12,708
75-79	1,986	19,977,922	10,059
80-84	1,271	10,028,421	7,890
85-89	818	4,556,492	5,570
90 & Over	565	2,254,050	3,989
Total	13,049	$ 188,831,253	14,471

Does not include three Omaha retirees.

E. Member Data Reconciliation

		Inactive Members			
	Active Members	With Deferred Benefits	Terminated with Balance	Retired Members and Beneficiaries	Total
As of July 1, 2004	36,353	5,301	9,944	12,733	64,331
Changes in status					
a) Normal & early retirements	(430)	0	0	430	0
b) Became payable	0	(132)	(3)	135	0
c) Deaths	(27)	(15)	(38)	(340)	(420)
d) Nonvested terminations	(1,593)	0	1,593	0	0
e) Vested terminations	(838)	838	0	0	0
f) Contribution refunds	(848)	(153)	(592)	0	(1,593)
g) Beneficiaries in receipt	0	0	0	115	115
h) Disability retirements	(15)	(5)	(1)	21	0
i) Return to active service	426	(151)	(275)	0	0
j) Expired benefits	0	0	0	(60)	(60)
k) Data corrections	0	0	(1)	0	(1)
Total changes in status	(3,325)	382	683	301	(1,959)
New entrants					
a) Without prior service	3,010	0	521	1	3,532
b) With prior service	4	88	5	17	114
Total new members	3,014	88	526	18	3,646
Net change	(311)	470	1,209	319	1,687
As of July 1, 2005	36,042	5,771*	11,153	13,052*	66,018

*Includes 473 Omaha deferred vested members and 3 Omaha retired members eligible for a service annuity benefit.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM

SUMMARY OF MEMBER DATA

G. Age and Service Distribution of Active Members as of July 1, 2005

Age Last Birthday		0-4	5-9	10-14	15-19	20-24	25-29	30-34	Over 34	Total
15-19	**Number**	38	0	0	0	0	0	0	0	38
	Total Salary	$ 322,626	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 322,626
	Average Salary	$ 8,490	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 8,490
20-24	**Number**	883	5	0	0	0	0	0	0	888
	Total Salary	$ 19,053,102	$ 123,515	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 19,176,617
	Average Salary	$ 21,578	$ 24,703	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 21,595
25-29	**Number**	2,173	759	2	0	0	0	0	0	2,934
	Total Salary	$ 64,320,955	$ 28,387,796	$ 56,789	$ 0	$ 0	$ 0	$ 0	$ 0	$ 92,765,540
	Average Salary	$ 29,600	$ 37,402	$ 28,395	$ 0	$ 0	$ 0	$ 0	$ 0	$ 31,617
30-34	**Number**	1,179	1,705	445	0	0	0	0	0	3,329
	Total Salary	$ 28,640,530	$ 67,108,298	$ 20,248,340	$ 0	$ 0	$ 0	$ 0	$ 0	$ 115,997,168
	Average Salary	$ 24,292	$ 39,360	$ 45,502	$ 0	$ 0	$ 0	$ 0	$ 0	$ 34,844
35-39	**Number**	1,246	889	1,145	440	1	0	0	0	3,721
	Total Salary	$ 26,180,206	$ 31,745,186	$ 52,312,097	$ 21,272,964	$ 46,559	$ 0	$ 0	$ 0	$ 131,557,012
	Average Salary	$ 21,011	$ 35,709	$ 45,687	$ 48,348	$ 46,559	$ 0	$ 0	$ 0	$ 35,355
40-44	**Number**	1,489	1,078	702	981	477	5	0	0	4,732
	Total Salary	$ 28,441,522	$ 29,736,537	$ 28,639,498	$ 47,660,598	$ 24,195,889	$ 160,343	$ 0	$ 0	$ 158,834,387
	Average Salary	$ 19,101	$ 27,585	$ 40,797	$ 48,584	$ 50,725	$ 32,069	$ 0	$ 0	$ 33,566
45-49	**Number**	1,309	1,267	809	677	975	680	1	0	5,718
	Total Salary	$ 25,010,761	$ 33,304,181	$ 28,385,074	$ 29,448,645	$ 48,712,818	$ 36,592,148	$ 43,452	$ 0	$ 201,497,079
	Average Salary	$ 19,107	$ 26,286	$ 35,087	$ 43,499	$ 49,962	$ 53,812	$ 43,452	$ 0	$ 35,239
50-54	**Number**	943	910	875	906	679	1,216	810	1	6,340
	Total Salary	$ 18,703,121	$ 24,287,742	$ 28,874,169	$ 35,837,208	$ 32,384,045	$ 64,972,550	$ 46,004,956	$ 40,721	$ 251,104,512
	Average Salary	$ 19,834	$ 26,690	$ 32,999	$ 39,555	$ 47,694	$ 53,431	$ 56,796	$ 40,721	$ 39,606
55-59	**Number**	706	561	670	783	688	704	756	275	5,143
	Total Salary	$ 15,314,193	$ 15,692,472	$ 22,359,878	$ 31,481,217	$ 31,233,233	$ 35,794,242	$ 44,179,425	$ 15,698,902	$ 211,753,562
	Average Salary	$ 21,691	$ 27,972	$ 33,373	$ 40,206	$ 45,397	$ 50,844	$ 58,438	$ 57,087	$ 41,173
60-64	**Number**	398	300	286	375	305	254	112	181	2,211
	Total Salary	$ 7,572,735	$ 6,910,825	$ 8,086,516	$ 12,288,233	$ 12,109,186	$ 10,515,294	$ 6,336,530	$ 10,703,781	$ 74,523,100
	Average Salary	$ 19,027	$ 23,036	$ 28,275	$ 32,769	$ 39,702	$ 41,399	$ 56,576	$ 59,137	$ 33,706
65-69	**Number**	360	202	120	112	84	58	18	34	988
	Total Salary	$ 4,358,247	$ 3,209,411	$ 2,699,903	$ 2,860,583	$ 2,118,201	$ 1,762,899	$ 824,421	$ 1,878,851	$ 19,712,516
	Average Salary	$ 12,106	$ 15,888	$ 22,499	$ 25,541	$ 25,217	$ 30,395	$ 45,801	$ 55,260	$ 19,952
TOTAL	**Number**	10,724	7,676	5,054	4,274	3,209	2,917	1,697	491	36,042
	Total Salary	$ 237,917,998	$ 240,505,963	$ 191,662,264	$ 180,849,448	$ 150,799,931	$ 149,797,476	$ 97,388,784	$ 28,322,255	$ 1,277,244,119
	Average Salary	$ 22,186	$ 31,332	$ 37,923	$ 42,314	$ 46,993	$ 51,353	$ 57,389	$ 57,683	$ 35,438

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
2006	$ 17,159,550	$ 188,147,143	$ 205,306,693
2007	41,633,537	190,531,806	232,165,343
2008	68,615,714	192,618,704	261,234,418
2009	98,393,523	194,458,344	292,851,867
2010	130,452,222	196,155,953	326,608,175
2011	164,842,409	197,665,107	362,507,516
2012	201,420,275	198,713,052	400,133,327
2013	239,332,434	199,063,173	438,395,607
2014	279,174,281	198,871,906	478,046,187
2015	320,221,267	198,388,310	518,609,577
2016	$ 361,520,883	$ 197,581,925	$ 559,102,808
2017	402,826,376	196,282,370	599,108,746
2018	444,705,184	194,477,398	639,182,582
2019	487,172,907	192,184,949	679,357,856
2020	529,869,094	189,401,856	719,270,950
2021	572,607,522	186,302,194	758,909,716
2022	616,038,866	182,879,441	798,918,307
2023	659,986,917	178,947,839	838,934,756
2024	703,319,967	174,483,463	877,803,430
2025	746,324,156	169,425,862	915,750,018
2026	$ 788,528,178	$ 163,798,381	$ 952,326,559
2027	830,656,323	157,665,782	988,322,105
2028	871,682,223	151,000,978	1,022,683,201
2029	912,350,020	143,897,849	1,056,247,869
2030	954,656,155	136,355,704	1,091,011,859
2031	994,733,397	128,502,494	1,123,235,891
2032	1,034,645,252	120,317,238	1,154,962,490
2033	1,076,232,197	111,970,632	1,188,202,829
2034	1,112,905,995	103,431,662	1,216,337,657
2035	1,145,669,539	95,107,088	1,240,776,627

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
SCHOOL SYSTEM

SUMMARY OF PLAN PROVISIONS

Member

Any person employed by a public school 15 or more hours per week 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

As of July 1, 2005, members contribute at a rate equal to 7.25% of pensionable pay. From September 1, 2005 to August 31, 2006, members contribute 7.98% of pay. From September 1, 2006 to August 31, 2007, members contribute 7.83% of pay. Thereafter, members contribute 7.25% of 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.

SUMMARY OF PLAN PROVISIONS

	(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 2.00% of final average earnings times total years of service for those members who are employed on or after July 1, 2001. To receive this benefit, retirement must occur after meeting the Rule of 85 requirements (minimum age 55) or attaining age 65. 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. 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 and one-half year of 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 the actuarial cost of the additional benefit granted.
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).
Normal retirement	Retire on NRD.

SUMMARY OF PLAN PROVISIONS

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. The service annuity is a life annuity actuarially reduced before age 65 using 8% interest and the 1994 Group Annuity Mortality Table, 25% male, 75% female.
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 year that commencement of payment precedes 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 member at death if the member is age 65 or has 20 years of service at death. If the member has met the 5-year vesting service requirement, has less than 20 years of service and is under age 65, the spouse may choose between the following two options: (1) a lump sum equal to the member's contributions with interest plus 101% of the member's contributions with interest, and (2) an annuity which equals the survivor portion of the 100% Joint and Survivor value of the member's accrued benefit, payable immediately, reduced for commencement before age 65 and the 100% joint and survivor form of payment.

SUMMARY OF PLAN PROVISIONS

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. The normal form of payment for the formula annuity is a 5-year certain and life annuity.

Funding Arrangement

Pursuant to LB 407 enacted in 2002, the School Retirement Fund is created. Balances existing on June 30, 2002 in the School Employers Deposit Account, the School Employees Savings Account, the Service Annuity Account, the Annuity Reserve Account, and the School Employees Retirement System Reserve Fund (RSRF) shall be combined and transferred into the School Retirement Fund.

There are four 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 – receives required deposits of the employers, the State, and employees. Upon retirement, the fund pays all savings annuities, service annuities, and formula annuities.

2. Contingent Account - 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.

3. Expense Fund - pays all expenses connected with the operation and administration of the system, and receives annual contributions to cover anticipated expenses.

4. Retired Teachers Supplementary Benefits Fund - pays certain supplemental benefits.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM

SUMMARY OF PLAN PROVISIONS

State Appropriation

LB 700, 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 1996/1997 fiscal year, the funding shall be 81.7873% of $6,895,000 or $5,639,235 annually, for each year through the 2010/2011 fiscal year.

Benefits Reflected in Valuation

All benefits were valued, including future cost-of-living increases as provided for by LB 674 and LB 711.

Plan Provisions Effective after July 1, 2005

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 has been one change in plan provisions since the July 1, 2004 valuation. The member contribution rate has increased to 7.98% from September 1, 2005 to August 31, 2006, and to 7.83% from September 1, 2006 to August 31, 2007. Member contributions are 7.25% thereafter. Employer contributions remain at 101% of member contributions.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM

SUMMARY OF ACTUARIAL METHODS AND PROCEDURES AS OF JULY 1, 2005

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 70. 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 70 and determining an average normal cost rate which is then related to the total payroll of active members under age 70. 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 70 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 future normal costs are 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 initial unfunded actuarial accrued liability established July 1, 2002 is amortized with a level dollar payment amount over 25 years. At subsequent valuation dates, amortization bases equal to changes in the unfunded actuarial accrued liability are established and amortized with a level dollar payment over a 25-year period. If the unfunded actuarial accrued liability is $0 or less on the valuation date, all previous amortization bases are considered fully amortized.

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 SCHOOL SYSTEM

SUMMARY OF ACTUARIAL METHODS AND PROCEDURES AS OF JULY 1, 2005

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, and

   (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.

SUMMARY OF ACTUARIAL METHODS AND PROCEDURES AS OF JULY 1, 2005

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. Compensation for new members with under a year of service were annualized by dividing reported salary by the portion of year worked.

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).

There were approximately 505 active participants with missing dates of birth or gender codes. They were assumed to be age 34 (the average entry age for the group as a whole) and gender codes were randomly assigned in the ratio 75% female/25% male.

Future monthly benefit amounts are not calculated or available for deferred vested members. The benefit liability for deferred vested members was calculated by loading the accumulated member contribution balances for deferred vested members by 97.6% to estimate the value of deferred benefit payments.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM

SUMMARY OF ACTUARIAL ASSUMPTIONS AS OF JULY 1, 2005

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 ages are as follows:

Age	Rate
20	10.30%
25	9.10%
30	8.00%
35	7.10%
40	6.40%
45	5.80%
50	5.30%
55	5.00%
60	4.70%
65+	4.50%

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

5. Increase on Compensation and Benefit Limits — 3.5% per annum on the 401(a)(17) compensation limit and the 415 benefit limit

DEMOGRAPHIC ASSUMPTIONS

1. Mortality
   a. Healthy lives - active and retired members and beneficiaries — 1994 Group Annuity Mortality Table, with two year setback.

   b. Disabled lives — 1971 Group Annuity Mortality Table, without setback.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM

SUMMARY OF ACTUARIAL ASSUMPTIONS AS OF JULY 1, 2005

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%	.03%	.08%	.05%
40	.09	.06	.16	.09
50	.21	.12	.53	.22
60	.63	.34	1.31	.55
70	1.99	1.18	3.61	1.65
80	5.02	3.17	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	51.7	56.2	45.6	51.0
40	42.1	46.4	36.0	41.3
50	32.5	36.8	26.9	31.8
60	23.5	27.4	18.8	23.5
70	15.7	18.9	11.9	15.3
80	9.4	11.6	7.0	8.9

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM

SUMMARY OF ACTUARIAL ASSUMPTIONS AS OF JULY 1, 2005

2. Retirement

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

Retirement Rates When Eligible for Unreduced Benefits		
Age	**Male**	**Female**
55	20%	20%
56	20%	20%
57	22%	22%
58	25%	25%
59	28%	28%
60	35%	35%
61	30%	30%
62	40%	40%
63	30%	30%
64	30%	30%
65	35%	35%
66	25%	25%
67	20%	20%
68	20%	20%
69	20%	20%
70	100%	100%

Retirement Rates When Eligible for Reduced Benefits		
Age	**Male**	**Female**
60	6%	6%
61	6%	6%
62	18%	18%
63	14%	14%
64	10%	10%

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM

SUMMARY OF ACTUARIAL ASSUMPTIONS AS OF JULY 1, 2005

3. Termination

Rates vary by age and service, and are derived by taking the product of the select multiplier and the ultimate rate. Select multipliers are applied by service and ultimate rates are applied by age. Sample rates are as follows:

Select Multipliers by Service:	
Years of Service	**Multiplier**
1st	2.00
2nd	1.50
3rd	1.25
4th or more	1.00

Ultimate Rates by Age		
	Rate	
Age	**Male**	**Female**
25	11.4%	14.2%
30	9.4%	11.7%
35	7.5%	9.4%
40	5.7%	7.1%
45	4.7%	5.9%
50	4.5%	5.7%
55	5.0%	6.2%
60	15.5%	19.4%

4. Disability

Rates vary by age. Sample rates are as follows:

Age	Rate
25	.00%
30	.00%
35	.06%
40	.06%
45	.12%
50	.18%
55	.27%
60	.36%

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
SCHOOL SYSTEM

SUMMARY OF ACTUARIAL ASSUMPTIONS AS OF JULY 1, 2005

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 vested benefit	Age 62.
5. Cost of Living Adjustment	Service annuity – none Formula annuity – 2.5% per annum, compounded annually, and 3.5% per annum, compounded annually, after reaching 75% purchasing power floor benefit.

NOTE: There have been no changes in the actuarial assumptions since the last actuarial valuation of the system as of July 1, 2004.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS SCHOOL SYSTEM

GLOSSARY OF TERMS

Actuarial Accrued Liability	Total accumulated cost to fund pension benefits arising from service in all prior years.
Actuarial Cost Method	Technique used to assign or allocate, in a systematic and consistent manner, the expected cost of a pension plan for a group of participants to the years of service that give rise to that cost.
Actuarial Present Value of Future Benefits	Amount which, together with future interest, is expected to be sufficient to pay all future benefits.
Actuarial Valuation	Study of probable amounts of future pension benefits and the necessary amount of contributions to fund those benefits.
Actuary	Person who performs mathematical calculations pertaining to pension and insurance benefits based on specific procedures and assumptions.
Annual Required Contribution	Disclosure measure of annual pension cost.
GASB 25 and GASB 27	Governmental Accounting Standards Board Statement numbers 25 and 27 which specify how the Net Pension Obligation and Annual Required Contribution are to be calculated.
Normal Cost	That portion of the actuarial present value of benefits assigned to a particular year in respect to an individual participant or the plan as a whole.
Unfunded Actuarial Accrued Liability	The portion of the actuarial accrued liability not offset by plan assets.
Vested Benefits	Benefits which are unconditionally guaranteed regardless of employment status.