Fifty-Sixth
Annual Actuarial Report

OMAHA SCHOOL EMPLOYEES' RETIREMENT SYSTEM

as of September 1, 2007

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April 16, 2008

Board of Trustees
Omaha School Employees' Retirement System
3215 Cuming
Omaha, Nebraska 68131

Re: Fifty-Sixth Annual Actuarial Report

Members of the Board:

Pursuant to our contract with the Omaha School District, we are pleased to submit the Fifty-Sixth Annual Actuarial Report of the Omaha School Employees' Retirement System (OSERS). This valuation has been performed as of September 1, 2007 for the plan year ending August 31, 2008. The major findings of the valuation are contained in this report. This report reflects the benefit provisions and contribution rates in effect as of September 1, 2007.

The actuarial valuation is based upon employee data and assets of the retirement fund furnished by OSERS and upon factors prepared and/or in use by Milliman. In preparing this report, we relied, without audit, on information (some oral and some written) supplied by the System's staff. This information includes, but is not limited to, statutory provisions, member data and financial information. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Actuarial Standards of Practice promulgated by the Actuarial Standards Board and the applicable Guides to Professional Conduct, amplifying Opinions, and supporting Recommendations of the American Academy of Actuaries.

We further certify that all costs, liabilities, rates of interest and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer our best estimate of anticipated experience affecting the System. Nevertheless, the emerging costs will vary from those presented in this report to the extent actual experience differs from that projected by the actuarial assumptions. The Board of Trustees has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in Appendix C.

Actuarial computations presented in this report are for purposes of determining the recommended funding amounts for the System. Actuarial computations under GASB Statements No. 25 and 27 are for purposes of fulfilling financial accounting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with out understanding of the System's funding requirements and goals, and of GASB Statements No. 25 and 27. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Milliman's work product was prepared exclusively for the Omaha School Employees' Retirement System for a specific and limited purpose. It is a complex, technical analysis that assumes a high level of knowledge concerning the System's operations, and uses System data, which Milliman has not audited. It is not for the use or benefit of any third party for any purpose. Any third party recipient of Milliman's work product who desires professional guidance should not rely upon Milliman's work product, but should engage qualified professionals for advice appropriate to its own specific needs.

We would like to express our appreciation to Mike Smith, Director of the System, and to members of his staff, who gave substantial assistance in supplying the data on which this report is based.

I, Patrice A. Beckham F.S.A., am a member of the American Academy of Actuaries and a Fellow of the Society of Actuaries, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

We respectfully submit the following report and look forward to discussing it with you.

MILLIMAN

Sincerely,

Patrice Beckham

Patrice A. Beckham, F.S.A.
Consulting Actuary

OMAHA SCHOOL EMPLOYEES' RETIREMENT SYSTEM

TABLE OF CONTENTS

		Page
EXECUTIVE SUMMARY		1
EXHIBITS		
1	Summary of Fund Activity (Market Value Basis)	6
2	Actuarial Value of Net Assets	7
3	Actuarial Balance Sheet	8
4	Unfunded Actuarial Liability	9
5	Analysis of Contribution Rate	10
6	Calculation of Actuarial Gain/(Loss)	11
7	Schedule of Employer Contributions	13
8	Schedule of Funding Progress	14
9	Three Year Trend Information	15
10	Development of the Net Periodic Obligation	16
11	Estimated Benefit Payments	17

APPENDICES

Appendix A - Historical Background

Appendix B - Summary of Benefit and Contribution Provisions

Appendix C - Actuarial Assumptions and Valuation Methods

Appendix D - Membership Data

EXECUTIVE SUMMARY

This report presents the results of the September 1, 2007 actuarial valuation of the Omaha School Employees' Retirement System (OSERS). The primary purposes of performing the valuation are as follows:

- to certify that School District contributions equal to 101% of member's contributions, in addition to contributions paid by the members and the State, for the Plan Year beginning September 1, 2007 will be sufficient to fund the benefits expected to be paid to members, or to determine the actuarial contribution rate necessary to maintain the solvency of the System,
- to disclose various asset and liability measures as of September 1, 2007, and
- to analyze and report on trends in System contributions, assets, and liabilities over the past several years.

The actuarial assumptions and actuarial cost method reflected in this report are unchanged from last year's report. Three key changes were made in conjunction with this valuation:

(1) the actuarial value of assets was reset to the actual market value;

(2) legislation passed in 2007 increased the employee contribution rate to 7.30% of pay and the employer contribution rate to 101% of the employee rate;

(3) the funding policy was set equal to the normal cost plus amortization of the unfunded actuarial liability over a closed 30 year period, commencing September 1, 2007. This policy is used to develop the Annual Required Contribution (ARC) under Governmental Accounting Standard Number 25 (GASB 25), which has been adopted by the Board of Trustees as the definition of "maintaining the solvency of the System". See page 10 for further details.

All three changes had an impact on the September 1, 2007 valuation results. The result of resetting the actuarial value of assets to market value was an increase of $88 million in the actuarial value of assets and a corresponding decrease in the unfunded actuarial liability. The increase in the member and employer contribution rate increased the financial resources of the System and improved the System's long term funding. The increase in the member contribution rate also impacted the amount paid to a member upon refund and the guaranteed number of retirement benefit payments. These changes resulted in an increase in the normal cost rate and small decrease in the actuarial liability. The change in the funding policy, i.e. resetting the years to amortize at 30, lowered the Annual Required Contribution.

The actuarial valuation results provide a "snapshot" view of the System's financial condition on September 1, 2007 based on the System's membership, benefit structure, and assets on that date. The valuation results reflect net favorable experience for the past plan year as demonstrated by an unfunded actuarial liability that was lower than expected based on the actuarial assumptions. The favorable experience was primarily due to an actuarial gain on the actuarial value of assets.

Assets

As of September 1, 2007, the System had total funds of $1,118 million measured on a market value basis. This was an increase of $140 million from the prior year and represents a rate of return of approximately 16.9%. The components of this change are shown below:

		Market Value ($M)
Net Assets, September 1, 2006	$	978
• District, State and Member Contributions	+	44
• Benefit Payments and Refunds	-	68
• Administrative Expenses	-	6
• Investment Return	+	170
Net Assets, September 1, 2007	$	1,118

The market value of assets is not used directly in the actuarial valuation process. An asset smoothing method is used to develop the actuarial value of assets. Effective September 1, 2007 the actuarial value of assets was reset to the actual market value. The result was an increase of $88 million in the actuarial value of assets. As a result of resetting to market value, there are no deferred investment gains to offset any unfavorable investment experience that might occur during FY08. Consequently, if adverse experience occurs it is expected to have a direct impact on the System's funding.

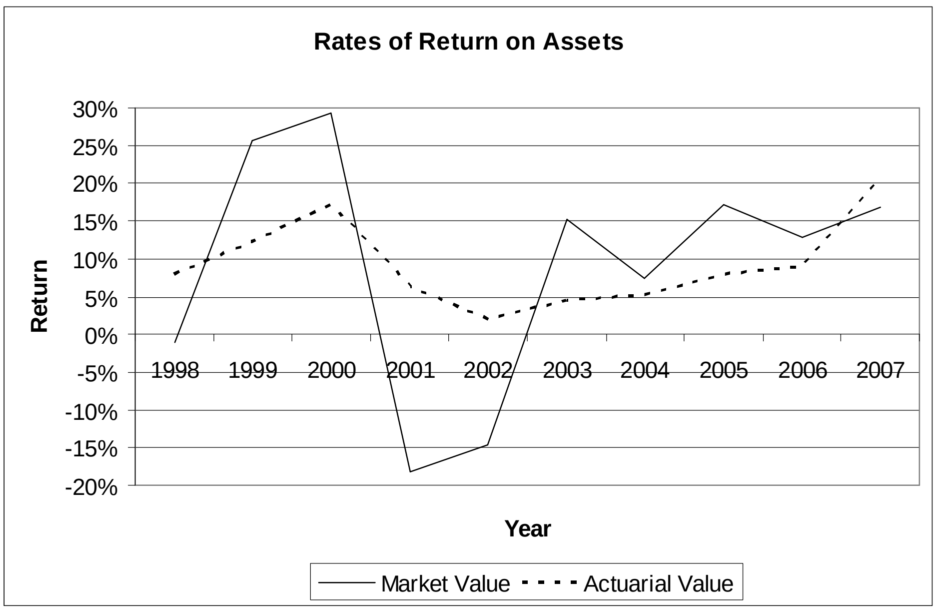
The change in the actuarial value of assets from September 1, 2006 to September 1, 2007 is shown below:

		Actuarial Value ($M)
Actuarial Assets, September 1, 2006	$	949
• District, State and Member Contributions	+	44
• Benefit Payments and Refunds	-	68
• Expected Investment Income (based on 8.0% assumption)	+	75
• Actuarial Investment Gain/(Loss)	+	30
• Asset Method Change (reset to market value)	+	88
Actuarial Assets, September 1, 2007	$	1,118

The dollar-weighted rate of return, net of investment and administrative expenses, measured on the actuarial value of assets was approximately +11.2% before the asset method change. A comparison of asset values on both the market and actuarial basis is shown below:

	September 1				
	2003	**2004**	**2005**	**2006**	**2007**
Market Value of Assets	$737	$775	$883	$978	$1,118
Actuarial Value of Assets	818	843	887	949	1,118
Actuarial Value/Market Value	111%	109%	100%	97%	100%

The estimated rate of return on the actuarial and market value of assets for the recent past is shown below. The asset smoothing method is mitigating the volatility of market value returns as demonstrated in the rates of return shown below:



Experience for Plan Year Ended 2007

As of the valuation date, the actuarial liability is $1,256 million and the actuarial value of assets is $1,118 million, resulting in an unfunded actuarial liability (UAL) of $138 million. This is a decrease of $108 million from last year's UAL. Numerous factors contributed to the change in the Systems' UAL between September 1, 2006 and September 1, 2007. The components are examined in the following discussion.

Actuarial gains (or losses) result from actual experience that is more (or less) favorable than anticipated based on the actuarial assumptions. These "experience" (or actuarial) gains or losses are reflected in the UAL and are measured as the difference between the expected unfunded actuarial liability and the actual unfunded actuarial liability, taking into account any changes due to assumption, method or benefit provision changes. Overall, the System experienced a net actuarial gain of $21 million, due to the return on the actuarial value of assets.

The change in the unfunded actuarial liability between September 1, 2006 and 2007 is shown below (in millions):

Unfunded Actuarial Liability, September 1, 2006	$	246
• Expected change in UAL		
− Contributions in excess of fixed payroll rate	+	0
− Amortization method	+	4
• Investment experience	-	29
• Liability experience		
− Salary increases	+	1
− New entrants/Rehires	+	1
− Mortality	+	3
− Retirement	+	2
− Other demographic experience	+	1
• Change in member contribution rate	-	3
• Change in asset valuation method (reset to market value)	-	88
• Change in actuarial assumptions	+	0
Unfunded Actuarial Liability, September 1, 2007	$	138

Contribution Rate

The Nebraska statutes provide that the School District shall contribute the greater of (a) one hundred and one percent of the contributions made by the employees or (b) such amount as may be necessary to maintain the solvency of the system, as determined annually by the board upon recommendation of the actuary and the trustees. The Trustees have adopted the criteria established in Governmental Accounting Standard Number 25 as the basis for determining the contribution amount necessary to maintain the solvency of the System. On this basis, the Annual Required Contribution (ARC) for the year under GASB 25 is 14.09% of payroll. The contributions made by members, the State and the School District total 15.37% of payroll plus $973,301. Since this exceeds the ARC, the contributions are sufficient to maintain the solvency of the System.

Comments

The 2007 valuation reflects an increase in the employee contribution rate from 6.3% to 7.3% and an increase in the employer contribution rate from 100% to 101% of the employee contribution rate. The increase in the statutory contribution rate significantly increased the amount of contributions available to pay the unfunded actuarial liability (UAL) and strengthened the long term funding of the System. The System is back in actuarial balance, i.e. the actuarial value of assets plus the present value of future contributions equals or exceeds the present value of future benefits.

The actuarial value of assets was set to the pure market value as of September 1, 2007. The Board's intent is for the asset smoothing method to be applied again for the September 1, 2008 and subsequent valuations. This change to actual market value decreased the September 1, 2007 UAL by $88 million (from $226 million to $138 million). This change increased the System's funded ratio from 82% to 89% and lowered the ARC as a result of lowering the UAL.

The combined impact of the increased contribution rate and resetting the actuarial value of assets equal to market value is the statutory contributions exceed the ARC, based on the System's funding policy. This is important because it indicates that the System is back in long term actuarial balance. However, actual experience, particularly investment experience, will impact whether or not future valuations indicate that the current contribution rate will amortize the unfunded actuarial liability within the closed 30 year period commencing September 1, 2007. Because the actuarial value of assets was reset to market value, there are no unrecognized gains to offset any unfavorable experience that may occur in the current fiscal year. As a result, any shortfall from the 8% assumed rate of return will increase the ARC.

A comprehensive Experience Study will be performed for the System later this year. It is possible, and in fact likely, that some assumptions will be modified. Changes in the normal cost rate and UAL resulting from modifications in the actuarial assumptions as a result of the experience study will also impact the outlook for the System's long term funding.

EXHIBIT 1

SUMMARY OF FUND ACTIVITY
(Market Value Basis)

For the Year Ended August 31, 2007

NET ASSETS ON 9/1/06	**$ 978,431,000**
REVENUE	
Salary deductions	17,189,000
School District contributions	22,267,000
Repayment of withdrawals	548,000
State service annuity receipts	1,319,000
Sec. 79-988.01 deposit	973,000
Sec. 79-916 deposits	1,741,000
Income from investments, including realized and unrealized gains	169,601,000
Total Revenue	**$ 213,638,000**
Total of Revenue and Balance	**$ 1,192,069,000**
EXPENDITURES	
Retirement Annuities	$ 66,000,000
Refunds to Employees	2,286,000
Purchase Services	5,759,000
Dues & Fees	72,000
Personnel Costs	324,000
Total Expenditures	**$ 74,441,000**
NET ASSETS ON 9/1/07	**$ 1,117,628,000**

EXHIBIT 2

ACTUARIAL VALUE OF NET ASSETS

As of September 1, 2007

Market Value of Assets as of September 1, 2007	$1,117,628,000
Actuarial Value of Assets as of September 1, 2007	1,117,628,000
Note: The actuarial value of assets was reset to the market value of assets as of September 1, 2007	
Estimated Rate of Return	+11.2%
Actuarial Value of Assets divided by Market Value of Assets as of September 1, 2007 (3) / (2)	100.0%
Market Value of Assets less Actuarial Value of Assets as of September 1, 2007	0

EXHIBIT 3

ACTUARIAL BALANCE SHEET

As of September 1, 2007

ASSETS

Actuarial value of assets		$ 1,117,628,000
Present value of future Section 79-988.01 state contributions		11,387,000
Present value of contributions for unfunded actuarial liability		126,512,000
Present value of future normal costs		241,285,000
Total Assets		**$ 1,496,812,000**

LIABILITIES

Present Value of Future Benefits		
Retired members and beneficiaries		$ 725,838,000
Inactive vested members		12,840,000
Refunds due and unpaid to nonvested members		1,338,000
For service purchases initiated but not completed before the valuation date		548,000
Active Members		
Retirement benefits	$ 692,739,000	
Termination benefits	37,806,000	
Death benefits	12,154,000	
Disability benefits	13,549,000	
		756,248,000
Total Liabilities		**$ 1,496,812,000**

EXHIBIT 4

UNFUNDED ACTUARIAL LIABILITY

As of September 1, 2007

1. Present Value of Future Benefits	$ 1,496,812,000
2. Present Value of Future Normal Costs	241,285,000
3. Actuarial Liability (1) – (2)	1,255,527,000
4. Actuarial Value of Assets	1,117,628,000
5. Unfunded Actuarial Liability (3) – (4)	137,899,000
5. Present Value of Future State Contributions under Section 79-988.01*	11,387,000
6. Adjusted Unfunded Actuarial Liability (Payable from Payroll Related Contributions)	126,512,000

*The State contributes 0.70% of pay plus a level payment of $973,301. Because this last payment is not related to payroll, the present value of these contributions is used to finance the UAL.

EXHIBIT 5

ANALYSIS OF CONTRIBUTION RATE

The actuarial cost method used to determine the required level of annual contributions to support the expected benefits is the Entry Age Normal Cost Method. Under this method, the total cost is comprised of the normal cost rate and the unfunded actuarial liability payment. Commencing with the September 1, 2007 valuation the System set the funding policy as the normal cost plus a contribution to amortize the UAL over a closed 30 year period. The System is financed by contributions from the members, the School District and the State. The members contribute 7.3% of pay. The District is obligated to pay the greater of (a) one hundred and one percent of the member contributions or (b) such amount as may be necessary to maintain the solvency of the System. The Board has set a benchmark of compliance with the Governmental Accounting Standard Board (GASB) Statement Number 25 for the definition of "maintaining the solvency of the System". The Annual Required Contribution (ARC) under GASB 25 is based on the System's funding policy, i.e. the normal cost rate plus the contribution necessary to amortize the UAL over a 30 year closed period commencing September 1, 2007. The State contributes 0.70% of pay plus a level payment of $973,301. Because this last payment is not related to payroll, the present value of these contributions is used to finance the UAL.

1. Normal Cost Adjusted to Mid-Year	$ 29,246,000
2. Expected Payroll for FYE August 31, 2008	258,546,000
3. Normal Cost Rate (1)/(2)	11.31%
4. Unfunded Actuarial Liability at Valuation Date (Payable from Payroll Related Contributions)	126,512,000
5. 30 Year Amortization Factor - Level Percent of Pay	18.297355
6. UAL Contribution at Mid-Year $[(4)/(5)] * (1.08)^{1/2}$	7,185,000
7. UAL Contribution Rate (6)/(2)	2.78%
8. Annual Required Contribution (ARC) (3) + (7)	14.09%
9. Statutory Contribution Rate (ARC):	
(a) Member	7.30%
(b) District	7.37%
(c) State	0.70%
(d) Total	15.37%

Based on the results of the current valuation and assuming contribution rates remain unchanged in the future, the UAL will be amortized in 17 years if all actuarial assumptions are met in each future year.

EXHIBIT 6

CALCULATION OF ACTUARIAL GAIN / (LOSS)

The overall actuarial gain / (loss) is comprised of both a liability gain / (loss) and an actuarial asset gain / (loss). Each of these represents the difference between the expected and actual values as of September 1, 2007.

1.	Expected Actuarial Liability		
	a. Actuarial Liability as of September 1, 2006	$	1,195,354,000
	b. Normal Cost as of September 1, 2006		26,274,000
	c. Benefit payments for Plan Year Ending August 31, 2007		68,286,000
	d. Additional Liability for State Service Annuities and Service Purchases		1,867,000
	e. Interest on a., b., c., and d. to End of Year		95,125,000
	f. Decrease due to change in Member Contribution Rate		(3,209,000)
	g. Expected Actuarial Liability (a) + (b) - (c) + (d) + (e)		1,247,125,000
2.	Actuarial Liability as of September 1, 2007	$	1,255,527,000
3.	Liability Gain / (Loss) (1.f.) – (2)	$	(8,402,000)
4.	Liability Gain / (Loss) as a Percent of Actuarial Liability		(0.67%)
5.	Expected Actuarial Value of Assets		
	a. Actuarial Value of Assets as of September 1, 2006	$	948,938,000
	b. Contributions for Plan Year Ending August 31, 2007 (including State Service Annuities and Service Purchases)		44,037,000
	c. Benefit Payments for Plan Year Ending August 31, 2007		68,286,000
	d. Interest on a., b. and c. to End of Year		74,964,000
	e. Asset method change (reset to market value)		88,481,000
	f. Expected Actuarial Value of Assets as of September 1, 2007 (a) + (b) – (c) + (d) + (e)	$	1,088,134,000
6.	Actuarial Value of Assets as of September 1, 2007	$	1,117,628,000
7.	Asset Gain / (Loss) (6) – (5.f.)	$	29,494,000
8.	Asset Gain / (Loss) as a Percent of Actuarial Value of Assets		2.64%
9.	Overall Actuarial Gain / (Loss) (3) + (7)	$	21,092,000

Gain / (Loss) By Source

The Plan experienced net actuarial loss on liabilities of about $8.4 million during the plan year ended August 31, 2007. The major components of this overall loss are shown below:

Liability Sources	**$Millions**
Salary Increases	$ (1.0)
Mortality	(3.5)
Terminations	(1.3)
Retirements	(1.6)
Disability	(0.0)
New Entrants	(0.8)
Rehires	(0.2)
Miscellaneous	(0.0)
Total Liability Gain / (Loss)	**$ (8.4)**
Asset Gain / (Loss)	$ 29.5
Net Actuarial Gain / (Loss)	$ 21.1

Comments

The purpose of conducting an actuarial valuation of a retirement system is to determine the costs and liabilities for the benefits under the system, to determine the annual level of contribution required to support these benefits and, finally, to analyze the system's overall experience as it compares with the actuarial assumptions used in the valuation. The costs and liabilities of a retirement system reported in the valuation depend not only upon the level of benefits provided but also upon factors such as investment return on invested funds, mortality rates for active and retired members, withdrawal rates among active members, rates at which salaries increase, and rates of retirement for ages at which members retire. The actuarial assumptions employed as to these and other contingencies in the current valuation are set forth in Appendix C of this report.

Net demographic actuarial experience for the year was a loss of $8.4 million. The loss was the net result of actual experience in a number of areas, as shown above. Mortality experience continued to generate an experience loss. Our expectation is that the mortality assumption will need to be revised when the Experience Study is completed later this year. Overall, the loss represents a relatively small portion of the total liability, which is over $1 billion.

EXHIBIT 7

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND OTHER CONTRIBUTING ENTITIES

In Accordance with Statement No. 25 of the Governmental Accounting Standards Board

Fiscal Year Ending	Annual Required Contribution (a)	Total Employer Contribution (b)	Percentage of ARC Contribution (b/a)
8/31/98	$ 12,816,177	$ 12,816,177	100.0%
8/31/99	14,703,164	14,703,164	100.0%
8/31/00	14,750,128	14,750,128	100.0%
8/31/01	15,435,941	15,435,941	100.0%
8/31/02	15,287,495	15,160,351	99.2%
8/31/03	17,927,131*	18,328,875	102.2%
8/31/04	20,046,306*	19,630,300	97.9%
8/31/05	22,459,221	20,210,403	90.0%
8/31/06	24,311,628	26,766,000	110.1%
8/31/07	28,143,388	24,981,000	88.8%

*Numbers shown in prior valuation reports were Annual Pension Cost (APC) instead of Annual Required Contribution (ARC).

Notes to the Required Schedules:

1. The cost method used to determine the ARC is the Entry Age Normal Cost Method.
2. The assets are shown at actuarial value which is a market-related smoothed value.
3. Economic assumptions are:
   Inflation: 3.5%
   Investment Return: 8.0%
   Salary increases: 4% plus merit of 0% to 2.6%
   Post-retirement benefit increases: 1.5%
4. The amortization method is an open period, level percentage of payroll.

EXHIBIT 8

SCHEDULE OF FUNDING PROGRESS

In Accordance with Statement Nos. 25 and 27 of the Governmental Accounting Standards Board

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b - a)/c]
9/1/01	$800,544,438	$897,398,640	$ 96,854,202	89.21%	$199,851,531	48.46%
9/1/02	800,819,106	963,802,083	162,982,977	83.09%	212,241,690	76.79%
9/1/03	817,966,471	1,009,062,603	191,096,132	81.1%	211,692,872	90.27%
9/1/04	843,486,000	1,066,324,000	222,838,000	79.1%	222,667,000	100.08%
9/1/05	887,165,000	1,126,967,000	239,802,000	78.7%	231,708,783	103.49%
9/1/06	948,938,000	1,195,354,000	246,416,000	79.4%	248,759,070	99.06%
9/1/07	1,117,628,000 *	1,255,527,000	137,899,000	89.0%	272,844,149	50.54%

**The actuarial value of assets was reset to market value as of 9/1/07.*

EXHIBIT 9

THREE YEAR TREND INFORMATION

In Accordance with Statement No. 27 of the Governmental Accounting Standards Board

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
8/31/05	22,463,417	89.97%	2,390,025
8/31/06	24,384,829	109.76%	8,853
8/31/07	28,143,613	88.76%	3,171,466

Notes to the Schedule:

1. The cost method used to determine the ARC is the Entry Age Normal Cost Method.
2. The assets are shown at actuarial value which is a market-related smoothed value. For the 9/1/07 valuation, the actuarial value of assets was reset to market value.
3. Economic assumptions are:
   - Inflation: 3.5%
   - General Wage Growth: 4.0%
   - Investment Return: 8.0%
   - Salary increases: 4% plus merit of 0% to 2.6%
   - Post-retirement increases: 1.5%
4. The amortization method is an open period, level percentage of payroll.

EXHIBIT 10

DEVELOPMENT OF THE NET PENSION OBLIGATION

In Accordance with Statement No. 27 of the Governmental Accounting Standards Board

Fiscal Year Ending August 31,	2002	2003	2004	2005	2006	2007
Assumptions and Method:						
Interest Rate	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Amortization Period	40.00 years	40.00 years	40.00 years	40.00 years	40.00 years	30.00 years
Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Annual Pension Cost:						
Annual Required Contribution (ARC)	$ 15,287,495	$ 17,927,131	$ 20,046,306	$ 22,459,221	$ 24,311,628	$ 28,143,388
Interest on NPO	0	10,172	(21,656)	10,961	191,202	708
Adjustment to ARC	0	(6,277)	13,365	(6,765)	(118,001)	(484)
Annual Pension Cost	15,287,495	17,931,026	20,038,015	22,463,417	24,384,829	28,143,613
Contribution for the Year:	15,160,351	18,328,875	19,630,300	20,210,403	26,766,000	24,981,000
Net Pension Obligation (NPO):						
NPO at beginning of year	0	127,144	(270,705)	137,010	2,390,024	8,853
Annual Pension Cost for year	15,287,495	17,931,026	20,038,015	22,463,417	24,384,829	28,143,613
Contributions for year	(15,160,351)	(18,328,875)	(19,630,300)	(20,210,403)	(26,766,000)	(24,981,000)
NPO at end of year	$ 127,144	$ (270,705)	$ 137,010	$ 2,390,024	$ 8,853	$ 3,171,466

EXHIBIT 11

ESTIMATED BENEFIT PAYMENTS*

Year	Current Retirees	Actives and Inactive Vesteds	Total
2007-2008	$66,569,000	$2,399,000	$68,968,000
2008-2009	66,749,000	6,860,000	73,609,000
2009-2010	66,483,000	11,696,000	78,179,000
2010-2011	66,079,000	16,616,000	82,695,000
2011-2012	65,461,000	21,794,000	87,255,000
2012-2013	64,724,000	26,902,000	91,626,000
2013-2014	64,059,000	31,867,000	95,926,000
2014-2015	63,291,000	36,763,000	100,054,000
2015-2016	62,338,000	41,825,000	104,163,000
2016-2017	61,266,000	47,105,000	108,371,000
2017-2018	60,162,000	52,483,000	112,645,000
2018-2019	58,998,000	58,036,000	117,034,000
2019-2020	57,747,000	63,528,000	121,275,000
2020-2021	56,373,000	68,985,000	125,358,000
2021-2022	54,893,000	74,480,000	129,373,000

*Amounts shown are the cash flows for current members only, based on the current benefit structure and assuming that all actuarial assumptions are met in each future year. To the extent that actual experience deviates from that expected, results will vary. Amounts are shown in future nominal dollars and have not been discounted to the valuation date.

Appendix A

HISTORICAL BACKGROUND

Since 1909, the Omaha School District has maintained a retirement system for its teachers. Since then, systems covering other employees were added. In 1951, the Nebraska Legislature consolidated the existing systems into one new System. Amendments of significance in the Nebraska statutes and federal Social Security Act have occurred from time to time. These changes in order of their occurrence are outlined briefly below:

1951 - New System

Prior to 1951, three separate retirement systems existed. In 1951 the Nebraska Legislature repealed these three separate systems and created the present single System covering all employees. This act provided, however, that a member of a pre-existing system might elect to retain his benefit and contribution rights under one of the former systems in lieu of the new System benefits and contributions. The members who so elected then became known by the following titles for retirement purposes:

(1) Employees covered by the former Omaha Teachers Retirement System were known as "Teachers,"

(2) Employees covered by the former Non-Teaching Employee Retirement System were known as "Non-Teachers,"

(3) Employees covered by the former Cafeteria Employee Retirement System were known as "Cafeteria."

All other employees became members of the new System and received credit for membership service starting September 1, 1951. Benefits as well as contributions under the new System became directly related to a member's compensation by formula. The maximum covered annual compensation under the new System became $5,000, but the maximum for Teachers, Non-Teachers and Cafeteria remained $3,000.

1955 Amendments

On September 24, 1955, Omaha School employees voted to become participants in the federal Social Security program. All Social Security benefits are payable in addition to the System benefits. As a result of Social Security coverage, changes were made in the benefit and contribution formulas of the System effective August 31, 1955. In general, the changes reduced contributions and benefits to 60% of the rates formerly in effect. In addition, the maximum covered compensation was increased from $5,000 to $6,000 except for Teachers, Non-Teachers and Cafeteria which remained at $3,000.

The amount contributed by the School District was also reduced to 60% of the rates in effect prior to the change and the School District's contributions, matching the refunds paid upon the withdrawal or death of employees, were retained in the retirement fund rather than being returned to the School District.

1963 Amendments

Effective September 1, 1963, several changes were made in the new System. The limit on covered compensation for contributions and benefits of members was removed.

The service retirement annuity credit was increased in order to integrate with the modifications in federal Social Security between 1955 and 1963. The disability annuity for members was increased to 100% of the service retirement annuity accrued to date of disability and the restriction as to the number of years for which it was payable was removed. The offset in the benefit formula for the Nebraska State Service Annuity credit was placed on a year-to-year basis for all members, increasing the annuity credit for service after September 1, 1951 for active and retired alike.

The employees who were participating as Teachers, Non-Teachers and Cafeteria began to make contributions and receive benefit credits at the same rates as other members of the System. It should be noted that any employee who retained rights under a pre-existing system still receives credit in accordance with the provisions of the former system if this is more than the credit, after the State service annuity offset, would be under the 1963 amendments.

The contribution rate for employees was changed to integrate with the modifications in Social Security and was no longer subject to revision depending upon the degree of actuarial soundness of the System as had been provided in 1962. The School District became solely responsible for maintaining the solvency of the System on the basis of annual actuarial valuations. The School District again became entitled to refunds equal to the refunds paid upon withdrawal or death of employees.

The restriction prohibiting the crediting of interest on refunds to employees who withdraw from employment during the first ten years of service was removed. Thus, all employees who withdraw after one year or more of service receive interest on their contributions made since September 1, 1951.

1965 Amendments

Effective September 1, 1965, a pre-retirement survivor's annuity was added to the System for long-service employees. This change gave an employee with 25 or more years of service protection at death approximately equivalent in value to the vesting which already existed at termination of employment for an employee with the same period of service.

Effective January 1, 1966, the Social Security tax base was increased from $4,800 to $6,600 per year. This change became effective in the System's contribution and benefit formulas as of September 1, 1966.

1967 Amendments

The 77th Session of the Nebraska Legislature enacted LB 494 which amended the Nebraska School Retirement System, effective October 23, 1967. A major change was the increase in the State service annuity credit from $1.50 to $3.00 per month for each year of credited service after July 1, 1968 and the removal of the 35 year limitation on credited State service. For the purpose of determining the new State service annuity offset in calculating the net Omaha annuity, the additional $1.50 per month for each year of service after July 1, 1968 is not applicable, but removal of the 35 year limitation does apply. This means that the State service annuity offset is still determined on the basis of $1.50 per month for each year of service. The increase in the State service annuity offset by virtue of eliminating the 35 year limitation represents a lower cost to the Omaha System for those members having more than 35 years of State service by age 65.

Another change with regard to the State service annuity was the manner in which the funds are transferred from the State to the Omaha System to pay these annuities. For retirements occurring after the effective date of the amendments (October 23, 1967), the State transfers the commuted value (equivalent single sum) of the individual State service annuity to the Omaha System and then the payment of the monthly annuity to the retired member is the School District's responsibility.

In 1967 the eligibility provisions for the pre-retirement survivors' annuity and the vested retirement rights were changed, reducing the service required from 25 years to 20 years and thereby granting these options to a larger number of employees.

Effective January 1, 1968, the federal Social Security taxable wage base was increased from $6,600 to $7,800 per year. This change became effective in the System's contribution and benefit formulas as of September 1, 1968.

1969 Amendments

The 80th Session of the Nebraska Legislature enacted LB 530 which amended the System effective August 11, 1969. The provisions of this bill improved the benefit structure of the System in two ways. The membership annuity credits (credits after 9/1/51) were increased approximately 10% and the Social Security wage base was "frozen" at the $7,800 level for purposes of calculating benefit credits and employee contributions.

By freezing the Social Security base, benefit credits and employee contributions for service after September 1, 1969 will not be reduced by virtue of future increases in the Social Security wage base. The System benefits will remain integrated with the Social Security program at the level provided by the $7,800 base.

1972 Amendments

During 1972, the Nebraska Legislature enacted LB 1116 which amended the System. These amendments were to become effective for retirements occurring on or after September 1, 1972. The provisions of this bill improved the benefit structure of the System and liberalized the eligibility condition for qualification upon termination for the deferred vested retirement benefit.

The benefits of the System were improved by increasing the membership annuity credits (credits after 9/1/51) by approximately 20% over those in existence on September 1, 1971.

In order to be eligible upon resignation to elect a deferred vested service annuity, the years of creditable service was reduced from 20 years to 15 years.

1973 Amendments

The 1973 Session of the Nebraska Legislature enacted LB 445 which created increases in the State service annuity of the Nebraska School Retirement System. LB 445 provides for (a) a State service annuity credit of $3.00 per month for each year of creditable service for all emeritus members and for all full time school employees who retire on or after July 1, 1973 and (b) for increases in the State service annuity for members who retired prior to July 1, 1973 based upon the difference between the Consumers Price Index on the date of retirement and July 1, 1973.

1976 Amendments

The 1976 Session of the Nebraska Legislature enacted LB 994 which increased the membership annuity credits (credits after 9/1/51) by 20%.

The members' contributions were increased to 2.90% of compensation up to $7,800 per year plus 5.25% of salary in excess of that amount.

1979 Amendments

The 1979 Session of the Nebraska Legislature changed the mandatory retirement date from age 65 to age 70. Late retirement benefits are actuarially increased from what would have been payable at the normal retirement date.

1982 Amendments

The 1982 Session of the Nebraska Legislature enacted LB 131 which made considerable changes to the System. LB 131 was approved by the Governor on February 19, 1982.

The most major revision in the System was to change the previous primary benefit formula from the step rate formula based on each year of salary to a final average compensation formula. The primary benefit formula became 1.5% of final average compensation for each year of creditable service not in excess of 30. Final average compensation was then defined to be 1/36 of the total compensation received during the three fiscal years of highest compensation. Also, the creditable service not in excess of 30 years was allowed to continue to accrue after the fiscal year in which the employee attains age 65. In addition, the State service annuity offset of $1.50 per year of creditable service was removed with respect to the final average compensation formula. The prior provisions of the System were retained as a minimum benefit, recognizing creditable service for those provisions through the earlier of the date of retirement or August 31, 1983.

Another major revision in the System was to change the step rate formula for employee contributions to a level 4.90% of compensation. In addition, the provision entitling the School District to receive refunds of its own contributions equal to the contributions refunded to employees was removed.

The early retirement date was liberalized. Previously an employee needed to have either 35 years of creditable service or to have attained age 60 with 25 years of creditable service. Now an employee can retire early if he has at least 10 years of creditable service and has attained age 55.

The actuarial equivalent of the annuity payable at the end of the fiscal year in which the employee attains age 65 was changed in the following two ways:

1. for employees retiring before age 62, the monthly formula retirement annuity is a reduced amount based on the actuarial equivalent of the annuity deferred to the employee's 62nd birthday. If retirement is at age 62 or later, there is no actuarial reduction. Previously there was an actuarial reduction, based on the benefit deferred to age 65, for any retirement before age 65.

2. For employees retiring on or after age 65, the monthly formula retirement annuity is to be based on total years of creditable service (not in excess of 30) and the employee's entire compensation history at date of retirement. Consequently, for retirements after the fiscal year in which the employee attains age 65 there is no longer an actuarial increase from the benefit available at the normal retirement date.

The eligibility provision to elect a deferred vested service annuity upon resignation was changed from 15 years of creditable service to 10 years.

1983 Amendments

The 1983 Session of the Nebraska Legislature enacted LB 488 which created benefit increases effective September 1, 1983 for members having retired before February 21, 1982. The amount of benefit increase was limited to the smaller of:

1. The percentage increase in the Consumer Price Index for all Urban consumers from the effective date of retirement to June 30, 1983 applied to benefits being paid and

2. The sum of $1.50 per month for each year of creditable service and $1.00 per month for each completed year of retirement from the effective date of retirement to June 30, 1983, actuarially adjusted for joint and survivor elections.

1985 Amendments

The 1985 Session of the Nebraska Legislature enacted LB 215 which removed the 30 year limit on years of service used in the benefit formula, provided for vesting after five years of service rather than ten years, and reduced the eligibility period for disability from ten years of service to five years of service.

LP215 also provided for the employer "pick up" of employee contribution under IRC 414(h), thereby allowing employee contributions to be made on a pre-tax basis.

Unisex factors are now being used for determining early retirement reductions and actuarial equivalents for joint and survivor optional benefits.

1986 Amendments

The 1985 Session of the Nebraska Legislature enacted LB 1048 which granted increases in benefits for most retirees to reflect cost-of-living increases over the last several years. The increases ranged up to a maximum of 10.5%.

1987 Amendments

A "window of opportunity" was created for the buy-in or buy-back of service credits for participants qualifying for that right.

1989 Amendments

LB 237 was enacted by the 1989 Session of the Nebraska Legislature and provided: annual benefit accruals of 1.65% of final average compensation (up from 1.50%), unreduced benefits if a member retires with 35 or more years of service, a five year certain and life thereafter annuity as the normal form of benefit (instead of just a life annuity), employee contributions of 5.8% of pay (up from 4.9%), and increased benefits to retirees (the increases ranged up to 9.0%). There were some other changes as a result of this bill, but none that had a direct actuarial cost impact.

1992 Amendments

The 1992 Session of the Nebraska Legislature enacted LB 1001 which increased annual benefit accruals from 1.65% of final average compensation to 1.70%, and increased benefits to retirees (3% increase per year of retirement, not exceeding 9% total increase), a change in the preretirement joint and survivor option to allow it to become effective automatically after 20 years of service, and allowed employees to “buy-in” their time with other public school systems by means of a tax-deferred rollover of their refund from that System.

1995 Amendments

The 1995 Session of the Nebraska Legislature enacted LB505 which increased annual benefit accruals from 1.70% to 1.80% of final average compensation. It also provided for unreduced retirement benefits when the sum of age and service equals or exceeds 85 (still maintaining the age 55 minimum), and reduced early retirement reductions to .25% per month prior to age 62. Early retirement at 84, 83, or 82 points is also allowed with a maximum reduction of 3%, 6% and 9% respectively. Employee contributions were increased to 6.3% of pay. The bill also provided for a one time increase to current retirees of 3% per year since retirement (not to exceed 9%), or if larger, 90% restoration of the purchasing power of their original pension. There are other changes resulting from this bill, which are not included since they did not have a direct actuarial impact. One change with no actuarial impact but worth noting is the provision for employer “pick up” of employee contributions to the System used to buy in outside service, pursuant to Section 414(h) of the Internal Revenue Code.

1998 Amendments

The 1998 Session of the Nebraska Legislature enacted LB497 which increased annual benefit accruals from 1.80% to 1.85% of final average compensation. The bill also provided for a one time increase to current retirees of 3% per year since retirement (not to exceed 9%) and provides an annual automatic cost of living adjustment, not greater than 1.5%, beginning January 1, 2000.

2000 Amendments and Cost of Living Adjustment

The 2000 session of the Nebraska Legislature enacted LB155 which increased accruals from 1.85% to 2.00% of final average compensation.

Pursuant to LB497, the OSERS Board and the Omaha School District Board authorized a 1.5% discretionary COLA beginning January 1, 2000 in addition to the automatic COLA.

2001 Amendments and Cost of Living Adjustment

The 2001 session of the Nebraska Legislature enacted LB711 which provided that certain members who previously left employment due to pregnancy could purchase their “lost” service. It also provided a post-retirement supplemental benefit to assist with medical costs. The supplement commences 10 years after retirement, beginning at $10 per month for each year retired and increasing by $10 each year to a maximum of $250 per month. For retirees with less than twenty years of service, the benefit is reduced proportionately.

Additionally, the OSERS Board and the Omaha School Board authorized a discretionary COLA to restore full purchasing power, beginning January 1, 2001, in addition to the automatic COLA.

2002 Cost of Living Adjustment

The automatic 1.5% COLA was granted beginning January 1, 2002.

2003 Cost of Living Adjustment

The automatic 1.5% COLA was granted beginning January 1, 2003.

2004 Cost of Living Adjustment

The automatic 1.5% COLA was granted beginning January 1, 2004.

2005 Cost of Living Adjustment

The automatic 1.5% COLA was granted beginning January 1, 2005.

2006 Cost of Living Adjustment

The automatic 1.5% COLA was granted beginning January 1, 2006.

2007 Amendment and Cost of Living Adjustment

The 2007 session of the Nebraska Legislature enacted Section 79-9, 113 which changed the employee contribution rate from 6.30% of compensation to 7.30% and provided for an employer contribution equal to 101% of the employee contribution rate.

The automatic 1.5% COLA was granted beginning January 1, 2007.

Appendix B

SUMMARY OF BENEFIT AND CONTRIBUTION PROVISIONS

(Based on Latest Amendments Outlined in Appendix A.)

Contributions

Employee Contributions: Employees contribute 7.30% of compensation. Such contributions are payable each year while employed. Contributions accumulated with interest are refundable at resignation unless the vested retirement benefit has been elected and at death unless the pre-retirement survivor's benefit has been elected.

State Contribution: The State contributes annually an amount equal to 0.7% of the members' compensation plus a level payment of $973,301.

School District Contribution: The School District contributes the greater of (a) one hundred and one percent of the contributions by the employees or (b) such amount as may be necessary to maintain the solvency of the system, as determined annually by the board upon recommendation of the actuary and the trustees.

Interest Credited on Refunds: Contributions made prior to September 1, 1951 and refunded at withdrawal or death are not credited with interest. Contributions after September 1, 1951 are credited with interest at the rate declared annually by the Board of Education upon the recommendation of the Board of Trustees.

Benefits

General: The System provides annuities upon retirement from service or disability and upon death to designated survivors.

The service annuity formula is the greater of:

1. 2.00% per year of creditable service times the final average compensation, or

2. the minimum formulas for service to August 31, 1983.

Final average compensation is defined as 1/36 of the total compensation received during the three fiscal years of highest compensation.

Annuities are paid for life, with 5 years guaranteed. Optional forms of payment are available.

The disability annuity, the pre-retirement survivor annuity and the vested retirement right are summarized in the following sections.

Benefits in pay status are subject to an annual cost of living adjustment of the lesser of 1.5% or CPI plus an additional COLA if surplus assets exist beginning January 1, 2000. Effective October 3, 2001, a medical cost of living adjustment is payable to retired members. Such amount will commence 10 years after retirement and shall be an amount equal to $10 per month for each year retired (subject to a maximum of $250 per month), prorated for years of service less than 20.

Retirement Annuities: To begin receiving a retirement annuity the employee must have left the employment of the School district, selected a retirement date and

(a) remained employed until his or her 65th birthday and completed at least five years of creditable Omaha service,

<u>or</u>

(b) have 10 years of creditable service (with at least five of those years being creditable Omaha service) and attained age 55.

If an employee begins receiving an annuity after age 62 or when age and service equals or exceeds 85, there is no adjustment for the retirement annuity. If, however, an employee begins receiving an annuity before age 62, such annuity shall be reduced by .25% for each month prior to age 62, provided that if 84 points have been achieved the reduction is limited to 3%, if 83 points, 6%, and 82 points, 9%.

Disability Retirement Annuities: Each employee who becomes totally disabled and who has completed five or more years of creditable Omaha service is entitled to a disability retirement annuity equal to the amount of service annuity earned to date of disability. Alternatively, the employee may defer the disability retirement and accrue service and compensation increases in the interim. The disability retirement annuity is payable each month until disability ceases, if before unreduced retirement, or death.

Pre-Retirement Survivor Annuities: Upon the death of a member who has completed 20 or more years of creditable service and who has not retired, a pre-retirement survivor annuity shall be paid to the member's primary beneficiary. The survivor must be a spouse or one other person whose attained age in the calendar year of the member's death is no more than 10 years less than the attained age of the member in such calendar year. The survivor annuity is the actuarial equivalent of the member's annuity accrued to the date of death, determined on the basis of the member's and beneficiary's attained ages on said date. The survivor annuity is payable in lieu of a refund of the member's accumulated contributions. However, a member may elect out of the survivor annuity and specify that such a refund be paid in lieu of the annuity. An election out of the pre-retirement survivor annuity is entirely independent of the election of a joint and survivor option at retirement. Within 60 days after the member's death, the beneficiary may request a refund of the member's accumulated contributions instead of the annuity; provided, however, that the member may direct the System to pay only an annuity.

If the member (not retired) has less than 20 years of creditable service, or the beneficiary does not meet the requirements stated above, a refund of the member's accumulated contributions shall be paid.

Vested Retirement Right: Each employee who has completed five or more years of creditable Omaha service is eligible upon resignation to elect a deferred vested service annuity, first payable as an unreduced amount at age 65, in lieu of a refund of his accumulated contributions. With ten or more years of total creditable service (including at least five years of creditable Omaha service), the deferred vested service annuity could commence, unreduced, at age 62. If benefits start before age 62 (but not earlier than attained age 55), the benefit shall then be reduced as described above.

Appendix C

ACTUARIAL ASSUMPTIONS AND VALUATION METHODS

The valuation assumptions and methods used in conducting the current actuarial valuation are as follows:

<u>Actuarial Assumptions</u>

Interest Rate: 8.0% per annum, compounded annually, net of expenses.

Mortality Rates: 1994 Group Annuity Table for males.
1994 Group Annuity Table for females.

Illustrative rates of mortality are as follows:

	Annual Deaths per 100 Members	
Age	Male	Female
20	0.05	0.03
25	0.07	0.03
30	0.08	0.04
35	0.09	0.05
40	0.11	0.07
45	0.16	0.10
50	0.26	0.14
55	0.44	0.23
60	0.80	0.44
65	1.45	0.86
70	2.37	1.37
75	3.72	2.27
80	6.20	3.94

For disabled retirees these rates are set forward ten years.

Disability Rates: Illustrative rates of disability are as follows:

	Annual Disabilities per 100 Members		
Age	Number	Age	Number
20	0.03	45	0.08
25	0.04	50	0.12
30	0.04	55	0.20
35	0.05	60	0.42
40	0.06	65	0.74

Withdrawal Rates:
(prior to retirement eligibility):

Illustrative rates of withdrawal are as follows:

Certificated:

Age	Annual Withdrawals Per 100 Members (first five years) Male	Female
20	12.0	19.0
25	12.0	16.0
30	12.0	10.5
35	12.0	10.0
40	11.0	10.0
45	11.0	6.0
50	11.0	5.0
55	11.0	3.5
60 & above	4.0	3.5

Age	Annual Withdrawals Per 100 Members (after five years) Male	Female
20	10.0	13.0
25	10.0	12.0
30	9.0	11.0
35	5.0	7.0
40	1.5	2.0
45	1.1	1.5
50	1.0	1.0
55	0.3	0.5
60 & above	0.3	0.5

Classified:

Age	Annual Withdrawals Per 100 Members (first five years) Male	Female
20	25.0	30.0
25	23.0	28.5
30	13.0	21.0
35	6.0	16.0
40	6.0	11.0
45	6.0	9.0
50	6.0	9.0
55	6.0	9.0
60 & above	6.0	9.0

	Annual Withdrawals Per 100 Members (after five years)	
Age	Male	Female
20	10.0	30.0
25	10.0	28.0
30	9.7	18.0
35	4.4	9.0
40	2.4	4.6
45	2.0	4.0
50	1.7	3.0
55	1.4	2.5
60 & above	1.4	2.5

Retirement Rates:

Early retirement rates are assumed to occur according to the schedule illustrated below:

Certificated:

Age	Early	84 Points	83 Points	82 Points
55	10%	50%	30%	20%
56	10	45	20	30
57	10	40	30	30
58	10	30	20	20
59	10	42	20	10
60	10	30	40	45
61	25	20	10	60

Classified:

Age	Early	84 Points	83 Points	82 Points
55	5%	5%	5%	5%
56	5	5	5	5
57	5	5	5	5
58	5	5	30	5
59	5	40	10	5
60	5	10	10	10
61	20	30	70	5

Unreduced (age 62 or 85 points) retirement rates are assumed to occur according to the schedule illustrated below:

Certificated:

Age	1st Year Eligible	Ultimate
55	45	30%
56	45	30
57	45	30
58	33	30
59	33	30
60	60	20
61	35	35
62	35	35
63	50	30
64	50	40
65	35	30
66	35	35
67	35	20
68	35	35
69	100	40
70	100	100

Classified:

Age	1st Year Eligible	Ultimate
55	10	30%
56	10	30
57	10	30
58	10	30
59	10	30
60	40	30
61	30	30
62	30	35
63	50	25
64	45	25
65	30	35
66	30	25
67	30	25
68	30	10
69	30	10
70	100	100

Deferred vested members are assumed to retire at first unreduced retirement age.

Salary Scale:

Salaries are assumed to increase according to the schedule illustrated below:

Certificated:

Age	Annual Salary Increase
20	5.6%
25	5.6
30	5.6
35	5.6
40	5.6
45	5.0
50	4.6
55	4.3
60	4.1
65	4.0
70	4.0

Classified:

Age	Annual Salary Increase
20	4.7%
25	4.7
30	4.7
35	4.7
40	4.7
45	4.7
50	4.5
55	4.3
60	4.1
65	4.0
70	4.0

Pre-Retirement Survivor Annuity:

It is assumed that females are three years younger than males, and that all members are married.

Refunds to Members: The probability of withdrawing contributions rather than taking a deferred vested benefit assumed to follow the schedule below:

Age	Certificated	Classified
25	80%	70%
30	80	70
35	80	70
40	80	70
45	75	60
50	75	50

Interest Rate Credited on Employee Contributions: 7.00% annually, compounded.

Inflation (CPI): 3.50% annually, compounded

Total Payroll Growth: 4.00% annually, compounded

Actuarial Cost Method

The actuarial cost method is a procedure for allocating the actuarial present value of pension plan benefits and expenses to time periods. The method used for the valuation is known as the individual entry-age actuarial cost method, and has the following characteristics.

(i) The annual normal costs for individual active member are sufficient to accumulate the value of the member's pension at time of retirement.

(ii) Each annual normal cost is a constant percentage of the member's year-by-year projected pensionable compensation.

The entry-age actuarial cost method allocates the actuarial present value of each member's projected benefits on a level basis over the member's pensionable compensation between the entry-age of the member and the assumed exit-ages.

The portion of the actuarial present value allocated to the valuation year is called the normal cost. The portion of the actuarial present value not provided for by the actuarial present value of future normal costs is called the actuarial accrued liability. Deducting accrued assets from the actuarial accrued liability determines the unfunded actuarial accrued liability.

Asset Valuation Method

Assets are valued at expected value at the valuation date plus 25% of the difference between the market value and expected value. As a starting point for implementation of this asset valuation method, the actuarial value of assets as of September 1, 1996 was set equal to the market value. As of September 1, 2007, the actuarial value was reset to market value. The smoothing method will be reset in subsequent valuations.

Appendix D

SUMMARY OF MEMBERSHIP DATA

	Active and Leave of Absence	Deferred Vested	Retired and Beneficiaries
Members on 9/1/06	6,972	442	3,108
New Entrants	+ 708	+126	+ 220*
Terminations:			
Withdrawals	- 471	- 61	0
Death	- 4	0	- 83**
Retirement	- 173	- 15	0
Back to Active	+ 9	- 9	0
Members on 9/1/07	7,041	483	3,245

* In addition to the retirements from actives, leave of absence, or deferred vested, this new entrant number includes any beneficiaries of actives or retirees who died in the last fiscal year.

** This death number includes any period certain payments ending during the year.

SUMMARY OF DATA FILE RECONCILIATION

The following table reconciles the data we received from Omaha School District to the final membership counts used in the valuation.

Records on the in-pay data file	3,374
Removed deaths/completed payments prior to 9/1/07	(129)
Records used in the valuation	3,245
Records on the not-in-pay data file	10,567
Records removed because the member has received all benefits	(3,043)
Records used in the valuation	7,524

These records are allocated as follows:

Active members	7,041
Deferred vested members	483
Retired members	3,245
Total	10,769

HISTORICAL SUMMARY OF MEMBERS

The following table displays selected historical data that was used in the actuarial valuation for the System.

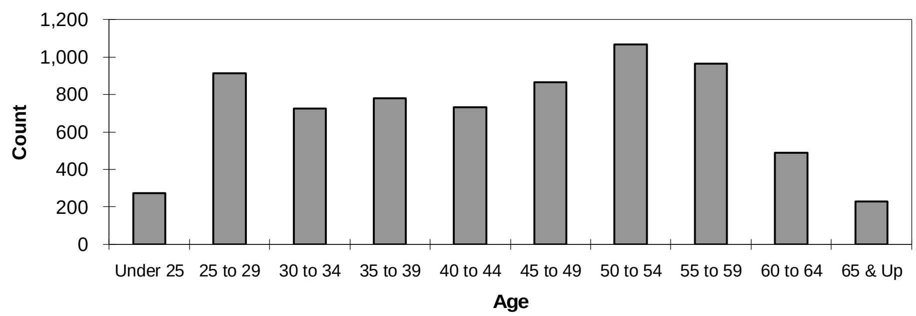
Valuation		Active Members						Number		
			Average							
Date September 1	Total Count	Number	Age	Entry Age	Service	Annual Pay ($)	Pay Increase	Vested Inactive	Retired	Act/Ret Ratio
1997	7,931	5,596	44.3	33.6	10.7	28,630		270	2,065	2.71
1998	8,204	5,680	44.2	33.7	10.5	28,912	0.98%	330	2,194	2.59
1999	8,564	5,864	43.9	34.0	9.9	29,493	2.01%	386	2,314	2.53
2000	8,885	6,057	43.8	34.1	9.7	30,544	3.56%	380	2,448	2.47
2001	9,156	6,259	44.0	34.4	9.6	32,091	5.06%	368	2,529	2.47
2002	9,409	6,383	43.9	34.5	9.4	33,406	4.10%	384	2,642	2.42
2003	9,425	6,279	44.0	34.5	9.5	33,877	1.41%	385	2,761	2.27
2004	9,711	6,399	44.2	34.6	9.6	34,698	2.42%	473	2,839	2.25
2005	10,124	6,623	44.1	34.8	9.3	35,234	1.54%	485	3,016	2.20
2006	10,522	6,972	44.1	34.9	9.2	35,732	1.41%	442	3,108	2.24
2007	10,769	7,041	44.2	35.1	9.1	36,720	2.77%	483	3,245	2.17

OMAHA SCHOOL EMPLOYEES' RETIREMENT SYSTEM
DISTRIBUTION OF ACTIVE MEMBERS
as of September 1, 2007

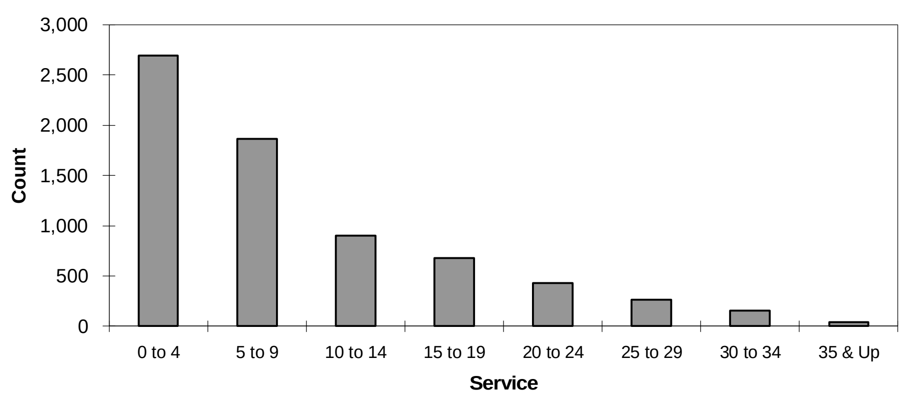
Males and Females

	Service								
Age	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 & Up	Total
Under 25	272	0	0	0	0	0	0	0	272
25 to 29	771	141	0	0	0	0	0	0	912
30 to 34	279	417	30	0	0	0	0	0	726
35 to 39	298	266	181	36	0	0	0	0	781
40 to 44	246	213	122	126	23	2	0	0	732
45 to 49	242	220	142	112	125	23	1	0	865
50 to 54	231	237	169	120	97	137	76	1	1,068
55 to 59	199	202	143	168	103	71	63	17	966
60 to 64	106	114	70	84	62	21	12	20	489
65 & Up	50	56	48	36	19	11	6	4	230
Total	2,694	1,866	905	682	429	265	158	42	7,041

Age Distribution



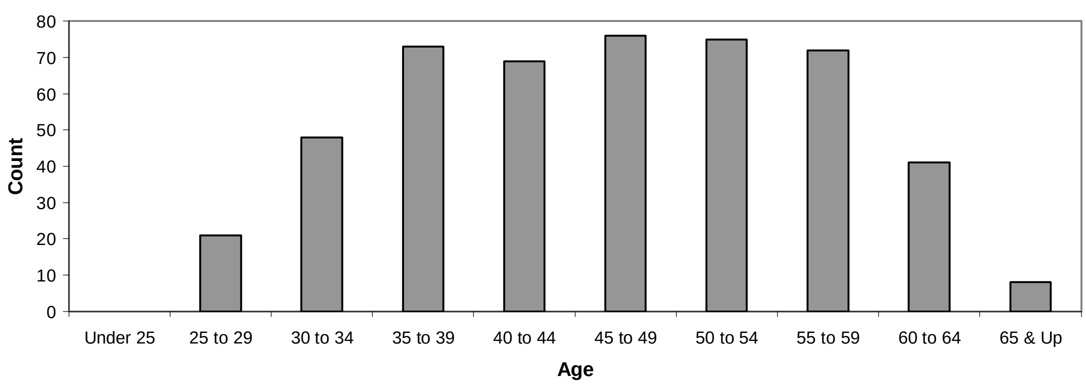
Service Distribution



OMAHA SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUMMARY OF DEFERRED VESTED MEMBERS
as of September 1, 2007

Age	Number			Monthly Benefit at Unreduced Retirement		
	Males	Females	Total	Males	Females	Total
Under 25	0	0	0	$ -	$ -	$ -
25 to 29	3	18	21	1,380	5,414	6,794
30 to 34	10	38	48	3,367	12,748	16,115
35 to 39	8	65	73	2,853	25,401	28,254
40 to 44	11	58	69	5,553	26,462	32,015
45 to 49	15	61	76	11,000	37,461	48,461
50 to 54	9	66	75	7,816	32,376	40,192
55 to 59	8	64	72	9,999	28,333	38,332
60 to 64	14	27	41	6,067	12,543	18,610
65 & Up	2	6	8	596	1,103	1,699
Total	80	403	483	$ 48,631	$ 181,841	$ 230,472

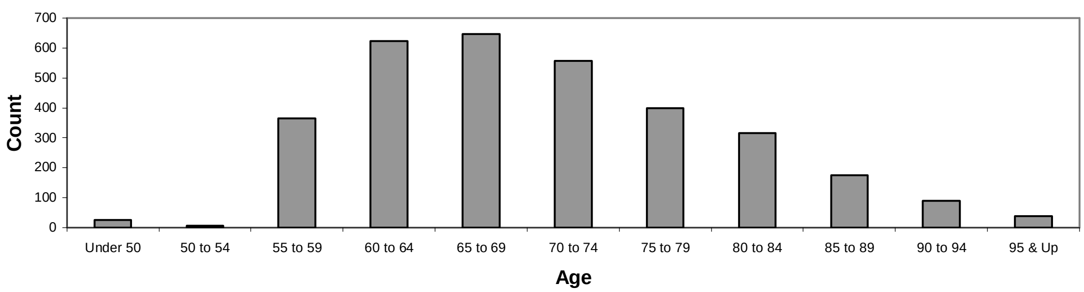
Age Distribution



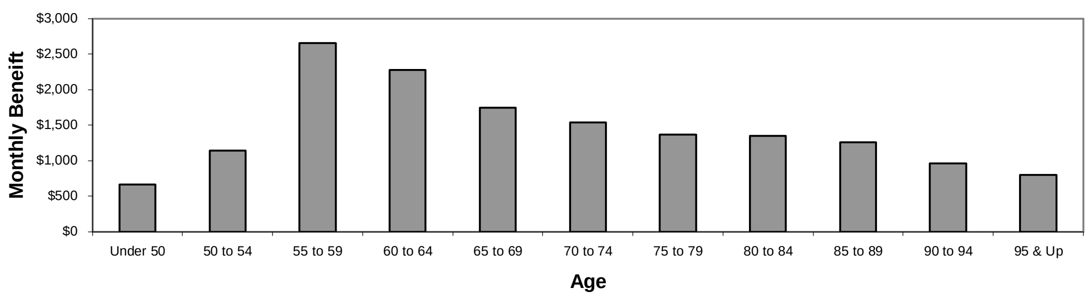
OMAHA SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUMMARY OF RETIRED MEMBERS AND BENEFICIARIES
as of September 1, 2007

	Number			Total Monthly Benefit		
Age	Males	Females	Total	Males	Females	Total
Under 50	12	14	26	$ 9,501	$ 7,883	$ 17,383
50 to 54	3	3	6	5,614	1,239	6,853
55 to 59	126	240	366	347,910	625,191	973,101
60 to 64	217	407	624	567,708	850,794	1,418,503
65 to 69	203	444	647	437,651	692,152	1,129,803
70 to 74	173	385	558	327,584	528,647	856,230
75 to 79	122	278	400	196,559	350,889	547,448
80 to 84	95	221	316	150,863	275,460	426,324
85 to 89	43	131	174	62,851	155,732	218,582
90 to 94	18	72	90	15,363	71,220	86,583
95 & Up	2	36	38	1,522	28,798	30,320
Total	1,014	2,231	3,245	$ 2,123,126	$ 3,588,004	$ 5,711,130

Age Distribution



Average Benefit



OMAHA SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUMMARY OF ACTIVE MEMBERS
as of September 1, 2007

	Number			Salaries		
Age	Males	Females	Total	Males	Females	Total
Under 25	53	219	272	$ 1,665,904	$ 5,864,430	$ 7,530,333
25 to 29	200	712	912	6,812,981	23,118,065	29,931,046
30 to 34	192	534	726	7,203,330	19,114,458	26,317,788
35 to 39	204	577	781	8,666,609	20,766,051	29,432,660
40 to 44	181	551	732	7,499,370	19,646,229	27,145,599
45 to 49	211	654	865	9,252,755	23,361,614	32,614,369
50 to 54	271	797	1,068	11,765,389	31,695,041	43,460,430
55 to 59	233	733	966	10,329,661	28,105,410	38,435,071
60 to 64	143	346	489	5,761,493	11,890,479	17,651,972
65 & Up	84	146	230	2,348,336	3,678,525	6,026,861
Total	1,772	5,269	7,041	$ 71,305,826	$ 187,240,304	$ 258,546,130

Average Salary by Age