Nebraska Public Employees Retirement Systems

2013

County Employees' Retirement System

Cash Balance Benefit Fund

Actuarial Valuation Results
as of January 1, 2013
for State Fiscal Year Ending June 30, 2015

May 2013

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TABLE OF CONTENTS

LETTER OF CERTIFICATION

SUMMARY OF ACTUARIAL REPORT

EXECUTIVE SUMMARY

Exhibit Number	Title	Page
1	System Assets	1
2	Actuarial Contribution Requirement	4
3	Actuarial (Gain)/Loss	7
4	Actuarial Balance Sheet	8
5	Accounting Information	9
6	Summary of Member Data	12
7	Forecast of Expected Disbursements	16
8	Summary of Plan Provisions	17
9	Summary of Actuarial Methods and Procedures as of January 1, 2013	20
10	Summary of Actuarial Assumptions as of January 1, 2013	22
11	Glossary of Terms	26

buckconsultants A Xerox Company

May 6, 2013

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

Certification of Actuarial Valuation
County Employees' Retirement System
Cash Balance Benefit Fund

Ladies and Gentlemen:

This report summarizes the results of the actuarial valuation of the County Employees' Retirement System Cash Balance Benefit Fund as of January 1, 2013, performed by Buck Consultants, Inc.

The actuarial valuation is based on member data provided to us by the UNIFI Companies, recordkeeper for the plan, and unaudited financial information provided by Nebraska Retirement Systems as summarized in this report. The benefits considered are those delineated in Nebraska State Statutes, effective as amended January 1, 2013.

All costs, liabilities and other factors under the fund were determined in accordance with generally accepted actuarial principles and procedures, using actuarial cost methods which we believe are reasonable, and that follow the Nebraska State Statutes. This report fully and fairly discloses the actuarial position of the fund.

In our opinion, the actuarial assumptions used are reasonable, taking into account expected experience of the fund, and represent our best estimate of anticipated future experience. A summary of the actuarial assumptions used in this actuarial valuation are shown in Exhibit 10.

The contributions paid by the participating Cash Balance benefit members and the 150% matching County contributions and additional contributions for commissioned law enforcement officials defined by statute are more than sufficient to meet the actuarially required contribution which is equal to the sum of the annual normal cost and the annual payment necessary to amortize the unfunded liabilities over 25 years. The State is required to make any additional contribution necessary to meet the statutory funding requirement. For the 2014-2015 fiscal year, this additional amount is $0.

The undersigned are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

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.

Respectfully submitted,

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SUMMARY OF ACTUARIAL REPORT FOR CONTRIBUTION REQUIREMENTS AND FUNDED STATUS FOR THE 2013 PLAN YEAR

The main purposes of this report are:

1. To determine the level of additional State contributions for the fiscal year ending June 30, 2015 sufficient to meet the funding policy defined under Nebraska State statutes;
2. To review the current funded status of the Cash Balance benefit; and
3. To compare actual and expected experience under the plan year beginning January 1, 2012 and ending December 31, 2012; and
4. To quantify the contribution rate available for benefit improvements, if any.

The 2013 actuarial valuation is based upon the plan provisions as of January 1, 2013, as described in Exhibit 8. The actuarial methods and assumptions are described in Exhibits 9 and 10.

Highlights from the current valuation:

1. No additional State contribution is required for the 2014-2015 fiscal year to meet the actuarially required contribution. Expected member contributions and County contributions exceed the total funding requirement. The Reserve as of January 1, 2013, is $11,599,848.

2. For the 2013 plan year, the actuarially required contribution rate of 10.36% of pay is less than 90% of the statutory contribution rate of 11.63% of pay, resulting in a funding excess of 0.11% of pay which is available for benefit improvements under state statutes. The plans funded ratios are under 100%. Board policy requires the funded ratios to be over 100% before considering benefit improvements.

3. One measure of the funded status of the system is the ratio of the system assets over the Pension Benefit Obligation (PBO). The PBO is calculated using the Projected Unit Credit Method, which determines the benefit by using accumulated cash balance account values at the valuation date and projecting salary, contribution credits, and interest credits to assumed termination or retirement, and prorating the projected balances by service earned at the valuation date to service expected at termination or retirement. As of January 1, 2013, the funded percentage on Actuarial Value of Assets is 96.3%.

SUMMARY OF ACTUARIAL REPORT FOR CONTRIBUTION REQUIREMENTS AND FUNDED STATUS FOR THE 2013 PLAN YEAR

4. An asset loss was experienced on the Actuarial Value of Assets during the 2012 plan year. The rate of return on Actuarial Value of 3.87% fell short of the 7.75% assumed asset return rate by 3.88%, resulting in a decrease to the Actuarial Value by $8,723,089. A decremental gain of $3,588,633 was experienced on the actuarial accrued liability due to salary increases less than expected, fewer retirements and terminations than expected, and the actual interest credit rate of 5.0% was less than the assumed interest credit rate of 7.0%. The net actuarial loss for the year was $3,306,031. As a result, the actuarial funding ratio increased from 91.9% as of January 1, 2012 to 94.5% as of January 1, 2013.

5. As the result of an experience analysis conducted on actual plan experience from January 1, 2007 through December 31, 2011, revised actuarial assumptions were proposed and adopted by the Nebraska Public Employees Retirement Board (PERB) in August 2012, to be used for the January 1, 2013 actuarial valuation. The impact of the changes to the actuarial assumptions resulted in a $5,390,588 decrease in the actuarial accrued liability as of January 1, 2013.

6. An investment gain was experienced on the Market Value of Assets during the 2012 plan year. The annual rate of return on Market Value was 12.70% for the year, exceeding the assumed investment return of 7.75% by 4.95%. As a result of this gain, the Market Value funded ratio on the Accumulated Benefit Obligation increased from 85.9% as of January 1, 2012 to 93.7% as of January 1, 2013.

7. In accordance with LB 916 as amended by AM1739, County Defined Contribution members could elect to transfer their account balances to the County Cash Balance Benefit Fund during the election period starting September 1, 2012 and ending October 31, 2012. During this period, 366 DC members elected to transfer their account balances to the Cash Balance Fund effective January 2, 2013. Given the significance of this event, we have included these new members in the 2013 actuarial valuation, including $43,833,203 in assets transferred to the Cash Balance Fund.

EXECUTIVE SUMMARY

Basic Actuarial Valuation Results

The 2013 actuarial valuation results are based upon the plan provisions as of January 1, 2013, as described in Exhibit 8. The actuarial methods and assumptions are described in detail in Exhibits 9 and 10, respectively.

1. County Contribution

The funding policy defined under State Statutes is for the counties to match the contributions paid by members at a rate of 150% of the member contribution, and for the State to make additional payments if necessary, to meet the actuarially required contribution. The actuarially required contribution is equal to the normal cost plus an amortization payment for unfunded liabilities. Unfunded liabilities created due to experience gains or losses, plan changes or assumption changes are amortized over 25 years.

The total expected County contribution for the 2013 plan year is $14,073,352. Member contributions and matching County contributions are expected to exceed the total actuarially required funding.

Assets do not exceed the actuarial accrued liability as of the valuation date. As a result, the unfunded actuarial accrued liability is $16,310,981. No additional payment from the State is required for the 2013 plan year.

History of Expected County Contributions			
Plan Year	County Contribution	Additional Contributions	Total
2004	$ 4,092,294	$ 0	$ 4,092,294
2005	$ 4,577,184	$ 0	$ 4,577,184
2006	$ 5,949,740	$ 0	$ 5,949,740
2007	$ 7,659,110	$ 0	$ 7,659,110
2008	$ 9,524,951	$ 0	$ 9,524,951
2009	$ 11,156,102	$ 0	$ 11,156,102
2010	$ 12,316,843	$ 0	$ 12,316,843
2011	$ 12,730,571	$ 0	$ 12,730,571
2012	$ 13,393,553	$ 0	$ 13,393,553
2013	$ 14,073,352	$ 0	$ 14,073,352

EXECUTIVE SUMMARY

2. Asset Values

The total assets of the system as of the valuation date at both market value and actuarial value is as follows:

	January 1, 2012	January 1, 2013	Annual Rate of Return
(a) Market value	$ 208,729,170	$ 287,665,289	12.70%
(b) Actuarial value, an adjusted value intended to reduce the effect of market fluctuations (See Exhibit 9)	$ 220,662,783	$ 281,261,645	3.87%

3. Actuarial Liability/(Reserve)

The actuarial liability of the system is the excess of the total benefit obligation (present value of future benefits) over the projected financial resources (sum of (i) the actuarial value of assets, and (ii) the present value of future member and matching County contributions). If the projected financial resources exceed the total benefit obligation, the system has a reserve. The actuarial position of the system as of the valuation date is as follows:

	January 1, 2012	January 1, 2013
(a) Present value of future benefits	$ 433,902,230	$ 466,615,363
(b) Actuarial value of assets	220,662,783	281,261,645
(c) Present value of future member contributions	88,163,570	79,517,155
(d) Present value of matching County contributions	130,239,956	117,436,411
(e) Actuarial liability/(reserve) [(a) – (b) – (c) – (d)]	$ (5,164,079)	$ (11,599,848)

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 Cash Balance Benefit'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	January 1, 2012	January 1, 2013
(a) Pension Benefit Obligation		
i) retirees, disabled members and beneficiaries receiving benefits and deferred vested members not yet receiving benefits	$ 40,252,492	$ 51,924,863
ii) active members	196,964,819	240,246,812
iii) total pension benefit obligation	$ 237,217,311	$ 292,171,675
(b) Assets available for benefits (actuarial value)	220,662,783	281,261,645
(c) Unfunded Pension Benefit Obligation	$ 16,554,528	$ 10,910,030
(d) Funded percentage on actuarial value of assets [(b) ÷ (a)(iii)]	93.0%	96.3%

EXECUTIVE SUMMARY

5. Accumulated Benefit Obligation

The accumulated benefit obligation represents another measure of the value of the benefits provided under the plan, based on the account balances and retiree benefits as of the valuation date. The measure is intended to provide information regarding the Cash Balance benefit's funded status on an immediate basis, progress on securing the current benefit obligation and comparability to similar individual account plans.

Funded Status	January 1, 2012	January 1, 2013
(a) Cash Balance Accounts		
i) Actives	$ 202,662,869	$ 255,183,961
ii) Inactives	20,699,681	28,370,457
iii) Total	$ 223,362,550	$ 283,554,418
(b) Retirees, disabilities, and beneficiaries	19,552,811	23,554,406
(c) Total accumulated benefit obligation	$ 242,915,361	$ 307,108,824
(d) Market Value of Assets	208,729,170	287,665,289
(e) Deficit/(Reserve) [(c) – (d)]	$ 34,186,191	$ 19,443,535
(f) Funded percentage on Market Value of Assets [(d) ÷ (c)]	85.9%	93.7%

6. Benefit Accrual Cost

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

	January 1, 2012	January 1, 2013
(a) Benefit accrual cost amount	$ 18,828,589	$ 19,504,091
(b) Annual compensation before assumed retirement age	$ 187,664,923	$ 202,307,946
(c) Benefit accrual cost rate [(a) ÷ (b)]	10.03%	9.64%

EXECUTIVE SUMMARY

7. Forecast of Disbursements

A forecast of the annual benefit disbursements expected over the next ten 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.

8. Actuarial Methods and Assumptions

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

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

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

9. Changes Since the Last Actuarial Valuation

There have been no changes in the actuarial cost method or plan provisions since the last actuarial valuation as of January 1, 2012 except for LB 916 as amended which allowed DC members to elect to transfer to the Cash Balance Benefit fund effective January 2, 2013.

The changes in actuarial assumptions are a result of the most recent experience analysis concluded in August 2012 based on experience from January 1, 2007 through December 31, 2011. The actuarial assumptions were changed to more accurately reflect expected future experience. The changes are effective as of January 1, 2013 and are listed below:

- The interest credit rate on cash balance accounts was lowered from 7.00% to 6.75% per year.
- Salary increases were changed to rates grading down from 8.5% for less than one year of service to 4.3% at 10 years of service. Prior valuation rates graded from 15.0% for less than one year of service to 5.5% at 7 years of service.

- Retirement rates were increased at ages 55-60, 62 and 66-68, rates were decreased at age 64 and 100% retirement age was extended to age 80 from age 70.

- Pre- and post-retirement healthy mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table projected to 2010 (for pre-retirement males rates were 65% of rates and female rates were 50% of rates) to the 1994 GAM table, with a 1-year setback, projected to 2015 (pre-retirement rates are adjusted by 55% for males and 40% for females). This change was made to reflect the most recent experience and expected future mortality improvements as required by Actuarial Standards of Practice (ASOP) No. 35.

- Termination rates are select rates in the first 5 years and ultimate rates by age from year 5 and thereafter. The select and ultimate rates were increased.

- Disability rates were removed.

- Consumer price inflation was lowered to 3.25% from 3.50% per year.

- Economic productivity was lowered to 0.75% from 1.00% per year.

- The payment form assumption for retiring active members was changed from 100% assumed to take an annuity to 60% assumed to take a lump sum and 40% assumed to take an annuity.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
COUNTY EMPLOYEES' RETIREMENT SYSTEM
CASH BALANCE BENEFIT FUND

SYSTEM ASSETS

A. Summary of Market Value of Assets	Market Value as of December 31, 2011	Market Value as of December 31, 2012
1. Cash and Equivalents	$ 29,847	$ 63,828
2. Investments	209,087,445	247,844,373
3. Receivables and Prepaids	12,236,260	56,436,808
4. Accounts Payable	(12,624,382)	(16,679,720)
5. Net Assets Available for Pension Benefits Considered [1 + 2 + 3 + 4]	**$ 208,729,170**	**$ 287,665,289**

B. Development of Actuarial Value of Assets	Amount
1. Actuarial Value of Assets as of January 1, 2012	$ 220,662,783
2. Unrecognized return as of January 1, 2012	$ (11,933,613)
3. Contributions	
(a) Employee	$ 8,637,598
(b) Employer	12,696,338
(c) Total	$ 21,333,936
4. Transfers In	$ 1,229,814
5. Receivable transfer from Defined Contribution Benefit Fund	$ 43,833,203
6. Disbursements	
(a) Distributions	$ 11,614,220
(b) Benefit Payments	2,869,410
(c) Total	$ 14,483,630
7. Expected Return at 7.75% on:	
(a) Item 1	$ 17,101,366
(b) Item 2	(924,855)
(c) Item 3(c)	811,265
(d) Item 4	46,766
(e) Item 5	0
(f) Item 6 (c)	(550,769)
(g) Total [(a) + (b) + (c) + (d) + (e) + (f)]	$ 16,483,773
8. Actual Return on Market Value for 2012 Plan Year, net of expenses*	$ 27,022,796
9. Return to be Spread for 2012 Plan Year [8 - 7(g)]	$ 10,539,023

* Includes adjustment on the Market Value of Assets of $0.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
COUNTY EMPLOYEES' RETIREMENT SYSTEM
CASH BALANCE BENEFIT FUND

SYSTEM ASSETS

B. Development of Actuarial Value of Assets (continued)	**Amount**
10. Total Market Value of Assets as of January 1, 2013	$ 287,665,289
11. Return to be Spread:	

Plan Year	Return to be Spread	Unrecognized Percent	Unrecognized Return
2012	$ 10,539,023	80%	$ 8,431,218
2011	(15,831,322)	60%	(9,498,793)
2010	9,797,794	40%	3,919,118
2009	17,760,503	20%	3,552,101
		Total	**$ 6,403,644**

12. Total Actuarial Value of Assets at January 1, 2013 [10 – 11]	**$ 281,261,645**
13. Asset Ratios	
(a) Actuarial Value to Market Value [12 ÷ 10]	**97.8%**
(b) Market Value to Actuarial Value [10 ÷ 12]	**102.3%**

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
COUNTY EMPLOYEES' RETIREMENT SYSTEM
CASH BALANCE BENEFIT FUND

SYSTEM ASSETS

C.	**Change in Asset Values During 2012**		**Actuarial Value**	**Market Value**
1.	Asset value as of January 1, 2012			
	(a)	Reported last year	$ 220,662,783	$ 208,729,170
	(b)	Adjustment	n/a	0
	(c)	Reported this year [(a) + (b)]	$ 220,662,783	$ 208,729,170
2.	Contributions for 2012			
	(a)	Employee contributions paid	$ 8,637,598	$ 8,637,598
	(b)	Employer contributions collected	12,696,338	12,696,338
	(c)	Contributions for 2012 [(a) + (b)]	$ 21,333,936	$ 21,333,936
3.	Transfers In		$ 1,229,814	$ 1,229,814
4.	Receivable Transfer from Defined Contribution Benefit Fund		$ 43,833,203	$ 43,833,203
5.	Disbursements for 2012			
	(a)	Benefit disbursements	$ 14,483,630	$ 14,483,630
	(b)	Expenses	1,132,522	1,132,522
	(c)	Disbursements for 2012 [(a) + (b)]	$ 15,616,152	$ 15,616,152
6.	Investment return for 2012		$ 9,818,061	$ 28,155,318
7.	Asset value as of January 1, 2013 [1(c) + 2(c) + 3 + 4 - 5(c) + 6]		$ 281,261,645	$ 287,665,289
8.	Approximate rate of investment return, net of expenses		3.87%	12.70%

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
COUNTY EMPLOYEES' RETIREMENT SYSTEM
CASH BALANCE BENEFIT FUND

ACTUARIAL CONTRIBUTION REQUIREMENT

A.	Development of Actuarially Required Funding Rate	January 1, 2013
1.	Actuarial present value of benefits	
	(a) Active members	$ 414,690,500
	(b) Inactive members	28,370,457
	(c) Retired members, disabilities and beneficiaries	23,554,406
	(d) Total	$ 466,615,363
2.	Present Value of Future Normal Costs	169,042,737
3.	Total Actuarial Accrued Liability [1(d) - 2]	$ 297,572,626
4.	Actuarial Value of Assets	281,261,645
5.	Unfunded Actuarial Accrued Liability [3 – 4]	$ 16,310,981
6.	25-Year Amortization of the Unfunded Actuarial Accrued Liability	
	(a) Amount	$ 1,500,196
	(b) Amount as % of Total Pay	0.74%
7.	Normal Cost	
	(a) Amount	$ 19,504,091
	(b) Amount as % of Total Pay	9.62%
8.	Total Actuarially Required Contribution	
	(a) Amount [6(a) + 7(a)]	$ 21,004,287
	(b) Amount as % of Total Pay	10.36%

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
COUNTY EMPLOYEES' RETIREMENT SYSTEM
CASH BALANCE BENEFIT FUND

ACTUARIAL CONTRIBUTION REQUIREMENT

B. Development of Additional State Contribution for 2014/2015	**Annual Amount as a % of Pay**
1. Actuarially Required Contribution	
(a) Total Contribution Amount	$ 21,004,287
(b) Amount as % of Pay	10.36%
2. Statutory Contribution Rates*	
(a) Employee Contribution Rate	4.69%
(b) Employer Contribution Rate	6.94%
(c) Total Employee/Employer Contribution Rate [2(a) + 2(b)]	11.63%
3. Additional Required State Contribution	
(a) Additional Required State Contribution Rate [1(b) - 2(c), not less than 0.00%]	0.00%
(b) Additional Required State Contribution Amount for the 2013 plan year	$ 0
4. Additional Required State Contribution Amount for the 2014/2015 fiscal year [item 3(b) with interest]	$ 0

C. Development of Excess Contribution Rate Available for Benefit Improvements	**Annual Amount as a % of Pay**
1. Total Statutory Contribution Rate	11.63%
2. Benefit Improvement Threshold Rate [90% of 1]	10.47%
3. Actuarially Required Contribution Rate	10.36%
4. Funding Excess Available for Benefit Improvement	
(a) As a Rate of Total Pay [2 - 3, not less than 0%]	0.11%
(b) Annual Amount	$ 223,065

* Includes additional member and county contribution rates of 1% or 2% of compensation for commissioned law enforcement officials.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
COUNTY EMPLOYEES' RETIREMENT SYSTEM
CASH BALANCE BENEFIT FUND

ACTUARIAL CONTRIBUTION REQUIREMENT

D. Schedule of Amortization Bases	**Original Amount**	**January 1, 2013 Remaining Payments**	**Date of Last Payment**	**Outstanding Balance as of January 1, 2013**	**Annual Contribution**
1. 2010 Unfunded Actuarial Accrued Liability Base	$ 9,663,486	22	07/01/2034	$ 9,219,517	$ 853,553
2. 2011 Unfunded Actuarial Accrued Liability Base	$ 5,517,329	23	07/01/2035	$ 5,354,719	$ 487,333
3. 2012 Unfunded Actuarial Accrued Liability Base	$ 4,714,594	24	07/01/2036	$ 4,647,711	$ 416,428
4. 2013 Unfunded Actuarial Accrued Liability Base	$ (2,910,966)	25	07/01/2037	$ (2,910,966)	$ (257,118)
Total				**$ 16,310,981**	**$ 1,500,196**

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
COUNTY EMPLOYEES' RETIREMENT SYSTEM
CASH BALANCE BENEFIT FUND

ACTUARIAL GAIN/(LOSS)

The actuarial gain/(loss) is comprised of both the liability gain/(loss) and the actuarial asset gain/(loss). Each of these represents the difference between the expected and actual values as of January 1, 2013.

1.	**Expected Actuarial Accrued Liability**		
	a.	Actuarial Accrued Liability as of January 1, 2012	$ 240,195,114
	b.	Normal Cost during 2012 Adjusted for Actual Pay and Transfers	19,044,993
	c.	Benefit Payments for Plan Year Ending December 31, 2012	14,483,630
	d.	Interest on a, b, and c to End of Year	18,788,576
	e.	Decrease Due to Change in Assumptions	5,390,588
	f.	Increase Due to DC Members Transferring	43,006,794
	g.	Expected Actuarial Accrued Liability at January 1, 2013 [a + b – c + d – e + f]	$ 301,161,259
2.	Actuarial Accrued Liability at January 1, 2013		297,572,626
3.	**Liability Gain/(Loss) [1e – 2]**		**$ 3,588,633**
4.	**Expected Actuarial Value of Assets**		
	a.	Actuarial Value of Assets as of January 1, 2012	$ 220,662,783
	b.	Contributions and Transfers In During Plan Year	22,563,750
	c.	Benefit Payments During Plan Year	14,483,630
	d.	Interest on a, b, and c to End of Year	17,408,628
	e.	DC Transfers	43,833,203
	f.	Expected Actuarial Value of Assets at January 1, 2013 [a + b – c + d + e]	$ 289,984,734
5.	Actuarial Value of Assets as of January 1, 2013		281,261,645
6.	**Actuarial Asset Gain/(Loss) [5 – 4e]**		**$ (8,723,089)**
7.	**Contributions**		
	a.	Statutory Contribution	$ 21,333,936
	b.	Actuarial Contribution Adjusted for Actual Pay	19,572,493
	c.	Excess Contribution [a – b]	$ 1,761,443
	d.	Interest on c to End of Year	66,982
8.	**Contribution Gain/(Loss) [c + d]**		**$ 1,828,425**
9.	**Actuarial Gain/(Loss) [3 + 6 + 8]**		**$ (3,306,031)**

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
COUNTY EMPLOYEES' RETIREMENT SYSTEM
CASH BALANCE BENEFIT FUND

ACTUARIAL BALANCE SHEET

A.	**Financial Resources**		**January 1, 2013**
1.	Actuarial Value of Assets		$ 281,261,645
2.	Present Value of Future Normal Cost Contributions		
	(a) Member	$ 79,517,155	
	(b) Employer	89,525,582	
	(c) Total		169,042,737
3.	Unfunded Actuarial Accrued Liability		16,310,981
4.	Total Assets [1 + 2(c) + 3]		$ 466,615,363

B.	**Benefit Obligations**		**January 1, 2013**
1.	Present Value of Future Benefits		
	(a) Active members	$ 414,690,500	
	(b) Inactive members	28,370,457	
	(c) Retirees, disabilities and beneficiaries	23,554,406	
	(d) Total		$ 466,615,363

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
COUNTY EMPLOYEES' RETIREMENT SYSTEM
CASH BALANCE BENEFIT FUND

ACCOUNTING INFORMATION

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

	January 1, 2012	January 1, 2013
Pension Benefit Obligation (PBO)		
Vested PBO		
(a) members currently receiving payments	$ 19,552,811	$ 23,554,406
(b) other members		
i) accumulated member contributions	90,092,042	113,622,582
ii) employer financed vested	123,979,459	150,935,965
Total Vested PBO	$ 233,624,312	$ 288,112,953
Nonvested PBO	3,592,999	4,058,722
Total PBO	$ 237,217,311	$ 292,171,675
Actuarial Value of Assets	220,662,783	281,261,645
Unfunded Pension Benefit Obligation	$ 16,554,528	$ 10,910,030
Funded Percentage		
(a) on vested PBO	94.5%	97.6%
(b) on total PBO	93.0%	96.3%

B. Change in Pension Benefit Obligation from January 1, 2012 to January 1, 2013

Pension Benefit Obligation at January 1, 2012	$ 237,217,311
Increase/(Decrease) during Period	
Assumption Changes	$ (7,096,508)
DC Transfers	40,852,734
Benefits Accumulated	17,537,361
Benefits Paid	(14,483,630)
Interest Cost	19,192,718
Plan Experience	(1,048,311)
Total Change	$ 54,954,364
Pension Benefit Obligation at January 1, 2013	$ 292,171,675

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
COUNTY EMPLOYEES' RETIREMENT SYSTEM
CASH BALANCE BENEFIT FUND

ACCOUNTING INFORMATION

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 January 1, 2013, as outlined in Exhibit 8. The determination of the Pension Benefit Obligation has been made in accordance with generally accepted actuarial principles and practices.

C. Schedule of Employer Contributions – Disclosure Requirements Under GASB No. 25

Plan Year Ending	Annual Required Contributions	Percentage Contributed
December 31, 2007	$ 8,194,607	100%
December 31, 2008	$ 9,839,409	100%
December 31, 2009	$ 10,555,174	100%
December 31, 2010	$ 11,370,059	100%
December 31, 2011	$ 11,908,346	100%
December 31, 2012	$ 12,696,338	100%

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

Valuation Date	December 31, 2012
Actuarial Cost Method	Entry Age
Amortization Method	Level dollar amount, closed
Amortization period	23 years
Asset Valuation Method	5 year smoothing of market value
Actuarial Assumptions:	
Investment rate of return*	7.75%
Projected salary increases*	4.3 – 8.5%
*Includes inflation at	3.25%
Cost-of-living adjustment	None, except 2.5% per year is used for retirees electing annuity payments with a COLA feature.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
COUNTY EMPLOYEES' RETIREMENT SYSTEM
CASH BALANCE BENEFIT FUND

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)]
December 31, 2007	$ 163,782,748	$ 151,557,186	$ (12,225,562)	108.1%	$ 141,110,390	(8.7%)
December 31, 2008	$ 175,765,930	$ 175,293,953	$ (471,977)	100.3%	$ 165,275,589	(0.3%)
December 31, 2009	$ 187,109,554	$ 196,773,040	$ 9,663,486	95.1%	$ 177,732,220	5.4%
December 31, 2010	$ 206,036,302	$ 221,080,026	$ 15,043,724	93.2%	$ 183,967,790	8.2%
December 31, 2011	$ 220,662,783	$ 240,195,114	$ 19,532,331	91.9%	$ 193,269,158	10.1%
December 31, 2012	$ 281,261,645	$ 297,572,626	$ 16,310,981	94.5%	$ 202,786,048	8.0%

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
COUNTY EMPLOYEES' RETIREMENT SYSTEM
CASH BALANCE BENEFIT FUND

SUMMARY OF MEMBER DATA

A. Active Members	January 1, 2012	January 1, 2013
1. Number of active members		
(a) Before assumed retirement age	5,526	6,001
(b) Beyond assumed retirement age	270	33
(c) Total	5,796*	6,034**
2. Annual considered compensation		
(a) Before assumed retirement age	$ 187,664,923	$ 202,307,946
(b) Beyond assumed retirement age	5,604,235	478,102
(c) Total	$ 193,269,158	$ 202,786,048
3. Accumulated contributions		
(a) Employee Cash Balance Account	$ 81,377,794	$ 101,738,399
(b) Employer Cash Balance Account	121,285,075	153,445,562
(c) Total Cash Balance Account	$ 202,662,869	$ 255,183,961
4. Active member averages		
(a) Age	47.7	48.6
(b) Service	7.5	8.6
(c) Compensation	$ 33,345	$ 33,607
(d) Cash Balance Account	$ 34,966	$ 42,291
B. Inactive Members		
1. Number of inactive members	1,409	1,787***
2. Total Vested Cash Balance Account	$ 20,699,681	$ 28,370,457
3. Inactive member averages		
(a) Age	44.4	44.0
(b) Vested Cash Balance Account	$ 14,691	$ 15,876
C. Retired and Disabled Members and Beneficiaries		
1. Number of members		
(a) Retired	291	324
(b) Disabled	0	0
(c) Beneficiaries	24	26
(d) Total	315	350
2. Annual benefits		
(a) Retired	$ 2,322,655	$ 2,671,383
(b) Disabled	0	0
(c) Beneficiaries	155,192	204,273
(d) Total	$ 2,477,847	$ 2,875,656

* Includes 572 commissioned law enforcement officials that contribute an additional 1% and 80 that contribute an additional 2% of compensation.

** Includes 654 commissioned law enforcement officials that contribute an additional 1% and 99 that contribute an additional 2% of compensation. Includes 362 members who transferred from defined contribution.

*** Includes 4 members who transferred from defined contribution.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
COUNTY EMPLOYEES' RETIREMENT SYSTEM
CASH BALANCE BENEFIT FUND

SUMMARY OF MEMBER DATA

D. Distribution of Retired and Disabled Members and Beneficiaries as of January 1, 2013

Age Range	Number	Annual Benefit	Average Annual Benefit
Under 50	7	$ 76,211	$ 10,887
50 – 54	2	13,498	6,749
55 – 59	9	91,914	10,213
60 – 64	33	335,711	10,173
65 – 69	103	989,532	9,607
70 – 74	110	861,227	7,829
75 – 79	49	314,740	6,423
80 and Over	37	192,823	5,211
Total	350	$ 2,875,656	$ 8,216

E. Member Data Reconciliation

		Inactive Members				
	Active Members	Terminated With Vested Employer Balances	Terminated With Non-Vested Employer Balances	Retired and Disabled Members	Bene-ficiaries	Total
As of January 1, 2012	5,796	633	776	291	24	7,520
Changes in status						
a) Normal & early retirements	(29)	(8)	0	37	0	0
b) Became payable	0	0	0	0	0	0
c) Deaths	(7)	0	0	(8)	0	(15)
d) Nonvested terminations	(250)	0	250	0	0	0
e) Vested terminations	(267)	267	0	0	0	0
f) Contribution refund	(362)	(102)	(113)	0	0	(577)
g) New Beneficiaries	0	0	0	0	6	6
h) Disability retirements	0	0	0	0	0	0
i) DC retirements	0	0	0	13	0	13
j) Return to active service	10	(5)	(5)	0	0	0
k) Data Change	0	0	0	(9)	(4)	(13)
Total changes in status	(905)	152	132	33	2	(586)
New entrants*	1,143	16	78	0	0	1,237
Net change	238	168	210	33	2	651
As of January 1, 2013	6,034	801	986	324	26	8,171

* Includes members who transferred from defined contribution.

EXHIBIT 6
(cont'd)

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
COUNTY EMPLOYEES' RETIREMENT SYSTEM
CASH BALANCE BENEFIT FUND

SUMMARY OF MEMBER DATA

F. Age and Service Distribution of Active Members as of January 1, 2013

Age Last Birthday		0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 and Over	Grand Total
20-24	Number	242	5	0	0	0	0	0	0	0	247
	Total Salary	$ 6,012,173	$ 142,573	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 6,154,746
	Average Sal.	$ 24,844	$ 28,515	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 24,918
25-29	Number	405	96	0	0	0	0	0	0	0	501
	Total Salary	$ 12,695,786	$ 3,696,774	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 16,392,560
	Average Sal.	$ 31,348	$ 38,508	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 32,720
30-34	Number	325	220	11	1	0	0	0	0	0	557
	Total Salary	$ 10,644,744	$ 9,202,978	$ 400,906	$ 37,162	$ 0	$ 0	$ 0	$ 0	$ 0	$ 20,285,790
	Average Sal.	$ 32,753	$ 41,832	$ 36,446	$ 37,162	$ 0	$ 0	$ 0	$ 0	$ 0	$ 36,420
35-39	Number	246	173	43	9	0	0	0	0	0	471
	Total Salary	$ 7,528,730	$ 7,061,085	$ 2,005,994	$ 437,999	$ 0	$ 0	$ 0	$ 0	$ 0	$ 17,033,808
	Average Sal.	$ 30,605	$ 40,816	$ 46,651	$ 48,667	$ 0	$ 0	$ 0	$ 0	$ 0	$ 36,165
40-44	Number	285	211	59	21	7	0	0	0	0	583
	Total Salary	$ 8,765,104	$ 8,046,756	$ 2,743,100	$ 1,178,104	$ 252,776	$ 0	$ 0	$ 0	$ 0	$ 20,985,840
	Average Sal.	$ 30,755	$ 38,136	$ 46,493	$ 56,100	$ 36,111	$ 0	$ 0	$ 0	$ 0	$ 35,996
45-49	Number	242	189	65	29	44	9	0	0	0	578
	Total Salary	$ 6,905,806	$ 6,547,846	$ 2,503,942	$ 1,160,675	$ 2,163,359	$ 530,103	$ 0	$ 0	$ 0	$ 19,811,731
	Average Sal.	$ 28,536	$ 34,645	$ 38,522	$ 40,023	$ 49,167	$ 58,900	$ 0	$ 0	$ 0	$ 34,276
50-54	Number	299	250	82	53	78	77	0	0	0	839
	Total Salary	$ 8,579,480	$ 8,512,558	$ 3,062,741	$ 2,072,531	$ 3,521,716	$ 3,436,379	$ 0	$ 0	$ 0	$ 29,185,405
	Average Sal.	$ 28,694	$ 34,050	$ 37,351	$ 39,104	$ 45,150	$ 44,628	$ 0	$ 0	$ 0	$ 34,786
55-59	Number	234	222	108	57	92	81	52	0	0	846
	Total Salary	$ 6,486,742	$ 7,401,457	$ 4,164,049	$ 2,111,319	$ 3,825,842	$ 3,464,596	$ 2,963,959	$ 0	$ 0	$ 30,417,964
	Average Sal.	$ 27,721	$ 33,340	$ 38,556	$ 37,041	$ 41,585	$ 42,773	$ 56,999	$ 0	$ 0	$ 35,955
60-64	Number	185	201	83	65	101	100	35	15	1	786
	Total Salary	$ 4,612,992	$ 6,523,548	$ 2,779,307	$ 2,377,070	$ 4,190,933	$ 3,813,442	$ 1,594,118	$ 843,434	$ 38,850	$ 26,773,694
	Average Sal.	$ 24,935	$ 32,455	$ 33,486	$ 36,570	$ 41,494	$ 38,134	$ 45,546	$ 56,229	$ 38,850	$ 34,063
65-69	Number	82	92	34	37	39	62	6	9	3	364
	Total Salary	$ 1,627,199	$ 2,383,319	$ 995,169	$ 1,163,325	$ 1,367,191	$ 2,280,571	$ 237,342	$ 367,451	$ 159,367	$ 10,580,934
	Average Sal.	$ 19,844	$ 25,906	$ 29,270	$ 31,441	$ 35,056	$ 36,783	$ 39,557	$ 40,828	$ 53,122	$ 29,069
70 & Up	Number	56	70	36	22	24	45	3	4	2	262
	Total Salary	$ 795,475	$ 1,117,543	$ 705,659	$ 512,741	$ 625,899	$ 1,109,833	$ 66,641	$ 155,110	$ 74,675	$ 5,163,576
	Average Sal.	$ 14,205	$ 15,965	$ 19,602	$ 23,306	$ 26,079	$ 24,663	$ 22,214	$ 38,777	$ 37,338	$ 19,708
Total	Number	2,601	1,729	521	294	385	374	96	28	6	6,034
	Total Salary	$ 74,654,231	$ 60,636,437	$ 19,360,867	$ 11,050,926	$ 15,947,716	$ 14,634,924	$ 4,862,060	$ 1,365,995	$ 272,892	$ 202,786,048
	Average Sal.	$ 28,702	$ 35,070	$ 37,161	$ 37,588	$ 41,423	$ 39,131	$ 50,646	$ 48,786	$ 45,482	$ 33,607

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
COUNTY EMPLOYEES' RETIREMENT SYSTEM
CASH BALANCE BENEFIT FUND

SUMMARY OF MEMBER DATA

G. Reconciliation of Data Submitted By NPERS and Valuation Data

	Active Members	Inactive Members	Retired Members, Beneficiaries, and Disabled	Total
Number of Data Records Submitted By NPERS	5,649	1,800	350	7,799
a) Deaths	0	0	0	0
b) Active/Inactive Death – Benefit Payable	0	0	0	0
c) Retiree Death – Assumed Beneficiary	0	0	0	0
d) Assumed Inactive	(1)	1	0	0
e) Assumed Refunded	0	0	0	0
f) Null Balance	0	0	0	0
g) Termination Date after Valuation Date	24	(24)	0	0
h) Also Listed as Retired	0	(4)	0	(4)
i) DC Transfers	362	4	0	366
j) QDRO Spouse	0	0	0	0
k) DC Member with Balance	0	10	0	10
Net change	385	(13)	0	372
Number of Members Included in the Valuation as of January 1, 2013	6,034	1,787	350	8,171

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
COUNTY EMPLOYEES' RETIREMENT SYSTEM
CASH BALANCE BENEFIT FUND

FORECAST OF EXPECTED DISBURSEMENTS

Plan Year Ending December 31	Active Employees	Retired and Disabled Members and Beneficiaries	Total
2013	$ 16,286,581	$ 2,810,951	$ 19,097,532
2014	18,059,512	2,754,617	20,814,129
2015	19,820,587	2,684,588	22,505,175
2016	21,862,664	2,597,777	24,460,441
2017	23,336,773	2,446,209	25,782,982
2018	25,216,052	2,365,764	27,581,816
2019	27,222,898	2,269,963	29,492,861
2020	28,809,472	2,204,565	31,014,037
2021	30,744,995	2,056,055	32,801,050
2022	32,521,269	1,913,112	34,434,381

Note: These amounts are based on the assumption members terminating before reaching retirement eligibility will elect a lump sum distribution of their cash balance account. 40% of members eligible for retirement will elect a monthly annuity, payable for life with five years certain and the remaining 60% will elect a lump sum distribution of their cash balance account. Deferred vested and nonvested members are excluded from the disbursements.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
COUNTY EMPLOYEES' RETIREMENT SYSTEM
CASH BALANCE BENEFIT FUND

SUMMARY OF PLAN PROVISIONS

Membership

All permanent full-time employees of a participating County shall begin immediate participation in the County Employees' Retirement System as of January 1, 2007, or date of hire if later, and all permanent part-time employees who have attained the age of 25, may exercise the option to begin immediate participation in the County Employees' Retirement System. Full-time elected officials shall begin participation upon taking office.

Existing members of the County Employees' Retirement System may elect, during the period beginning November 1, 2007 and ending December 31, 2007 to participate in the Cash Balance benefit. If no election is made by December 31, 2007, the member shall be treated as though he or she elected to continue participating in the defined contribution benefit as provided in the County Employees' Retirement Act.

Existing members of the County Employees' Retirement System may elect, during the period beginning October 1, 2002, and ending December 31, 2002, to participate in the Cash Balance benefit. If no election is made by January 1, 2003, the member shall be treated as though he or she elected to continue participating in the defined contribution benefit as provided in the County Employees' Retirement Act. For a member who first participates in the retirement system on or after January 1, 2003, he or she shall automatically participate in the Cash Balance benefit subject to plan eligibility requirements.

Compensation Considered

Compensation means gross wages or salaries payable to the member for personal services performed during the plan year, overtime pay, member retirement contributions, and amounts contributed by the member to plans under sections 125, 403(b) and 457 of the Internal Revenue Code or any other section of the code which defers or excludes such amounts from income.

Member Contributions

Members of the County retirement system shall contribute an amount equal to four and one-half percent (4.5%) of annual compensation to the fund. The member contribution shall be credited to the employee cash balance account. In addition, commissioned law enforcement personnel shall contribute an extra amount equal to one percent (1%) of annual compensation if their county's population is less than 85,000 and an extra two percent (2%) of annual compensation if their county's population is more than 85,000.

Employer Contributions

The participating counties shall contribute at a rate of 150% of the members' contributions to the fund. The County contribution shall be credited to the employer cash balance account. The participating counties will also match the additional contribution amount made by commissioned law enforcement personnel at a rate of 100%.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
COUNTY EMPLOYEES' RETIREMENT SYSTEM
CASH BALANCE BENEFIT FUND

SUMMARY OF PLAN PROVISIONS

Interest Credit Rate
Interest credit rate means the greater of (a) five percent or (b) the applicable federal mid-term rate as published by the Internal Revenue Service as of the first day of the calendar quarter for which interest credits are credited, plus one and one-half percent, such rate to be compounded annually.

Interest Credits
Interest credits means the amount credited to the employee cash balance account and the employer cash balance account at the end of each day. Such interest credit for each account shall be determined by applying the daily portion of the interest credit rate to the account balance at the end of the previous day.

Retirement Age
A member is eligible for retirement after attaining age 55.

Service
Service is defined to mean the actual total length of employment with a participating County and is not interrupted by a) temporary or seasonal suspension of service that does not terminate the member's employment, b) leave of absence authorized by the state for no longer than twelve months, c) leave of absence due to disability or d) leave due to military service.

Retirement Allowance
Upon attainment of age 55, regardless of service, the retirement allowance, shall be equal to the accumulated employee and employer cash balance accounts including interest credit, annuitized for payment in the normal form. Also available are additional forms of payment allowed under the plan which are actuarially equivalent to the normal form including the option of a lump sum or partial lump sum.

Normal Form of Payment
The normal form of payment under the Cash Balance benefit is a single life annuity with five-year certain, payable monthly. Members will have the option to convert their member cash balance account to a monthly annuity with built in cost-of-living adjustments of 2.5% annually. This monthly benefit and all other options allowed under the Plan will be of actuarial equivalence to the accumulated employee and employer cash balance accounts including interest credits.

Optional Form of Payment
Optional forms of payment include a lump sum and the following annuities (with or without a 2.5% COLA): life annuity, modified cash refund, certain and life annuity (5, 10 or 15 years), certain only annuity (5, 10, 15 or 20 years) and joint and survivor annuity (50%, 75% or 100%).

SUMMARY OF PLAN PROVISIONS

Deferred Vested Allowance
A member who terminates with at least 3 years of participation in the system, including eligibility and vesting credit, may choose to leave his employee and employer cash balance accounts in the fund and be eligible to receive a vested monthly allowance at retirement age or request a distribution of his employee and employer cash balance accounts plus interest credit, with no future benefit payable from the plan.

Severance Benefits
A member who terminates with less than 3 years of participation in the system, including eligibility and vesting credit, may elect to receive a distribution of his/her employee cash balance account including interest credit, with no future benefit payable from the plan.

Disability Allowance
If a member becomes disabled prior to retirement, the member shall receive the total amount of his/her accumulated employee and employer cash balance accounts including interest credit, as a lump sum or converted into a monthly annuity, as defined under the retirement allowance.

Pre-retirement Death Allowance
If a member dies prior to retirement, the surviving spouse, designated beneficiary (if different), or estate shall receive the total amount of his/her accumulated employee and employer cash balance accounts including interest credit, as a lump sum or converted into a monthly annuity, as defined under the retirement allowance.

Defined Contribution Transfers at Retirement
Upon retirement, members participating in the Defined Contribution Benefit Fund may elect to annuitize their accumulated account balance and receive a monthly benefit payment from the Cash Balance Benefit Fund. The accumulated account balance is transferred from the Defined Contribution Benefit Fund to the Cash Balance Benefit Fund upon the retirement of a DC member electing an annuity. The actuarial assumptions used to convert the accumulated account balance are (i) the 1994 Group Annuity Mortality Table with a 50% male / 50% female mix, and (ii) the PBGC Table 2 rate at the beginning of the year plus 0.75%.

Benefit Improvements
In accordance with Section 23-2317 of the Nebraska State Statutes, the Public Employees' Retirement Board may grant benefit improvements, but in no event will such improvement result in an actuarially required contribution rate in excess of 90% of the total statutory contribution rate.

Changes in Plan Provisions Since the Prior Year
There have been no changes in plan provisions since the last actuarial valuation as of January 1, 2012, other than the election window that allowed DC plan members to elect to transfer their account balances and participate in the Cash Balance Benefit Fund as of January 2, 2013 under LB 916 as amended by AM1739.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
COUNTY EMPLOYEES' RETIREMENT SYSTEM
CASH BALANCE BENEFIT FUND

SUMMARY OF ACTUARIAL METHODS AND PROCEDURES AS OF JANUARY 1, 2013

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 benefits were determined for all active members under age 80. 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 80 and determining an average normal cost rate which is then related to the total payroll of active members under age 80. The actuarial assumptions shown in Exhibit 9 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 80 and over, terminated vested members and disabled members not yet receiving benefits was determined as the actuarial present value of the benefits expected to be paid. No normal costs are now payable for these members.

The actuarial accrued liability under this method at any point in time is the theoretical amount of the fund that would have been accumulated had annual contributions equal to the normal cost been made in prior years (it does not represent the liability for benefits accrued to the valuation date). The unfunded actuarial accrued liability is the excess of the actuarial accrued liability over the actuarial value of plan assets measured on the valuation date. The unfunded actuarial accrued liability is funded with a closed level dollar payment over 25 years from January 1, 2010 and subsequent changes in the unfunded actuarial accrued liability are funded with a closed level dollar payment over 25 years from the date established.

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.

SUMMARY OF ACTUARIAL METHODS AND PROCEDURES AS OF JANUARY 1, 2013

2. **Calculation of the Actuarial Value of Assets:** Effective January 1, 2003, the actuarial value of assets was initialized at Market Value and equals the sum of the employee and employer cash balance accounts. In future years, the actuarial value of assets will be based on a five-year smoothing method with phase-in 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, each determined after January 1, 2003:

   (i) 80% of the return to be spread during the first year preceding the valuation date.

   (ii) 60% of the return to be spread during the second year preceding the valuation date.

   (iii) 40% of the return to be spread during the third year preceding the valuation date.

   (iv) 20% of the return to be spread during the fourth year preceding the valuation date.

   The return to be spread is the difference between (1) the actual investment return on Market Value and (2) the expected return on Actuarial Value. The 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 with service proration. Under this method, the benefit is based on salary projected to assumed termination or retirement and service as of the valuation date.

B. VALUATION PROCEDURES

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

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

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).

Changes in Methods and Procedures Since the Prior Year

There have been no changes in the actuarial methods or procedures since the last actuarial valuation as of January 1, 2012.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
COUNTY EMPLOYEES' RETIREMENT SYSTEM
CASH BALANCE BENEFIT FUND

SUMMARY OF ACTUARIAL ASSUMPTIONS AS OF JANUARY 1, 2013

ECONOMIC ASSUMPTIONS

1. Investment Return — 7.75% per annum, compounded annually, net of expenses.

2. Inflation — 3.25% per annum, compounded annually.

3. Interest Credit Rate on Cash Balance Accounts — 6.75% per annum, compounded annually.

4. Annuitization Rate of Member & Employer Accumulated Balances — 7.75% per annum, compounded annually.

5. Salary Scale — Graduated rates by service.

Service	Annual Increase in Salary		
	Merit & Productivity	Inflation	Total
0	5.08%	3.25%	8.50%
1	3.83%	3.25%	7.00%
2	2.66%	3.25%	6.00%
3	1.89%	3.25%	5.20%
4	1.40%	3.25%	4.70%
5	1.21%	3.25%	4.50%
6	1.07%	3.25%	4.35%
7	1.02%	3.25%	4.30%
8	1.02%	3.25%	4.30%
9	1.02%	3.25%	4.30%
≥10	1.02%	3.25%	4.30%

SUMMARY OF ACTUARIAL ASSUMPTIONS AS OF JANUARY 1, 2013

DEMOGRAPHIC ASSUMPTIONS

1. Mortality

   Mortality assumptions were based on actual experience during the last experience analysis and includes an allowance for expected future mortality improvement as required under ASOP 35.

   a. Active members — 1994 Group Annuity Mortality Table, setback 1 year, projected to 2015 (55% of male rates for males, 40% of female rates for females).

   b. Retired members and beneficiaries — 1994 Group Annuity Mortality Table, setback 1 year, sex distinct projected to 2015 using Scale AA.

   c. Mortality rates under the mortality table for active members are shown below at sample ages:

Sample Age	Active Mortality Rate	
	Males	Females
30	.04%	.01%
40	.05	.02
50	.09	.04
60	.28	.14
70	.89	.46
80	2.44	1.22

   d. Life expectancies under the mortality table for active members are shown below at sample ages:

Sample Age	Life Expectancy (Years)	
	Males	Females
30	58.5	64.8
40	48.7	54.9
50	39.0	45.0
60	29.5	35.3
70	20.8	26.1
80	13.1	17.6

   e. Mortality for Annuitization of Employee and Employer Cash Balance Accounts — 1994 Group Annuity Mortality Table, with 50% Male, 50% Female blending.

Sample Age	Mortality Rate	Life Expectancy (Years)
55	.34%	28.0
60	.62%	23.5
65	1.16%	19.4
70	1.87%	15.7
75	2.99%	12.2
80	5.07%	9.3

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
COUNTY EMPLOYEES' RETIREMENT SYSTEM
CASH BALANCE BENEFIT FUND

SUMMARY OF ACTUARIAL ASSUMPTIONS AS OF JANUARY 1, 2013

2. Retirement

Graduated rates by retirement age after 5 years of service.

Age	Annual Rates
55	4.5%
56	4.5%
57	4.5%
58	4.5%
59	4.5%
60	4.5%
61	5.0%
62	10.0%
63	10.0%
64	10.0%
65	20.0%
66	20.0%
67	15.0%
68	15.0%
69	15.0%
70-79	20.0%
80	100.0%

3. Termination

Graduated rates by age and service.

	Annual Rate Per 100 Members					
Age	<1	1-<2	2-<3	3-<4	4-<5	5+
20	14.0	13.0	11.5	10.3	9.5	8.7
25	14.0	13.0	11.5	10.3	9.5	8.2
30	14.0	13.0	11.5	10.3	9.5	6.8
35	14.0	13.0	11.5	10.3	9.5	5.7
40	14.0	13.0	11.5	10.3	9.5	5.2
45	14.0	13.0	11.5	10.3	9.5	4.1
50	14.0	13.0	11.5	10.3	9.5	3.7
55	14.0	13.0	11.5	10.3	9.5	4.5

4. Disability

None.

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
COUNTY EMPLOYEES' RETIREMENT SYSTEM
CASH BALANCE BENEFIT FUND

SUMMARY OF ACTUARIAL ASSUMPTIONS AS OF JANUARY 1, 2013

OTHER ASSUMPTIONS

1. Payment Assumptions

As shown in the table below, 40% of all members eligible for retirement are assumed to be paid in the form of an annuity and the other 60% in the form of a lump sum, and 100% of members eligible for all other types of benefits are assumed to be paid in the form of a lump sum. Deferred vested and nonvested members are assumed to take a refund of their account balance as of the valuation date.

Benefit	Assumed Form of Payment
Retirement	60% Lump Sum / 40% Annuity*
Vested	Lump Sum
Nonvested	Lump Sum
Disability	Lump Sum
Death	Lump Sum

*Five-year certain and life annuity.

2. Cost of Living Adjustment

None assumed, except 2.5% per year is used for retirees electing annuity payments with a COLA feature.

Changes in Assumptions Since the Prior Year

See Executive Summary, item 9, for changes made as a result of the experience analysis concluded in August 2012 based on experience from January 1, 2007 through December 31, 2011. These changes affected the cash balance interest credit rates, healthy mortality, salary increases, inflation, retirement rates, withdrawal rates, disability rates and payment assumptions. The changes were made to more accurately reflect expected future experience.

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.