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NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS

2014
COUNTY EMPLOYEES' RETIREMENT SYSTEM CASH BALANCE BENEFIT FUND

Actuarial Valuation Results
as of January 1, 2014
for State Fiscal Year Ending June 30, 2016

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April 11, 2014

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

Dear Members of the Board:

At your request, we performed an actuarial valuation of the County Employees' Retirement System Cash Balance Benefit Fund as of January 1, 2014 for the purpose of determining the actuarial required contribution rate for the 2014 plan year. It is our understanding that any required State contributions for this plan year will be made on July 1, 2015 (State fiscal year end 2016). The major findings of the valuation are contained in this report, which reflects the benefit provisions in place on January 1, 2014. There was no change to the actuarial assumptions or plan provisions from the prior valuation.

This is the first actuarial valuation report prepared by Cavanaugh Macdonald Consulting, LLC (CMC). As part of our transition work, we replicated the January 1, 2013 actuarial valuation. Results were within acceptable limits, but as is typical in a takeover situation, there were some differences in the key valuation results. Based on our experience, these differences are neither unusual nor significant. The details of the replication results are discussed in the Board Summary of this report.

In preparing our report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, statutory provisions, member data and financial information. Active member data was provided by the Ameritus Life Insurance Company, the recordkeeper for the plan. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete, our results may be different and our calculations may need to be revised.

We further certify that all costs, liabilities, rates of interest and other factors for the County Employees' Retirement System Cash Balance Benefit Fund 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 the 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 Public Employees Retirement Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in Appendix C.

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Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

Actuarial computations presented in this report are for purposes of determining the funding amounts for the System as set out in the Nebraska state statutes. The computations presented in this report under GASB Statement No. 25 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 our understanding of the System's funding requirements and goals and our understanding of GASB Statement No. 25. 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.

The consultants who worked on this assignment are pension actuaries. CMC's advice is not intended to be a substitute for qualified legal or accounting counsel.

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. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein. We are available to answer any questions on the material contained in the report or to provide explanations or further details as may be appropriate.

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

Sincerely,

Patrice Beckham

Brent A. Banister

Patrice A. Beckham, FSA, EA, FCA, MAAA
Principal and Consulting Actuary

Brent A. Banister Ph.D., FSA, EA, MAAA, FCA
Chief Pension Actuary

This report presents the results of the January 1, 2014 actuarial valuation of the County Employees' Retirement System Cash Balance Benefit Fund. The primary purposes of performing actuarial valuations are to:

- Determine if member contributions and matching employer contributions, as defined in statute, are sufficient to meet the funding policy defined under Nebraska State Statutes for the plan year ending December 31, 2014 and, if not, the additional State contribution needed.

- Disclose asset and liability measurements as well as the current funded status of the County Cash Balance Benefit Fund on the valuation date.

- Compare actual and expected experience during the plan year beginning January 1, 2013 and ended December 31, 2013.

- Analyze and report on trends in System contributions, assets and liabilities over the past several years.

- Quantify the contribution rate available for benefit improvements, if any.

The Nebraska statutes require the State to make an additional contribution if the regular, payroll-related contributions by members (4.50% of pay for most members) and the County employers (150% of member contributions for most members) are insufficient to meet the actuarial required contribution for the plan year. Based on the results of the January 1, 2014 actuarial valuation, the contributions defined by statute are more than sufficient to meet the actuarially required contribution. Therefore, there is no additional State contribution for this plan year (the State fiscal year ending June 30, 2016).

The actuarial valuation results provide a "snapshot" view of the System's financial condition on January 1, 2014. The System's unfunded actuarial accrued liability (UAAL) decreased from $16.3 million last year to a surplus of $900,000 this year and the funded ratio increased from 94.5% to 100.3%. In addition, the actuarial required contribution rate decreased from 10.36% of pay last year to 9.66% of pay in this year's valuation. Several factors impacted the January 1, 2014 actuarial valuation results, including:

- Actual experience on System assets. The rate of return on the market value of assets was over 18%. Due to the use of an asset smoothing method, the rate of return on the actuarial value of assets was about 12%, which exceeded the 7.75% assumed rate of return. As a result, there was an experience gain on assets of $11.1 million.
- The impact of actual demographic experience on System liabilities. There was an experience gain of $3.7 million on System liabilities, primarily as a result of the interest crediting rate of 5% for 2013 compared to the assumption of 6.75%.
- Differences in valuation procedures as identified in the letter to the Board about the replication of the prior valuation. There was a small increase in the UAAL of just under $1 million.

The valuation results reflect net favorable experience for the past plan year as demonstrated by an UAAL that was lower than expected. The actuarial value of assets exceeded the actuarial accrued liability on January 1, 2014 by $890,000 so there was surplus as compared to an expected UAAL of $13.9 million. The favorable experience was largely due to the combined impact of an experience gain of $11.1 million on the actuarial value of assets and an experience gain of about $3.7 million on System liabilities. It is worth noting that the investment return on a market value basis of more than 18% increased the deferred investment gain from $6.4 million last year to $26.7 million this year. This is a significant improvement which will be recognized in the asset smoothing method over the next four years.

This is the first actuarial valuation report prepared by Cavanaugh Macdonald Consulting, LLC (CMC). As part of our transition work, we replicated the January 1, 2013 actuarial valuation. Results were within acceptable limits, but as is typical in a takeover situation, there were differences in the key valuation results. Based on our experience, these differences are neither unusual nor significant. During the replication we identified several changes that we believe will result in a better estimate of future liabilities and costs. As a result of implementing these changes, our final liability measurements and normal cost rate were slightly different than those in the 2013 valuation. For additional information on the replication of the 2013 valuation, please refer to our letter to the Board dated September 6, 2013. A summary of the key actuarial measurements in the replication, using CMC's preferred methodology, is shown in the following table:

	January 1, 2013 Valuation Results ($M)		
	CMC	Buck	CMC/Buck
Present Value of Future Benefits	$465.4	$466.6	99.7%
Actuarial Accrued Liability	$298.6	$297.6	100.3%
Normal Cost Rate	9.70%	9.62%	100.8%
UAAL Contribution Rate	0.78%	0.74%	105.4%
Actuarial Contribution Rate	10.48%	10.36%	101.2%

There were no changes in the actuarial assumptions or methods since the last valuation. The benefit provisions also remained unchanged.

A summary of the key results from the January 1, 2014 actuarial valuation is shown in the following table. As the table indicates, the statutory contribution rates are sufficient to meet the actuarial required contribution rate and no additional State contribution is required. Further detail on the valuation results can be found in the following sections of this Board Summary.

	January 1, 2014 Valuation Results	January 1, 2013 Valuation Results
Unfunded Actuarial Accrued Liability/(Surplus)	($887,857)	$16,310,981
Funded Ratio (Actuarial Assets)	100.27%	94.52%
Normal Cost Rate	9.70%	9.62%
UAAL Amortization Rate	(0.04%)	0.74%
Total Actuarial Required Contribution	9.66%	10.36%
Member Contribution Rate	(4.69%)	(4.69%)
Employer Contribution Rate	(6.94%)	(6.94%)
Total Contribution Rate	(11.63%)	(11.63%)
Shortfall/(Margin)	(1.97%)	(1.27%)
Additional State Contribution Amount	$0	$0

State statute provides that the Board may grant a dividend if the unfunded actuarial accrued liability is less than zero and the dividend granted would not increase the actuarial contribution rate above ninety percent of the actual contribution rate. **For the 2014 plan year, the actuarially required contribution rate of 9.66% is less than 90% of the expected actual contribution rate of 11.63% and the UAAL is less than zero, so a dividend may be granted.** Based on the Board's policy, a dividend of up to 0.29% of account balances may be granted.

EXPERIENCE FOR THE LAST PLAN YEAR

Numerous factors contributed to the change in the System's assets, liabilities, and the actuarial contribution rate between January 1, 2013 and January 1, 2014. The components are examined in the following discussion.

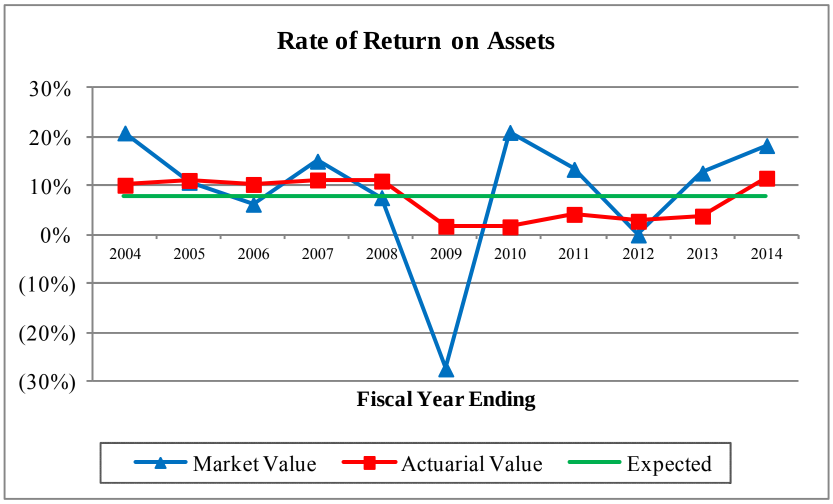
ASSETS

As of December 31, 2013, the System had net assets of $351 million, when measured on a market value basis. This was an increase of $63 million from the prior year. The market value of assets is not used directly in the calculation of the unfunded actuarial accrued liability and the actuarial required contribution rate. An asset valuation method, which smoothes the effect of market fluctuations, is used to determine the value of assets used in the valuation. The resulting amount is called the actuarial value of assets. In this year's valuation, the actuarial value of assets is $324 million, an increase of $43 million from the prior year. The components of change in the asset values are shown in the following table:

	Market Value ($M)		Actuarial Value ($M)	
Net Assets, December 31, 2012	$	287.67	$	281.26
- Employer and Member Contributions	+	24.06	+	24.06
- Transfers	+	0.97	+	0.97
- Benefit Payments	-	15.70	-	15.70
- Net Investment Income	+	53.56	+	33.29
Net Assets, December 31, 2013	$	350.56	$	323.88
Estimated Rate of Return		18.3%		11.6%

The rate of return on the actuarial value of assets was 11.6%, which exceeds the 7.75% assumed rate of return. As a result, there was an experience gain on assets of $11.1 million.

Please see Section 3 of this report for more detailed information on the market and actuarial value of assets.



The rate of return of the actuarial value of assets has been less volatile than the market value return, illustrating the benefit of using an asset smoothing method.

LIABILITIES

The actuarial accrued liability is that portion of the present value of future benefits that will not be paid by future normal costs. The difference between this liability and the actuarial value of assets as of the valuation date is called the unfunded actuarial accrued liability (UAAL). The dollar amount of unfunded actuarial accrued liability is reduced if the contributions to the System exceed the normal cost for the year plus interest on the prior year's UAAL.

The unfunded actuarial accrued liability is shown as of January 1, 2014 in the following table:

	Actuarial Value of Assets	Market Value of Asses
Actuarial Accrued Liability	$322,994,373	$322,994,373
Value of Assets	323,882,230	350,564,778
Unfunded Actuarial Accrued Liability	($887,857)	($27,570,405)
Funded Ratio	100.27%	108.54%

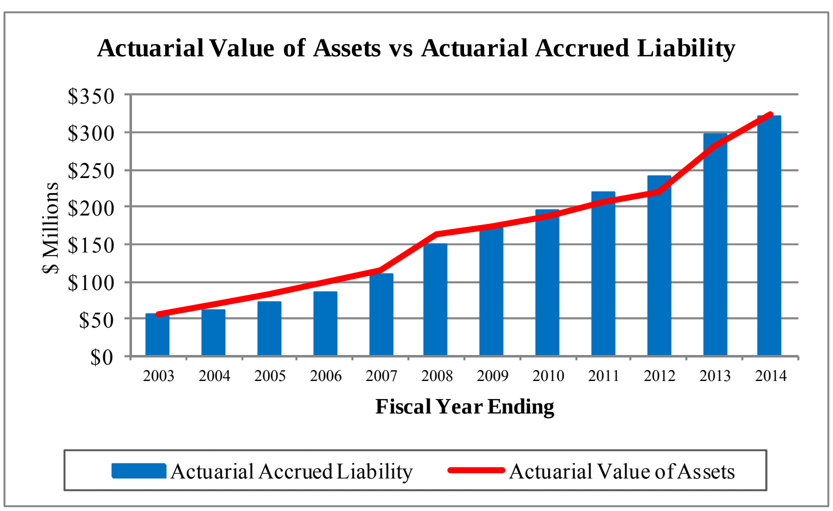
See Section 4 of the report for the detailed development of the unfunded actuarial accrued liability.

The net change in the UAAL from January 1, 2013 to January 1, 2014 was $17.2 million. The components of this net change are shown in the following table (in millions):

	($ Millions)
Unfunded Actuarial Accrued Liability, January 1, 2013	$16.3
- Expected decrease from amortization method	(0.3)
- Actual versus expected contributions	(2.6)
- Investment experience	(11.1)
- Liability experience	(3.7)
- Other experience	(0.5)
- Changes identified in replication process	1.0
Unfunded Actuarial Accrued Liability, January 1, 2014	($0.9)

As shown above, various components impacted the UAAL. Actuarial gains (losses), which result from actual experience that is more (less) favorable than anticipated based on the actuarial assumptions, are reflected in the UAAL and are measured as the difference between the expected UAAL and the actual UAAL, taking into account any changes due to actuarial assumptions and methods, or benefit provision changes. Overall, the System experienced a net actuarial gain of $14.8 million. The net actuarial gain may largely be explained by considering the separate experience of assets and liabilities. There was an $11.1 million gain on the actuarial value of assets and a $3.7 million experience gain on the System's liabilities. The liability gain was the net result of various components of actuarial gains and losses, the largest of which was due to an actual interest crediting rate of 5% for the 2013 plan year compared to the actuarial assumption of 6.75%.

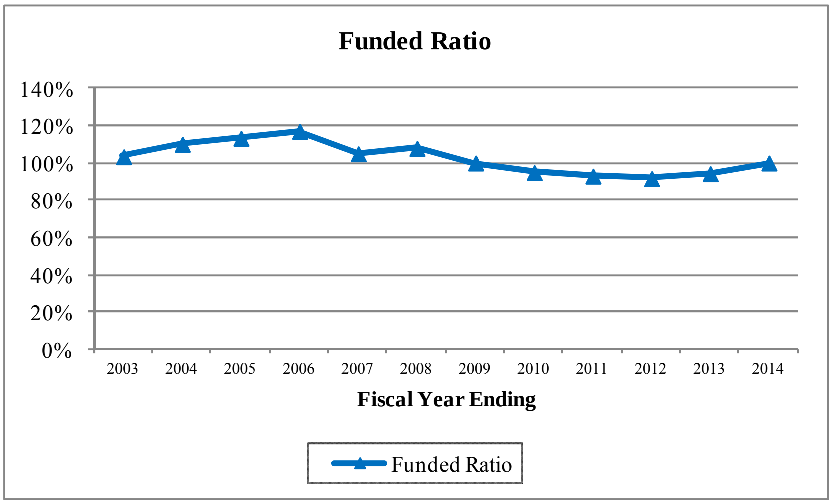
As the following graph of historical actuarial assets and accrued liabilities shows, the County Employees' Retirement System Cash Balance Benefit Fund liabilities have increased significantly along with the assets in the last ten years. The large increases observed in 2008 and 2013 reflect the transfer of members from the Defined Contribution Plan to the Cash Balance Plan due to new election periods provided by the legislature.



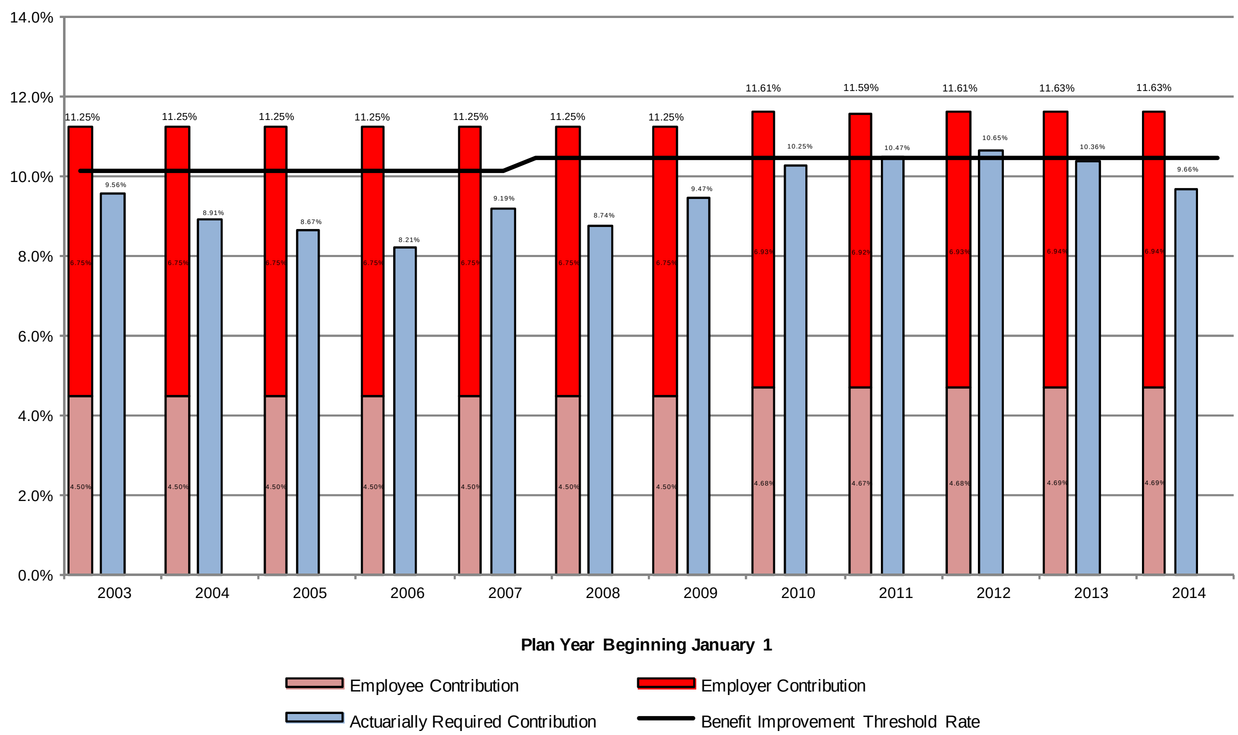
An evaluation of the UAAL on a pure dollar basis may not provide a complete analysis since only the difference between the assets and liabilities (which are both very large numbers) is reflected. Another way to evaluate the UAAL and the progress made in its funding is to track the funded ratio, the ratio of the actuarial value of assets to the actuarial accrued liability. The funded status information is shown below (in millions).

	1/1/2010	1/1/2011	1/1/2012	1/1/2013	1/1/2014
Funded Ratio (using Actuarial Assets)	95.1%	93.2%	91.9%	94.5%	100.3%
Unfunded Actuarial Accrued Liability ($M)	$9.7	$15.0	$19.5	$16.3	($0.9)

The funded ratio over a longer period of years is shown in the following graph:



As a result of being 100% funded at the creation of the Cash Balance Benefit Fund in 2003 and contributing more than the actuarial required contribution in subsequent years (see the following graph), the funded ratio of the System has remained strong during the entire period despite investment returns that were less than assumed in some years.



Another useful measure of the value of benefits provided under the System is the Accumulated Benefit Obligation, which is based on the account balances for those not in pay status and the present value of retiree benefits as of the valuation date. This measure is intended to provide information regarding the Cash Balance Plan's funded status on an immediate basis and to provide comparability to individual account plans. This liability measure is not used in developing the funding numbers for the Plan.

Funded Status	January 1, 2014	January 1, 2013
1. Cash Balance Accounts		
(a) Actives	$ 273,213,397	$ 841,861,361
(b) Inactives	31,307,589	121,157,449
(c) Total	$ 304,520,986	$ 963,018,810
2. Present value of benefits for retirees and beneficiaries	25,927,337	131,942,250
3. Total accumulated benefit obligation	$ 330,448,323	$ 1,094,961,060
4. Market Value of Assets	350,564,778	1,033,413,956
5. Deficit/(Reserve) [3 - 4]	$ (20,116,455)	$ 61,547,104
6. Funded percentage on Market Value of Assets [4 / 3]	106.1%	94.4%

ACTUARIAL REQUIRED CONTRIBUTION RATE

The System is funded by statutory contribution rates for members (4.50% of pay for most members) and employers (150% of the member rate for most members). State statutes require the State to make an additional contribution if the regular, payroll-related contributions by employees and employers are insufficient to meet the actuarial required contribution for the plan year. The State contributions for the plan year, if any, are made on the July 1 following the plan year end. Based on the results of the January 1, 2014 actuarial valuation, no additional State contribution is necessary for the current plan year.

Under the Entry Age Normal cost method, the actuarial contribution rate consists of two components:

- A "normal cost" for the portion of projected liabilities allocated by the actuarial cost method to service of members during the year following the valuation date.

- An "unfunded actuarial accrued liability contribution" for the excess of the portion of projected liabilities allocated to service to date over the actuarial value of assets.

The actuarial required contribution is equal to the normal cost rate plus an amortization payment on the unfunded actuarial accrued liability. The amortization payment is the sum of the payments for each amortization base with payments over a 25 year period beginning on the date the base was established. All prior amortization bases were eliminated this year because the unfunded actuarial accrued liability was negative. See Section 5 of the report for the detailed development of the actuarial contribution rates, which are summarized in the following table:

Contribution Rates	January 1, 2014	January 1, 2013
Normal Cost Rate	9.70%	9.62%
UAAL Amortization Rate	(0.04%)	0.74%
Total Actuarial Required Contribution	9.66%	10.36%
Member Contribution Rate	(4.69%)	(4.69%)
Employer Contribution Rate	(6.94%)	(6.94%)
Total Contribution Rate	(11.63%)	(11.63%)
Shortfall/(Margin)	(1.97%)	(1.27%)

The actuarial required contribution rate for the current plan year is 9.66%. The effective member contribution rate of 4.69% and employer contributions of 6.94% result in a total statutory contribution rate of 11.63% of pay. As a result, a contribution margin of 1.97% exists.

The actuarial required contribution rate of 9.66% of pay is less than 90% of the statutory contribution rate of 11.63% (10.47%). This difference of 0.81% of pay is potentially available for benefit improvements under state statutes if the Plan's funded ratio exceeds 100%. The Board's policy requires the funded ratios on both a Funded Basis and Current Value Basis to exceed 100% both before and after benefit improvements are considered. The January 1, 2014 actuarial valuation indicates that the funded ratios are 100.3% and 106.1% respectively. Based on the Board's criteria, a dividend of up to 0.29% of account balances may be granted.

A history of actuarial required contribution rates and any resulting additional required State contributions, whether or not actually contributed, is shown below.

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
2014	$ 14,331,841	$ 0	$ 14,331,841

Note: Information before Fiscal Year 2015/2016 is based on work of the prior actuary.

The actuarial required contribution rate, which is determined based on the snapshot of the System taken on the valuation date of January 1, 2014, will change each year as the deferred investment experience is recognized and other experience (both investment and demographic) impacts the System. While there is a contribution margin for the current plan year, this should not be viewed an unnecessary or excess contribution. In order for the financing of the System on a fixed contribution rate basis to succeed, contributions above the actuarial required contribution rate must be made to offset years where the fixed contribution rate will be below the actuarial required contribution rate.

SUMMARY OF PRINCIPAL RESULTS

	1/1/2014 Valuation	1/1/2013 Valuation	% Change
1. PARTICIPANT DATA			
Number of:			
Active Members	6,228	6,034	3.22%
Retired Members and Beneficiaries	384	350	9.71%
Disabled Members	0	0	N/A
Inactive Members	1,963	1,787	9.85%
Total Members	8,575	8,171	4.94%
Projected Annual Salaries of Active Members	$ 206,510,678	$ 202,786,048	1.84%
Annual Retirement Payments for Retired Members and Beneficiaries	$ 3,247,934	$ 2,875,656	12.95%
2. ASSETS AND LIABILITIES			
a. Market Value of Assets	$ 350,564,778	$ 287,665,289	21.87%
b. Actuarial Value of Assets	323,882,230	281,261,645	15.15%
c. Total Actuarial Accrued Liability	322,994,373	297,572,626	8.54%
d. Unfunded Actuarial Accrued Liability [c - b]	$ (887,857)	$ 16,310,981	(105.44%)
e. Funded Ratio (Actuarial Value of Assets) [b / c]	100.27%	94.52%	6.09%
f. Funded Ratio (Market Value of Assets) [a / c]	108.54%	96.67%	12.27%
3. CONTRIBUTION RATES AS A PERCENT OF PAYROLL			
Normal Cost	9.70%	9.62%	0.83%
Amortization of Unfunded Actuarial Accrued Liability	(0.04%)	0.74%	(105.41%)
Actuarial Required Contribution Rate	9.66%	10.36%	(6.76%)
Member Contribution Rate*	(4.69%)	(4.69%)	0.00%
Employer Contribution Rate**	(6.94%)	(6.94%)	0.00%
Shortfall/(Margin)	(1.97%)	(1.27%)	55.12%
Additional State Contribution Amount	$ 0	$ 0	N/A

* Includes additional member contribution rates of 1% or 2% of pay for commissioned law-enforcement officers.
** 150% of employee contribution rate plus additional rates of 1% or 2% of pay for commissioned law-enforcement officers.

Note: results for 1/1/13 were prepared by the prior actuary.

SECTION 2 – SCOPE OF THE REPORT

This report presents the actuarial valuation results of the County Employees' Retirement System Cash Balance Benefit Fund as of January 1, 2014. This valuation was prepared at the request of the Public Employees Retirement Board of the Nebraska Public Employees Retirement System.

Please pay particular attention to our actuarial certification letter, where the guidelines employed in the preparation of this report are outlined. We also comment on the sources and reliability of both the data and the actuarial assumptions upon which our findings are based. Those comments are the basis for our certification that this report is complete and accurate to the best of our knowledge and belief.

A summary of the findings which result from this valuation is presented in the previous section. Section 3 describes the assets and investment experience of the System. Sections 4 and 5 describe how the obligations of the System are to be met under the actuarial cost method in use. Section 6 includes the information required for the financial reporting standards established by the Governmental Accounting Standards Board (GASB).

This report includes several appendices:

- Appendix A — Schedules of valuation data classified by various categories of members.
- Appendix B — A summary of the current benefit structure, as determined by the provisions of governing law on January 1, 2014.
- Appendix C — A summary of the actuarial methods and assumptions used to estimate liabilities and determine contribution rates.
- Appendix D — A glossary of actuarial terms.

In many respects, an actuarial valuation can be thought of as an inventory process. The inventory is taken as of the actuarial valuation date, which for this valuation is January 1, 2014. On that date, the assets available for the payment of benefits are appraised. The assets are compared with the liabilities of the System, which are generally in excess of assets. The actuarial process then leads to a method of determining the contributions needed by members and the employer in the future to balance the System assets and liabilities.

Market Value of Assets

The current market value represents the "snapshot" or "cash-out" value of System assets as of the valuation date. In addition, the market value of assets provides a basis for measuring investment performance from time to time. Table 1 is a comparison, at market values, of System assets as of December 31, 2013, and December 31, 2012, in total and by investment category. Table 2 summarizes the change in the market value of assets from December 31, 2012 to December 31, 2013.

Actuarial Value of Assets

Neither the market value of assets, representing a "cash-out" value of System assets, nor the book values of assets, representing the cost of investments, may be the best measure of the System's ongoing ability to meet its obligations.

To arrive at a suitable value of assets for the actuarial valuation, a technique for determining the actuarial value of assets is used which dampens swings in the market value while still indirectly recognizing market values. Under the asset smoothing methodology, the difference between the actual and assumed investment return on the market value of assets is recognized evenly over a five year period.

Table 3 shows the development of the actuarial value of assets (AVA) as of the valuation date.

TABLE 1

COUNTY EMPLOYEES' RETIREMENT SYSTEM
CASH BALANCE BENEFIT FUND

MARKET VALUE OF ASSETS
by Investment Category

	December 31, 2013	December 31, 2012
1. Cash and Equivalents	$ 45,401	$ 63,828
2. Investments	355,075,580	247,844,373
3. Receivables and Prepaids	16,720,399	56,436,808
4. Accounts Payable	(21,276,602)	(16,679,720)
5. Net Assets Available for Pension Benefits [1 + 2 + 3 + 4]	$ 350,564,778	$ 287,665,289

TABLE 2

COUNTY EMPLOYEES' RETIREMENT SYSTEM
CASH BALANCE BENEFIT FUND

CHANGE IN MARKET VALUE OF ASSETS

	December 31, 2013	December 31, 2012
1. Beginning Market Value of Assets	$ 287,665,289	$ 208,729,170
2. Contributions		
(a) Member (includes purchased service)	$ 9,826,347	$ 8,637,598
(b) Employer	14,230,066	12,696,338
(c) State appropriations	0	0
(d) Total	$ 24,056,413	$ 21,333,936
3. Transfers Between Plans		
(a) From Defined Contribution Plans	$ 652,336	$ 1,229,814
(b) Between Cash Balance Plans	322,232	0
(c) Net Transfers	$ 974,568	$ 1,229,814
4. Receivable Transfer from Defined Contribution Benefit Fund	$ 0	$ 43,833,203
5. Expenditures		
(a) Benefit payments	$ 15,695,676	$ 14,483,630
(b) Expenses and fees	1,337,710	1,132,522
(c) Total	$ 17,033,386	$ 15,616,152
6. Investment Income	$ 54,901,894	$ 28,155,318
7. Ending Market Value of Assets [1 + 2(d) + 3(c) + 4 - 5(c) + 6]	$ 350,564,778	$ 287,665,289
8. Rate of Return on Market Value of Assets	18.3%	12.7%

TABLE 3

COUNTY EMPLOYEES' RETIREMENT SYSTEM
CASH BALANCE BENEFIT FUND

DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS

	Year End			
	12/31/2010	**12/31/2011**	**12/31/2012**	**12/31/2013**
1. Actuarial Value of Assets, Beginning of Year	$ 187,109,554	$ 206,036,302	$ 220,662,783	$ 281,261,645
2. Unrecognized Return Beginning of Year	$ (20,919,608)	$ (5,993,420)	$ (11,933,613)	$ 6,403,644
3. Contributions During Year				
(a) Member	$ 7,699,035	$ 8,045,882	$ 8,637,598	$ 9,826,347
(b) Employer	11,370,059	11,908,346	12,696,338	14,230,066
(c) State appropriations	0	0	0	0
(d) Total	$ 19,069,094	$ 19,954,228	$ 21,333,936	$ 24,056,413
4. Net Transfers	$ 611,731	$ 1,787,246	$ 1,229,814	$ 974,568
5. Receivable Transfer from Defined Contribution Benefit Fund	$ 0	$ 0	$ 43,833,203	$ 0
6. Benefit Payments During Year	$ 8,914,802	$ 13,057,416	$ 14,483,630	$ 15,695,676
7. Expected Investment Income on (1), (2), (3), (4) and (6) at 7.75%	$ 13,289,119	$ 15,833,552	$ 16,483,773	$ 22,649,053
8. Actual Return on Market Value, Net of All Expenses	$ 23,086,913	$ 2,230	$ 27,022,796	$ 53,564,184
9. Return to be Spread, End of Year [8 - 7]	$ 9,797,794	$ (15,831,322)	$ 10,539,023	$ 30,915,131

Note: Information before 2013 was produced by prior actuary.

TABLE 3
(continued)

COUNTY EMPLOYEES' RETIREMENT SYSTEM
CASH BALANCE BENEFIT FUND

8. Return to be Spread

Year	Return to be Spread	Unrecognized Percent	Unrecognized Return
2013	30,915,131	80%	$24,732,105
2012	10,539,023	60%	6,323,414
2011	(15,831,322)	40%	(6,332,529)
2010	9,797,794	20%	1,959,559
			$26,682,548

9. Total Market Value of Assets as of January 1, 2014	$350,564,778
10. Total Actuarial Value of Assets as of January 1, 2014 [9 - 8]	$323,882,230
11. Asset Ratios	
(a) Actuarial Value to Market Value [10 / 9]	92.39%
(b) Market Value to Actuarial Value [9 / 10]	108.24%

In the previous section, an actuarial valuation was compared with an inventory process, and an analysis was given of the inventory of assets of the County Employees' Retirement System Cash Balance Benefit Fund as of the valuation date, January 1, 2014. In this section, the discussion will focus on the commitments (future benefit payments) of the System, which are referred to as its liabilities.

Table 4 contains an analysis of the actuarial present value of all future benefits (PVFB) for contributing members, inactive members, retirees and their beneficiaries.

The liabilities summarized in Table 4 include the actuarial present value of all future benefits expected to be paid with respect to each member. For an active member, this value includes the measurement of both benefits already earned and future benefits to be earned. For all members, active and retired, the value extends over benefits earnable and payable for the rest of their lives and for the lives of the surviving beneficiaries.

All liabilities reflect the benefit provisions in place as of January 1, 2014.

Actuarial Accrued Liability

A fundamental principle in financing the liabilities of a retirement program is that the cost of its benefits should be related to the period in which benefits are earned, rather than to the period of benefit distribution. An actuarial cost method is a mathematical technique that allocates the present value of future benefits into annual costs. In order to do this allocation, it is necessary for the funding method to "breakdown" the present value of future benefits into two components:

(1) that which is attributable to the past and

(2) that which is attributable to the future.

Actuarial terminology calls the part attributable to the past the "past service liability" or the "actuarial accrued liability." The portion allocated to the future is known as the present value of future normal costs, with the specific piece of it allocated to the current year being called the "normal cost." Table 5 contains the calculation of actuarial accrued liability for the System. The Entry Age Normal actuarial cost method is used to develop the actuarial accrued liability.

TABLE 4

**COUNTY EMPLOYEES' RETIREMENT SYSTEM
CASH BALANCE BENEFIT FUND**

**PRESENT VALUE OF FUTURE BENEFITS (PVFB)
AS OF JANUARY 1, 2014**

1. Active Employees		
(a) Retirement	$	350,314,229
(b) Withdrawal		68,789,880
(c) Death		12,816,048
(d) Disability		0
(e) Total	$	431,920,157
2. Inactive Vested Members		31,307,590
3. Inactive Nonvested Members		1,462,498
4. Disabled Members		0
5. Retirees		24,529,708
6. Beneficiaries		1,397,629
7. Total Present Value of Future Benefits [1(e) + 2 + 3 + 4 + 5 + 6]	$	490,617,582

TABLE 5

COUNTY EMPLOYEES' RETIREMENT SYSTEM
CASH BALANCE BENEFIT FUND

ACTUARIAL ACCRUED LIABILITY
AS OF JANUARY 1, 2014

1. Present Value of Future Benefits for Active Members	$	431,920,157
2. Present Value of Future Normal Costs for Active Members		
(a) Retirement benefit	$	99,675,503
(b) Termination benefit		63,925,277
(c) Pre-Retirement death benefit		4,022,429
(d) Disability benefit		0
(e) Total	$	167,623,209
3. Actuarial Accrued Liability for Active Members [1 - 2(e)]	$	264,296,948
4. Actuarial Accrued Liability for Inactive Members		58,697,425
5. Total Actuarial Accrued Liability [3 + 4]		322,994,373
6. Actuarial Value of Assets		323,882,230
7. Unfunded Actuarial Accrued Liability [5- 6]	$	(887,857)

TABLE 6

COUNTY EMPLOYEES' RETIREMENT SYSTEM
CASH BALANCE BENEFIT FUND

ACTUARIAL BALANCE SHEET

ASSETS

Actuarial Value of Assets			$	323,882,230
Unfunded Actuarial Accrued Liability				(887,857)
Present Value of Future Normal Costs			$	167,623,209
Total Assets			$	490,617,582

LIABILITIES

Present Value of Future Benefits				
Active members				
Retirement	$	350,314,229		
Withdrawal		68,789,880		
Death		12,816,048		
Disability		0		
Total			$	431,920,157
Inactive members				32,770,088
Retirees, disabilities and beneficiaries				25,927,337
Total Liabilities			$	490,617,582

TABLE 7

COUNTY EMPLOYEES' RETIREMENT SYSTEM
CASH BALANCE BENEFIT FUND

ACTUARIAL GAIN/(LOSS

Liabilities		
1. Actuarial Accrued Liability as of January 1, 2013	$	297,572,626
2. Normal Cost During 2013		19,504,091
3. Benefit Payments During Plan Year Ending December 31, 2013		15,695,676
4. Transfers		974,568
5. Changes Identified in Replication Process		989,752
6. Interest at 7.75%		23,320,467
7. Expected Actuarial Accrued Liability as of January 1, 2014 [1 + 2 - 3 + 4 + 5 + 6]		326,665,828
8. Actuarial Accrued Liability as of January 1, 2014	$	322,994,373
Assets		
9. Actuarial Value of Assets as of January 1, 2013	$	281,261,645
10. Contributions During Plan Year Ending December 31, 2013		24,056,413
11. Benefit Payments During Plan Year Ending December 31, 2013		15,695,676
12. Transfers		974,568
13. Interest at 7.75%		22,152,771
14. Expected Actuarial Value of Assets as of January 1, 2014 [9 + 10 - 11 + 12 + 13]		312,749,721
15. Actuarial Value of Assets as of January 1, 2014	$	323,882,230
Gain / (Loss)		
16. Actuarial Gain / (Loss) on Liabilities [7 - 8]	$	3,671,455
17. Actuarial Gain / (Loss) on Assets [15 - 14]	$	11,132,509
18. Total Actuarial Gain / (Loss) for Plan Year Ending June 30, 2014 [16 + 17]	$	14,803,964

TABLE 8

COUNTY EMPLOYEES' RETIREMENT SYSTEM
CASH BALANCE BENEFIT FUND

GAIN/(LOSS) ANALYSIS BY SOURCE

Liability Sources		Gain/(Loss)
Retirement	$	206,958
Termination		1,483,441
Disability		0
Mortality		(344,551)
Salary		(67,623)
New Entrants/Rehires		(2,478,043)
Interest Credit/Miscellaneous		4,871,273
Total Liability Gain/(Loss)	$	3,671,455
Asset Gain/(Loss)	$	11,132,509
Net Actuarial Gain/(Loss)	$	14,803,964

TABLE 9

COUNTY EMPLOYEES' RETIREMENT SYSTEM
CASH BALANCE BENEFIT FUND

PROJECTED BENEFIT PAYMENTS
AS OF JANUARY 1, 2014

Plan Year Ending December 31,	Active Employees	Retired and Disabled Members and Beneficiaries	Total
2014	$ 19,432,000	$ 3,182,000	$ 22,614,000
2015	21,644,000	3,088,000	24,732,000
2016	23,266,000	2,929,000	26,195,000
2017	24,938,000	2,761,000	27,699,000
2018	26,956,000	2,593,000	29,549,000
2019	28,696,000	2,519,000	31,215,000
2020	30,617,000	2,368,000	32,985,000
2021	32,499,000	2,228,000	34,727,000
2022	33,837,000	2,114,000	35,951,000
2023	35,536,000	2,012,000	37,548,000
2024	36,882,000	1,911,000	38,793,000
2025	38,292,000	1,821,000	40,113,000
2026	39,878,000	1,715,000	41,593,000
2027	40,660,000	1,580,000	42,240,000
2028	41,306,000	1,503,000	42,809,000
2029	42,254,000	1,354,000	43,608,000
2030	42,967,000	1,210,000	44,177,000
2031	43,791,000	1,119,000	44,910,000
2032	44,162,000	999,000	45,161,000
2033	44,821,000	908,000	45,729,000
2034	45,474,000	824,000	46,298,000
2035	46,026,000	741,000	46,767,000
2036	46,247,000	661,000	46,908,000
2037	45,942,000	584,000	46,526,000
2038	45,910,000	511,000	46,421,000
2039	46,789,000	445,000	47,234,000
2040	46,360,000	382,000	46,742,000
2041	46,726,000	325,000	47,051,000
2042	46,474,000	276,000	46,750,000
2043	46,666,000	231,000	46,897,000

Note: Cash flows are the expected future non-discounted payments to current members. These amounts assume 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 5 years certain, and 60% will elect a lump sum distribution of their cash balance account. These payments exclude refund payouts to any current nonvested inactives.

The previous two sections were devoted to a discussion of the assets and liabilities of the System. A comparison of Tables 3 and 4 indicates that current assets fall short of meeting the present value of future benefits (total liability). This is expected in all but a completely closed fund, where no further contributions are anticipated. In an active system, there will almost always be a difference between the actuarial value of assets and total liabilities. This deficiency has to be made up by future contributions and investment returns. An actuarial valuation sets out a schedule of future contributions that will deal with this deficiency in an orderly fashion.

The method used to determine the incidence of the contributions in various years is called the actuarial cost method. Under an actuarial cost method, the contributions required to meet the difference between current assets and current liabilities are allocated each year between two elements: (1) the normal cost rate and (2) the unfunded actuarial accrued liability contribution rate.

The term "fully funded" is often applied to a system in which contributions at the normal cost rate are sufficient to pay for the benefits of existing employees as well as for those of new employees. More often than not, systems are not fully funded, either because of past benefit improvements that have not been completely funded or because of actuarial deficiencies that have occurred because experience has not been as favorable as anticipated by the actuarial assumptions. Under these circumstances, an unfunded actuarial accrued liability (UAAL) exists. Likewise, when the actuarial value of assets is greater than the actuarial accrued liability, a surplus exists.

Description of Contribution Rate Components

The Entry Age Normal (EAN) actuarial cost method is used for the valuation. Under that method, the normal cost for each year from entry age to assumed exit age is a constant percentage of the member's year by year projected compensation. The portion of the present value of future benefits not provided by the present value of future normal costs is the actuarial accrued liability. The unfunded actuarial accrued liability/ (surplus) represents the difference between the actuarial accrued liability and the actuarial value of assets as of the valuation date. The unfunded actuarial accrued liability is calculated each year and reflects experience gains and losses.

In general, contributions are computed in accordance with a level percent-of-payroll funding objective. The contribution rate based on the January 1, 2014 actuarial valuation will be used to determine the actuarial required employer contribution rate to the County Employees' Retirement System Cash Balance Benefit Fund for the plan year ending December 21, 2014. Any State contributions, if required, are expected to be deposited on July 1, 2015 (State fiscal year 2016). In this context, the term "contribution rate" means the percentage, which is applied to a particular active member payroll to determine the actual employer contribution amount (i.e., in dollars) for the group.

Contribution Rate Summary

In Table 10 the amortization payment related to the unfunded actuarial accrued liability/(surplus), as of January 1, 2014, is developed. Table 11 develops the actuarial required contribution rate for the System and the amount of any required State contributions. Table 12 summarizes the status of granting a benefit improvement based on the valuation results.

The contribution rates shown in this report are based on the actuarial assumptions and cost methods described in Appendix C.

TABLE 10

COUNTY EMPLOYEES' RETIREMENT SYSTEM
CASH BALANCE BENEFIT FUND

SCHEDULE OF AMORTIZATION BASES

Amortization Bases	Original Amount	January 1, 2014 Remaining Payments	Date of Last Payment	Outstanding Balance as of January 1, 2014	Annual Contribution*
2014 Unfunded Actuarial Accrued Liability Base	(887,857)	25	1/1/2039	(887,857)	(78,422)
Total				**$ (887,857)**	**$ (78,422)**

* Contribution amount reflects mid-year timing.

1. Total UAAL Amortization Payments	$	(78,422)
2. Projected Payroll for 2014 Plan Year	$	206,510,678
3. UAAL Amortization Payment Rate		(0.04%)

TABLE 11

COUNTY EMPLOYEES' RETIREMENT SYSTEM
CASH BALANCE BENEFIT FUND

ACTUARIAL REQUIRED CONTRIBUTION
and
DEVELOPMENT OF ADDITIONAL STATE CONTRIBUTION

1. Normal Cost		
(a) Amount	$	18,870,999
(b) Expected pay for current actives		194,587,700
(c) Normal Cost Rate as % of pay		9.70%
2. Amortization Cost		
(a) Amount		(78,422)
(b) Expected pay for all actives		206,510,678
(c) Amortization Rate as % of pay		(0.04%)
3. Total Actuarial Required Contribution Rate [1(c) + 2(c)]		9.66%
4. Statutory Contribution Rates		
(a) Member*		4.69%
(b) Employer**		6.94%
(c) Total		11.63%
5. Shortfall/(Margin) [3 - 4(c)]		(1.97%)
6. Expected pay for all actives during 2014		206,510,678
7. Additional Required State Contribution payable July 1, 2015 [5 * 6 * $1.0775^{.5}$, but not less than $0]	$	0
8. Benefit Improvement Threshold Rate [90% of 4(c)]		10.47%

* Includes additional member contribution rates of 1% or 2% of pay for commissioned law-enforcement officers.

** 150% of employee contribution rate plus additional rates of 1% or 2% of pay for commissioned law-enforcement officers.

TABLE 12

COUNTY EMPLOYEES' RETIREMENT SYSTEM
CASH BALANCE BENEFIT FUND

HISTORICAL CONTRIBUTION RATES

Plan Year	Statutory Contribution Rate Employee	Employer	Total	Actuarial Rate	Margin/ (Shortfall)
2003	4.50%	6.75%	11.25%	9.56%	1.69%
2004	4.50%	6.75%	11.25%	8.91%	2.34%
2005	4.50%	6.75%	11.25%	8.67%	2.58%
2006	4.50%	6.75%	11.25%	8.21%	3.04%
2007	4.50%	6.75%	11.25%	9.19%	2.06%
2008	4.50%	6.75%	11.25%	8.74%	2.51%
2009	4.50%	6.75%	11.25%	9.47%	1.78%
2010	4.68%	6.93%	11.61%	10.25%	1.36%
2011	4.67%	6.92%	11.59%	10.47%	1.12%
2012	4.68%	6.93%	11.61%	10.65%	0.96%
2013	4.69%	6.94%	11.63%	10.36%	1.27%
2014	4.69%	6.94%	11.63%	9.66%	1.97%

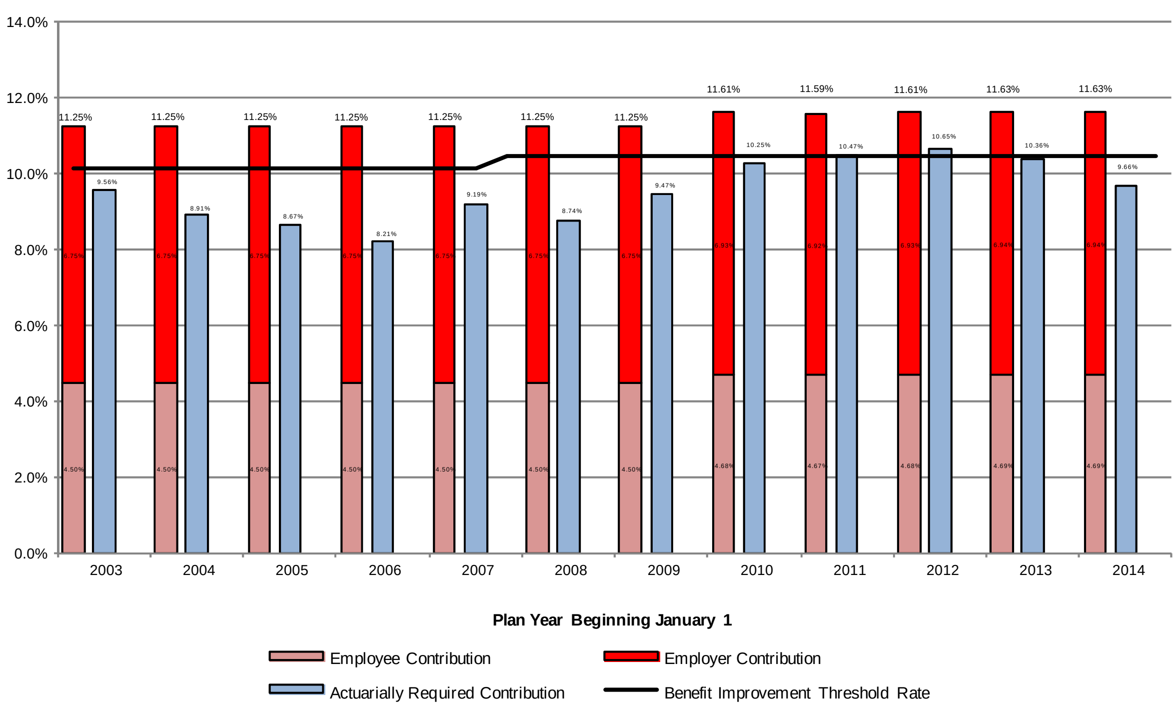


TABLE 13

COUNTY EMPLOYEES' RETIREMENT SYSTEM
CASH BALANCE BENEFIT FUND

FUNDING EXCESS AVAILABLE FOR
BENEFIT IMPROVEMENT

1. Total Statutory Rate		11.63%
2. Benefit Improvement Threshold Rate (90% of 1.)		10.47%
3. Actuarially Required Contribution Rate		9.66%
4. Unfunded Actuarial Accrued Liability	$	(887,857)
5. Requirements for Using Excess for Benefit Improvement		
a. Rate Sufficiency: (3) < (2)		Yes
b. No UAAL: (4) < 0		Yes
6. Funding Excess Available for Benefit Improvement		
(a) As a rate of Pay (2 - 3), not less than 0%		0.81%
(b) Annual Amount	$	1,672,736

The actuarial accrued liability is a measure intended to help the reader assess (i) a retirement system's funded status on a going concern basis and (ii) progress being made toward accumulating the assets needed to pay benefits as due. Allocation of the actuarial present value of projected benefits between past and future service was based on service using the Entry Age Normal actuarial cost method. Assumptions, including projected pay increases, were the same as used to determine the System's level percent of payroll annual required contribution between entry age and assumed exit age. Entry age was established by subtracting credited service from current age on the valuation date. The Entry Age Normal actuarial accrued liability was determined as part of an actuarial valuation of the plan as of January 1, 2014. The actuarial assumptions used in determining the actuarial accrued liability can be found in Appendix C.

The preceding methods comply with the financial reporting standards established by the Governmental Accounting Standards Board.

GASB Statement No. 25 establishes financial reporting standards for defined benefit pension plans. In addition to two required Statements regarding plan assets, the Statement requires two schedules and accompanying notes disclosing information relative to the funded status of the plan and historical contribution patterns.

- The Schedule of Funding Progress provides information about whether the financial strength of the Plan is improving or deteriorating over time.

- The Schedule Contributions from Employers and Other Contributing Entities provides historical information about the annual required contribution (ARC) and the percentage of the ARC that was actually contributed.

In 2012, GASB issued the final version of GASB Statements Numbers 67 and 68 which will supersede the current GASB Standards, Numbers 25 and 27. GASB 67, which applies to the retirement system, will be effective for the plan year ending December 31, 2014. GASB 68, which applies to employer reporting, is first effective for fiscal years beginning after June 15, 2014.

TABLE 14

COUNTY EMPLOYEES' RETIREMENT SYSTEM
CASH BALANCE BENEFIT FUND

SCHEDULE OF FUNDING PROGRESS
Under GASB No. 25

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b - a) / c]
December 31, 2013	$323,882,230	$322,994,373	($887,857)	100.3%	$206,510,678	(0.4%)
December 31, 2012	281,261,645	297,572,626	16,310,981	94.5%	202,786,048	8.0%
December 31, 2011	220,662,783	240,195,114	19,532,331	91.9%	193,269,158	10.1%
December 31, 2010	206,036,302	221,080,026	15,043,724	93.2%	183,967,790	8.2%
December 31, 2009	187,109,554	196,773,040	9,663,486	95.1%	177,732,220	5.4%
December 31, 2008	175,765,930	175,293,953	(471,977)	100.3%	165,275,589	(0.3%)

Note: Information before 2014 was produced by the prior actuary.

TABLE 15

COUNTY EMPLOYEES' RETIREMENT SYSTEM
CASH BALANCE BENEFIT FUND

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYERS AND OTHER CONTRIBUTING ENTITIES
Disclosure Requirement under GASB No. 25

	Annual Required Contributions			
Plan Year Ending	Counties	State Additional	Total	Percent Contributed
December 31, 2013	$11,497,969	$0	$11,497,969	124%
December 31, 2012	12,696,338	0	12,696,338	100%
December 31, 2011	11,908,346	0	11,908,346	100%
December 31, 2010	11,370,059	0	11,370,059	100%
December 31, 2009	10,555,174	0	10,555,174	100%
December 31, 2008	9,839,409	0	9,839,409	100%

Note: Information prior to 2013 was produced by the prior actuary.

Actuarial Assumptions and Methods	
Valuation Date	December 31, 2013
Actuarial Cost Method	Entry Age
Amortization Method	Level dollar amount, Closed
Equivalent Single Amortization Period	25 years
Asset Valuation Method	5 year smoothed market
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.

MEMBER DATA RECONCILIATION

	Active Members	Inactive Vested	Inactive Non-Vested	Retirees and Beneficiaries	Total
As of January 1, 2013	6,034	801	986	350	8,171
Changes in status					
a) Retirement	(26)	(16)	0	42	0
b) Death	0	0	0	(4)	(4)
c) Non-vested terminations	(178)	0	178	0	0
d) Vested terminations	(219)	219	0	0	0
e) Contribution refund	(305)	(148)	(160)	0	(613)
f) Beneficiaries in receipt	0	0	0	4	4
g) Disability retirements	0	0	0	0	0
h) Return to active service	27	(15)	(12)	0	0
i) Expired benefits	0	0	0	(16)	(16)
j) Transfers from DC plan	0	0	0	6	6
k) Data adjustments	0	0	0	(1)	(1)
Total changes in status	(701)	40	6	31	(624)
New entrants	895	7	123	3	1,028
Net Change	194	47	129	34	404
As of January 1, 2014	6,228	848	1,115	384	8,575

SUMMARY OF MEMBERSHIP DATA

A. ACTIVE MEMBERS		January 1, 2014		January 1, 2013	% Change
1. Number of Active Members*		6,228		6,034	3.2%
2. Reported Compensation	$	196,247,762	$	202,786,048	(3.2%)
3. Accumulated Contributions					
(a) Employee Cash Balance Account	$	108,982,715	$	101,738,399	7.1%
(b) Employer Cash Balance Account		164,230,682		153,445,562	7.0%
(c) Total Cash Balance Account	$	273,213,397	$	255,183,961	7.1%
4. Active Member Averages					
(a) Age		48.6		48.6	0.1%
(b) Service		9.0		8.6	4.3%
(c) Compensation	$	31,511	$	N/A	
(d) Cash Balance Account	$	43,869	$	42,291	3.7%
B. INACTIVE MEMBERS					
1. Number of Inactive Members**					
(a) System vested		848		801	5.9%
(b) System nonvested (refund only)		1,115		986	13.1%
(c) Total		1,963		1,787	9.8%
2. Total Vested Cash Balance Account	$	31,307,589	$	28,370,457	10.4%
3. Inactive Members Averages					
(a) Age (vesteds only)		52.5		44.0	19.3%
(b) Vested Cash Balance Account	$	36,919		NA	NA
C. RETIREES, DISABLEDS, AND BENEFICIARIES					
1. Number of Members					
(a) Retired		355		324	9.6%
(b) Disabled		0		0	0.0%
(c) Beneficiaries		29		26	11.5%
(d) Total		384		350	9.7%
2. Annual Benefits					
(a) Retired	$	3,036,821	$	2,671,383	13.7%
(b) Disabled		0		0	0.0%
(c) Beneficiaries		211,113		204,273	3.3%
(d) Total	$	3,247,934	$	2,875,656	12.9%

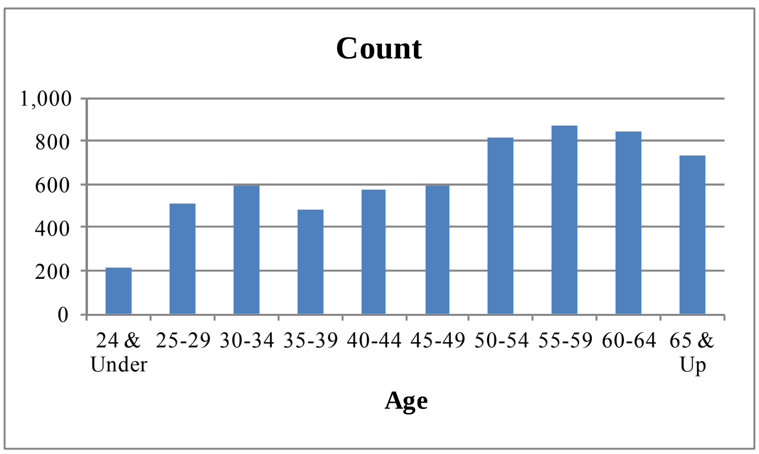
* 2013 includes 362 members who transferred from defined contribution.

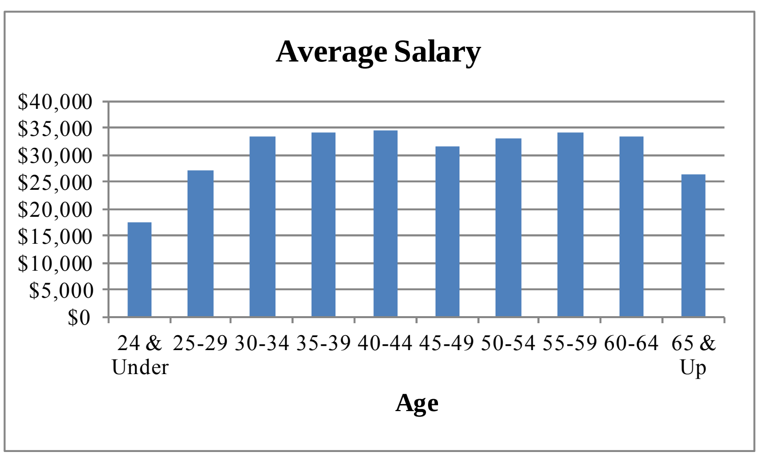
** 2013 includes 4 members who transferred from defined contribution.

Note: Information prior to 2014 was produced by the prior actuary.

ACTIVE MEMBERS
AS OF JANUARY 1, 2014

	Count of Members			Reported Salary		
Age	Male	Female	Total	Male	Female	Total
24 & Under	100	115	215	$ 1,939,284	$ 1,835,959	$ 3,775,243
25-29	263	249	512	7,692,706	6,226,068	13,918,774
30-34	322	270	592	12,006,419	7,818,662	19,825,081
35-39	241	244	485	9,149,245	7,443,354	16,592,599
40-44	277	297	574	9,913,733	9,769,656	19,683,389
45-49	284	308	592	9,876,545	8,864,324	18,740,869
50-54	378	436	814	12,912,715	14,088,419	27,001,134
55-59	453	418	871	16,363,516	13,179,691	29,543,207
60-64	446	396	842	15,221,684	12,832,038	28,053,722
65 & Up	458	273	731	11,183,957	7,929,787	19,113,744
Total	3,222	3,006	6,228	$ 106,259,804	$ 89,987,958	$ 196,247,762



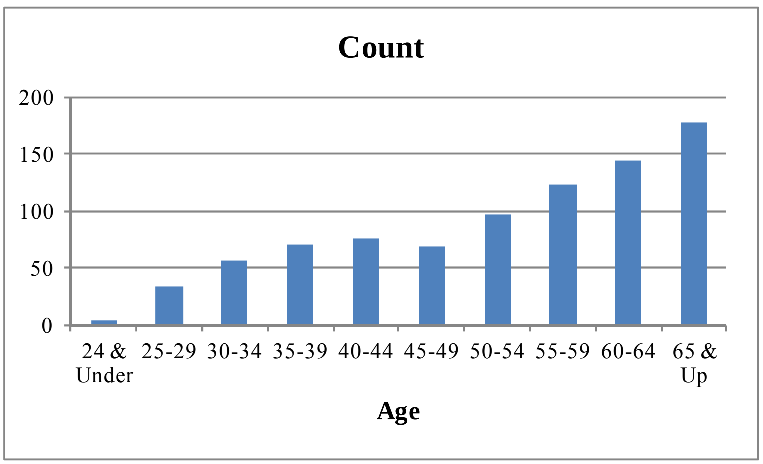


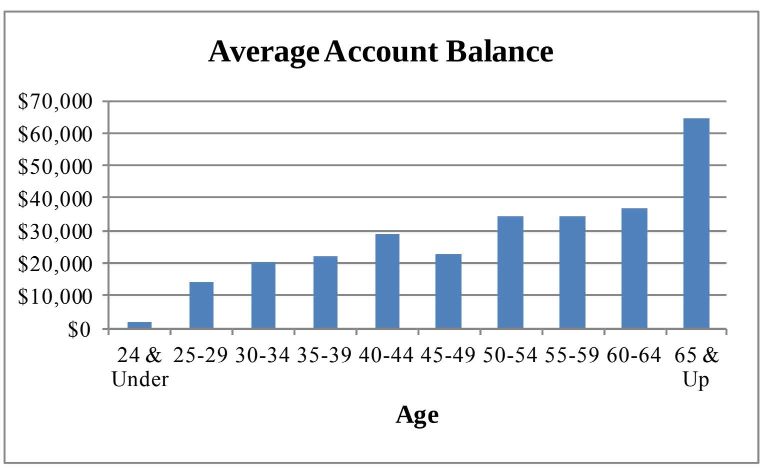
AGE AND SERVICE DISTRIBUTION AS OF JANUARY 1, 2014

Age		0-4	5-9	10-14	15-19	20-24	25-29	30-34	Over 34	Total
24 & Under	Number	213	2	0	0	0	0	0	0	215
	Total Salary	$ 3,770,381	$ 4,862	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 3,775,243
	Average Sal.	$ 17,701	$ 2,431	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 17,559
25-29	Number	423	87	2	0	0	0	0	0	512
	Total Salary	$ 10,711,697	$ 3,094,001	$ 113,076	$ 0	$ 0	$ 0	$ 0	$ 0	$ 13,918,774
	Average Sal.	$ 25,323	$ 35,563	$ 56,538	$ 0	$ 0	$ 0	$ 0	$ 0	$ 27,185
30-34	Number	357	190	43	2	0	0	0	0	592
	Total Salary	$ 10,277,929	$ 7,728,834	$ 1,747,176	$ 71,142	$ 0	$ 0	$ 0	$ 0	$ 19,825,081
	Average Sal.	$ 28,790	$ 40,678	$ 40,632	$ 35,571	$ 0	$ 0	$ 0	$ 0	$ 33,488
35-39	Number	247	157	70	9	2	0	0	0	485
	Total Salary	$ 6,603,134	$ 6,402,513	$ 3,128,267	$ 369,607	$ 89,078	$ 0	$ 0	$ 0	$ 16,592,599
	Average Sal.	$ 26,733	$ 40,780	$ 44,690	$ 41,067	$ 44,539	$ 0	$ 0	$ 0	$ 34,212
40-44	Number	282	172	73	36	10	1	0	0	574
	Total Salary	$ 7,612,344	$ 6,505,469	$ 3,081,375	$ 1,947,264	$ 500,397	$ 36,540	$ 0	$ 0	$ 19,683,389
	Average Sal.	$ 26,994	$ 37,822	$ 42,211	$ 54,091	$ 50,040	$ 36,540	$ 0	$ 0	$ 34,292
45-49	Number	266	170	74	42	21	19	0	0	592
	Total Salary	$ 6,518,154	$ 5,894,592	$ 2,831,142	$ 1,666,746	$ 740,534	$ 1,089,701	$ 0	$ 0	$ 18,740,869
	Average Sal.	$ 24,504	$ 34,674	$ 38,259	$ 39,684	$ 35,264	$ 57,353	$ 0	$ 0	$ 31,657
50-54	Number	285	218	123	51	57	49	27	4	814
	Total Salary	$ 6,918,714	$ 7,124,183	$ 4,568,372	$ 2,173,415	$ 2,386,375	$ 2,440,376	$ 1,218,765	$ 170,934	$ 27,001,134
	Average Sal.	$ 24,276	$ 32,680	$ 37,141	$ 42,616	$ 41,866	$ 49,804	$ 45,139	$ 42,734	$ 33,171
55-59	Number	249	212	134	70	57	54	43	52	871
	Total Salary	$ 6,329,568	$ 7,043,997	$ 4,933,620	$ 2,569,123	$ 2,044,091	$ 2,199,563	$ 1,931,963	$ 2,491,282	$ 29,543,207
	Average Sal.	$ 25,420	$ 33,226	$ 36,818	$ 36,702	$ 35,861	$ 40,733	$ 44,929	$ 47,909	$ 33,919
60-64	Number	182	206	116	71	69	73	64	61	842
	Total Salary	$ 4,165,803	$ 6,163,661	$ 4,238,125	$ 2,565,471	$ 2,632,242	$ 3,004,824	$ 2,581,424	$ 2,702,172	$ 28,053,722
	Average Sal.	$ 22,889	$ 29,921	$ 36,536	$ 36,133	$ 38,148	$ 41,162	$ 40,335	$ 44,298	$ 33,318
65 & Up	Number	151	171	104	75	58	63	43	66	731
	Total Salary	$ 2,731,389	$ 3,863,594	$ 2,600,809	$ 2,224,070	$ 1,850,384	$ 1,974,372	$ 1,545,472	$ 2,323,654	$ 19,113,744
	Average Sal.	$ 18,089	$ 22,594	$ 25,008	$ 29,654	$ 31,903	$ 31,339	$ 35,941	$ 35,207	$ 26,147
Total	Number	2,655	1,585	739	356	274	259	177	183	6,228
	Total Salary	$ 65,639,113	$ 53,825,706	$ 27,241,962	$ 13,586,838	$ 10,243,101	$ 10,745,376	$ 7,277,624	$ 7,688,042	$ 196,247,762
	Average Sal.	$ 24,723	$ 33,959	$ 36,863	$ 38,165	$ 37,384	$ 41,488	$ 41,117	$ 42,011	$ 31,511

INACTIVE VESTED MEMBERS
AS OF JANUARY 1, 2014

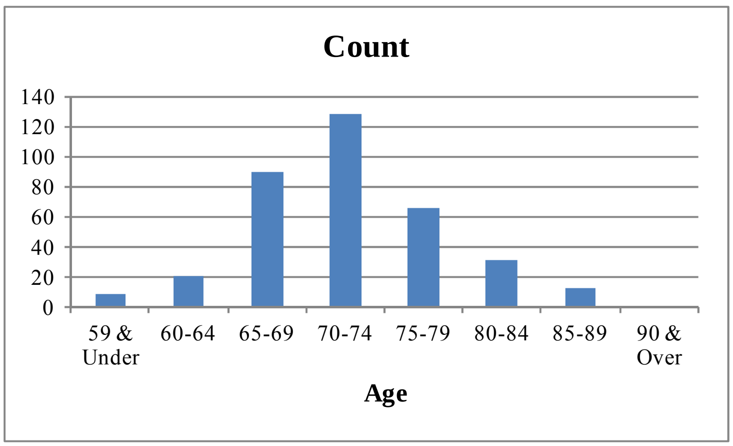
	Count of Members			Account Balances		
Age	Male	Female	Total	Male	Female	Total
24 & Under	1	3	4	$ 1,492	$ 5,843	$ 7,335
25-29	12	21	33	211,109	264,999	476,108
30-34	28	29	57	575,892	588,529	1,164,421
35-39	26	44	70	546,938	1,021,382	1,568,320
40-44	39	36	75	1,287,016	899,188	2,186,204
45-49	28	40	68	760,589	793,880	1,554,469
50-54	38	58	96	1,748,652	1,578,504	3,327,156
55-59	64	59	123	2,327,609	1,907,147	4,234,756
60-64	64	80	144	3,256,679	2,026,942	5,283,621
65 & Up	103	75	178	5,986,282	5,518,917	11,505,199
Total	403	445	848	$ 16,702,258	$ 14,605,331	$ 31,307,589

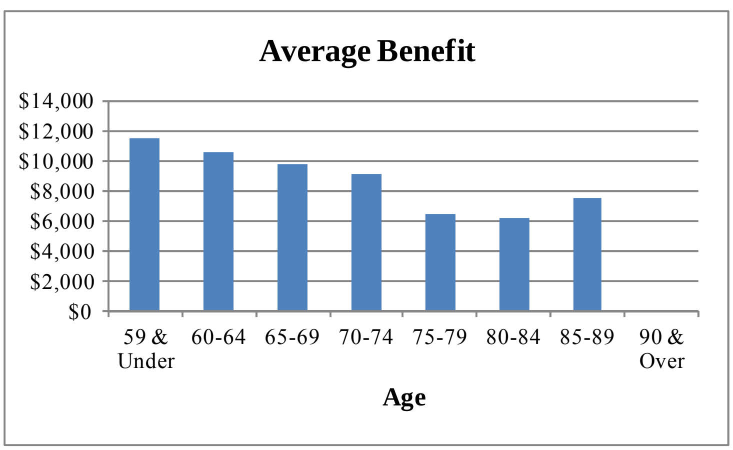




RETIRED MEMBERS
AS OF JANUARY 1, 2014

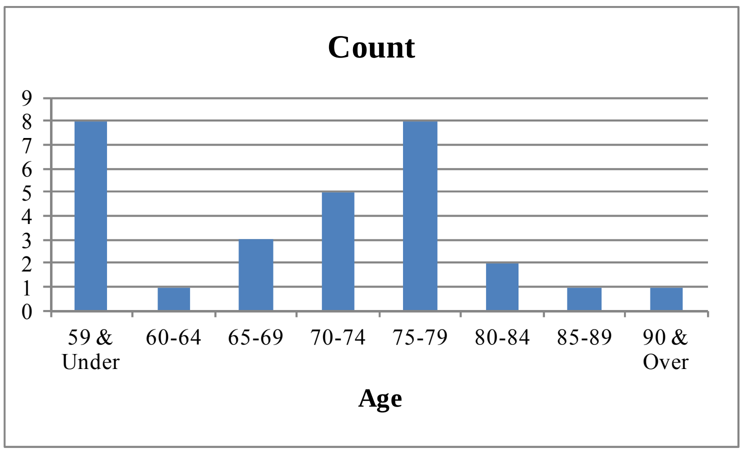
	Count of Members			Annual Benefits		
Age	Male	Female	Total	Male	Female	Total
59 & Under	6	2	8	$ 86,846	$ 5,264	$ 92,110
60-64	11	9	20	154,067	56,809	210,876
65-69	48	42	90	479,367	393,180	872,547
70-74	68	60	128	610,146	547,708	1,157,854
75-79	35	30	65	213,115	201,299	414,414
80-84	20	11	31	148,659	43,099	191,758
85-89	11	2	13	69,950	27,312	97,262
90 & Over	0	0	0	0	0	0
Total	199	156	355	$ 1,762,150	$ 1,274,671	$ 3,036,821

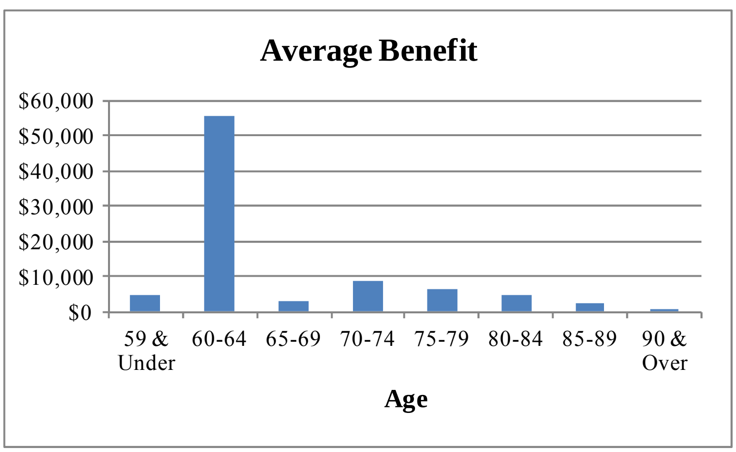




BENEFICIARIES RECEIVING BENEFITS
AS OF JANUARY 1, 2014

	Count of Members			Annual Benefits		
Age	Male	Female	Total	Male	Female	Total
59 & Under	5	3	8	$ 27,180	$ 11,320	$ 38,500
60-64	1	0	1	55,467	0	55,467
65-69	3	0	3	9,050	0	9,050
70-74	5	0	5	44,208	0	44,208
75-79	8	0	8	51,029	0	51,029
80-84	0	2	2	0	9,756	9,756
85-89	1	0	1	2,490	0	2,490
90 & Over	1	0	1	613	0	613
Total	24	5	29	$ 190,037	$ 21,076	$ 211,113





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 full-time or 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 Fund. 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 plan 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 Fund. 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 plan 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 Fund 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 County 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 made by commissioned law enforcement personnel at a rate of 100%.

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 daily. 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 County 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 credits, 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 full lump sum or partial lump sum.

Normal Form of Payment
The normal form of payment under the Cash Balance Benefit Fund 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%).

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 credits, 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 credits, 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 credits, 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 interest 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 if the unfunded actuarial accrued liability is less than zero, but in no event will such improvement result in an actuarially required contribution rate in excess of 90% of the total statutory contribution rate.

Dividend Policy

Under Nebraska Statutes, the Board may grant a dividend in addition to the regular interest credit if the UAL is less than $0 (i.e. a surplus exists) and the actuarial contribution after the extra dividend is no more than 90% of the scheduled contribution rate. Additionally, the Board has adopted a policy that also requires that the Accumulated Obligation be completely funded.

Changes in Plan Provisions Since the Prior Year

There have been no changes in plan provisions since the last actuarial valuation.

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 the related to the total payroll of active members under age 80. The actuarial assumptions shown in this appendix 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 benefit accrued to the valuation date). The unfunded actuarial accrued liability is the excess of the actuarial accrued liability over the actuarial value of plan assets measured on the valuation date. The unfunded actuarial accrued liability is funded with a level dollar payment amount over 25 years from 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. If the unfunded actuarial accrued liability becomes negative, prior changes to the unfunded liability are eliminated and the current unfunded liability is amortized with a closed level dollar payment over 25 years.

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.

2. **Calculation of the Actuarial Value of Assets:** Effective January 1, 2003, the actuarial value of assets was initiated 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.

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

As of January 1, 2013, there have been no changes in the actuarial methods or procedures since the last actuarial valuation.

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%

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.

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

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.

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 non-vested 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
Non-vested	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

There have been no changes in assumptions since the last valuation.

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 number 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.