

**NEBRASKA PUBLIC EMPLOYEES
RETIREMENT SYSTEMS
2013**

State Equal Retirement Benefit Fund
Actuarial Valuation Results
as of January 1, 2013
for State Fiscal Year Ending June 30, 2014

May 2013

buckconsultants®

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May 6, 2013

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

**Certification of Actuarial Valuation
State Equal Retirement Benefit Fund**

Ladies and Gentlemen:

This report summarizes the results of the actuarial valuation of the State Equal Retirement Benefit Fund as of January 1, 2013, performed by Buck Consultants, Inc.

The actuarial valuation is based on unaudited financial and member data provided to us by the Ameritas Life Insurance Corporation, recordkeeper for the plan, 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 the experience of the fund and reasonable expectations, and represent our best estimate of anticipated future experience. A summary of the actuarial assumptions used in this actuarial valuation are shown in Exhibit 4.

Funding required from each participating State agency for current plan members, as approved by the Retirement Board, is equal to an amount necessary to fully fund the benefit obligation, or alternatively, an annual payment which would amortize the unfunded liability over a period of twenty years commencing January 1, 1999. For the 2013 – 2014 fiscal year, the total State amortization payment is \$83,340.

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 further explanations to details as may be appropriate.

Respectfully submitted,



David H. Sliskinsky, ASA, EA, MAAA, FCA
Principal and Consulting Actuary



Randy E. Halper, EA, MAAA, FCA, MBA
Senior Consultant, Retirement Actuary

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
STATE EQUAL RETIREMENT BENEFIT FUND
AS OF JANUARY 1, 2013

Summary of Member Data

Age Range	Data	Gender		Total
		Male	Female	
Less Than 40	Count of Members	0	1	1
	Average of Total Balance	\$ 0	\$ 40,147	\$ 40,147
	Sum of Total Balance	\$ 0	\$ 40,147	\$ 40,147
40-44	Count of Members	0	1	1
	Average of Total Balance	\$ 0	\$ 36,705	\$ 36,705
	Sum of Total Balance	\$ 0	\$ 36,705	\$ 36,705
45-49	Count of Members	0	1	1
	Average of Total Balance	\$ 0	\$ 5,269	\$ 5,269
	Sum of Total Balance	\$ 0	\$ 5,269	\$ 5,269
50-54	Count of Members	4	5	9
	Average of Total Balance	\$ 1,428	\$ 4,827	\$ 3,316
	Sum of Total Balance	\$ 5,712	\$ 24,136	\$ 29,848
55-59	Count of Members	94	114	208
	Average of Total Balance	\$ 2,432	\$ 2,191	\$ 2,300
	Sum of Total Balance	\$ 228,617	\$ 249,790	\$ 478,407
60-64	Count of Members	429	358	787
	Average of Total Balance	\$ 34,321	\$ 21,925	\$ 28,682
	Sum of Total Balance	\$ 14,723,578	\$ 7,849,292	\$ 22,572,870
65-69	Count of Members	225	135	360
	Average of Total Balance	\$ 93,128	\$ 33,341	\$ 70,708
	Sum of Total Balance	\$ 20,953,880	\$ 4,501,018	\$ 25,454,898
70-74	Count of Members	47	36	83
	Average of Total Balance	\$ 140,427	\$ 36,616	\$ 95,400
	Sum of Total Balance	\$ 6,600,067	\$ 1,318,167	\$ 7,918,234
75+	Count of Members	23	25	48
	Average of Total Balance	\$ 125,377	\$ 47,305	\$ 84,714
	Sum of Total Balance	\$ 2,883,662	\$ 1,182,615	\$ 4,066,277
Total Members		822	676	1,498
Total Average Balance		\$ 55,226	\$ 22,496	\$ 40,456
Grand Total Balance		\$ 45,395,516	\$ 15,207,139	\$ 60,602,655

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
STATE EQUAL RETIREMENT BENEFIT FUND
AS OF JANUARY 1, 2013

Summary of Actuarial Results and Contribution Alternatives

Below is a comparison of results of the current and prior years' actuarial valuations.

Results	Actuarial Valuation as of January 1	
	2012	2013
Number of Members		
Cash Balance	769	678
Defined Contribution	894	820
Total	1,663	1,498
Pre-1984 Account Balance with Interest, Beginning of Year		
Cash Balance	\$ 33,229,927	\$ 28,701,787
Defined Contribution	34,167,725	31,900,868
Total	\$ 67,397,652	\$ 60,602,655
Projected Benefit Cost*		
a. Amount	\$ 940,205	\$ 898,847
b. As a percent of the account balance	1.395%	1.483%
Actuarial Value of Assets		
a. Asset Value as of prior year's valuation	\$ 494,751	\$ 483,304
b. Deposits during the year	89,029	83,822
c. Withdrawals during the year	106,895	130,678
d. Investment Return or (Loss)	6,419	58,741
e. Expenses	0	0
f. Other	0	687
g. Actuarial Value of Assets as of Valuation Date [a. + b. - c. + d. - e. + f.]	\$ 483,304	\$ 495,876
Unfunded Liability/(Surplus)	\$ 456,901	\$ 402,971
Contribution Alternatives		
Full contribution	\$ 456,901	\$ 402,971
20 year amortization payment from January 1, 1999	\$ 83,822	\$ 83,340

* Cost is based on assumption that 75% will choose a lump sum or installment payment instead of an annuity.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
STATE EQUAL RETIREMENT BENEFIT FUND
AS OF JANUARY 1, 2013**

Summary of Benefit Provisions

Member	Any person employed by a State agency participating in either the Defined Contribution or Cash Balance Benefit under the State Employees Retirement System who has an accumulated account balance based on contributions which were made prior to January 1, 1984.
Contributions	Each participating State agency shall make contributions to the fund on an actuarial basis as approved by the Retirement Board.
Eligibility for Benefits	Any member who retires or terminates service and elects to convert to an annuity using their accumulated account balance, with interest, commencing on or after age 55, is eligible to receive a benefit from the fund.
Benefit Amount	<p>The fund shall provide the Actuarially Equivalent amount required to purchase the additional monthly annuity, if any, which is equal to:</p> <ul style="list-style-type: none"> a. the income provided by the Member's accumulated contributions made prior to January 1, 1984 with interest, based on male annuity conversion factors in effect on the annuity starting date, <p style="text-align: center;">less</p> <ul style="list-style-type: none"> b. the income provided by the Member's accumulated contributions made prior to January 1, 1984 with interest, which are based on 50% male / 50% female annuity conversion factors in effect on the annuity starting date.
Cash Balance Conversion	Any member who elected to contribute his or her account balance to the Nebraska State and County Cash Balance Plan as of January 1, 2003 will have his or her Benefit Amount determined using the annuity conversion interest rate applicable to the State Employees Retirement System (Cash Balance Benefit), which for 2013 is 7.75%. Any other member will have his or her Benefit Amount determined using the annuity conversion interest rate applicable to the State Employees Retirement System (Defined Contribution Benefit), which for 2013 is 3.42%.

Changes in Benefit Provisions Since the Prior Year

There were no changes made to the benefit provisions since the last actuarial valuation performed January 1, 2012.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
STATE EQUAL RETIREMENT BENEFIT FUND
AS OF JANUARY 1, 2013**

Summary of Actuarial Methods and Assumptions

Economic Assumptions

- | | |
|--|--|
| 1. Investment Return | 7.75% per annum, compounded annually, net of expenses. |
| 2. Consumer Price Inflation | 3.25% per annum, compounded annually. |
| 3. Interest on accumulated contribution balances (contributions made before January 1, 1984) | 7.75% per annum, compounded annually. |
| 4. COLA (optional purchase applicable to annuities) | 2.5% per annum, compounded annually. |

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
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AS OF JANUARY 1, 2013**

Summary of Actuarial Methods and Assumptions

Demographic Assumptions

1. Mortality

- a. Pre-retirement None.
- b. Post-retirement 1994 Group Annuity Mortality (based on Actuarial Equivalence definition in Statute).

2. Retirement

Rates vary by age as follows:

Age	State Annual Rates
55	5%
56	5
57	5
58	5
59	5
60	5
61	8
62	15
63	10
64	15
65	25
66	25
67	25
68	25
69-79	20
80	100

3. Withdrawal

None.

4. Disability

None.

Other Assumptions

1. Payment election

75% of retiring members were assumed to elect a lump sum distribution or installment payment, and 25% of retiring members were assumed to elect an annuity form of distribution.

2. Form of Annuity Payment

Of members electing an annuity, 80% of those members were assumed to elect a 5-year certain and life annuity without COLA, and 20% of those members were assumed to elect a 5-year certain and life annuity with a 2.5% annual COLA.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
STATE EQUAL RETIREMENT BENEFIT FUND
AS OF JANUARY 1, 2013**

**Exhibit 4
(CONTINUED)**

Summary of Actuarial Methods and Assumptions

Methods

- | | |
|---------------------------|---|
| 1. Funding Method | Aggregate Actuarial Cost Method. The present value of future benefits or Projected Benefit Cost, less the Actuarial Value of Assets, equals the Unfunded Liability or Surplus. The minimum recommended contribution is equal to an annual amount necessary to amortize the Unfunded Liability over twenty years from January 1, 1999. |
| 2. Asset Valuation Method | Fair value. |

Changes in Assumptions Since the Prior Year

The retirement rates were updated to the new State Cash Balance rates from the experience analysis performed during 2012 and adopted by the Nebraska Public Employee Retirement Board in August 2012. In addition, consumer price inflation was lowered to 3.25% from 3.5% per year to more accurately reflect expected experience.