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GASB STATEMENT NO. 67 REPORT

FOR THE

OMAHA SCHOOL EMPLOYEES'

RETIREMENT SYSTEM

MEASUREMENT DATE: AUGUST 31, 2018

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November 12, 2018

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

Dear Members of the Board:

Presented in this report is information to assist the Omaha School Employees' Retirement System in meeting the requirements of the Governmental Accounting Standards Board (GASB) Statement No. 67. The information is presented for the August 31, 2018 Measurement Date. The calculations in this report have been made on a basis that is consistent with our understanding of this accounting standard (GASB 67).

The annual actuarial valuation used as a basis for much of the information presented in this report was performed as of January 1, 2018. The valuation was based upon data, furnished by the Executive Director and the Omaha School Employees' Retirement System staff, concerning active, inactive and retired members along with pertinent financial information. This information was reviewed for completeness and internal consistency, but was not audited by us. The valuation results depend on the integrity of the data. If any of the information is inaccurate or incomplete, our results may be different and our calculations may need to be revised. Please see the actuarial valuation for additional details on the funding requirements for the System including actuarial assumptions and methods and the funding policy.

To the best of our knowledge, the information contained in this report is complete and accurate. The calculations were performed by qualified actuaries according to generally accepted actuarial principles and practices, as well as in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board. The calculations are based on the current provisions of the System, and on actuarial assumptions that are internally consistent and individually reasonable based on the actual experience of the System. In addition, the calculations were completed in compliance with applicable law and, in our opinion, meet the requirements of GASB 67.

These results are only for financial reporting and may not be appropriate for funding purposes or other types of analysis. Calculations for purposes other than satisfying the requirements of GASB 67 may produce significantly different results. Future actuarial results may differ significantly from the current results presented in this report due to such factors as changes in plan experience or changes in economic or demographic assumptions.

We, Patrice A. Beckham, FSA and Bryan K. Hoge, FSA 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 this report or to provide explanations or further details as may be appropriate.

Respectfully submitted,

Patrice Beckham

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

Bryan K. Hoge, FSA, EA, FCA, MAAA
Senior Actuary

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REPORT OF THE ANNUAL GASB STATEMENT NO. 67

OMAHA SCHOOL EMPLOYEES' RETIREMENT SYSTEM

SUMMARY OF PRINCIPAL RESULTS

Valuation Date (VD):	January 1, 2018
Prior Measurement Date:	August 31, 2017
Measurement Date (MD):	August 31, 2018
Membership Data:	
Retirees and Beneficiaries	4,678
Inactive Vested Members	1,043
Inactive Nonvested Members	413
Active Employees	7,569
Total	13,703
Single Equivalent Interest Rate (SEIR):	
Long-Term Expected Rate of Return	7.50%
Municipal Bond Index Rate at Prior Measurement Date	3.53%
Municipal Bond Index Rate at Measurement Date	3.96%
Year in which Fiduciary Net Position is Projected to be Depleted	N/A
Single Equivalent Interest Rate at Prior Measurement Date	7.50%
Single Equivalent Interest Rate at Measurement Date	7.50%
Net Pension Liability:	
Total Pension Liability (TPL)	$2,186,755,434
Fiduciary Net Position (FNP)	1,293,685,158
Net Pension Liability (NPL = TPL – FNP)	$893,070,276
FNP as a percentage of TPL	59.16%

INTRODUCTION

The Governmental Accounting Standards Board issued Statement No. 67 (GASB 67), *"Financial Reporting for Pension Plans"*, in June 2012. The effective date for reporting under GASB 67 for the Omaha School Employees' Retirement System was the fiscal year ending August 31, 2014. Based on the provisions of GASB 67, the Omaha School Employees' Retirement System is a single employer defined benefit pension plan.

This report, prepared as of August 31, 2018 (the Measurement Date), presents information to assist the Omaha School Employees' Retirement System in meeting the requirements of GASB 67. Much of the material provided in this report is based on the data, assumptions and results of the annual actuarial valuation of the System performed as of January 1, 2018 (the Valuation Date). The results of that valuation were detailed in a report dated May 2, 2018.

GASB 67 discloses the Total Pension Liability (TPL) utilizing the Entry Age Normal actuarial cost method. The Net Pension Liability (NPL) is equal to the TPL minus the System's Fiduciary Net Position (FNP) (basically the fair (market) value of assets). The benefit provisions recognized in the calculation of the TPL are summarized in Appendix B.

Among the items needed for the liability calculation is the discount rate, or Single Equivalent Interest Rate (SEIR), as described by GASB 67. To determine the SEIR, the FNP must be projected, using GASB 67 guidelines, into the future for as long as there are anticipated benefits payable under the plan's provisions applicable to the members and beneficiaries of the System on the Measurement Date. If the FNP is not projected to be depleted at any point in the future, the long-term expected rate of return on plan investments expected to be used to finance the benefit payments may be used as the SEIR.

If, however, the FNP is projected to be depleted at a future measurement date, the SEIR is determined as the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by discounting all projected benefit payments through the date of depletion by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion by a 20-year tax-exempt municipal bond (rating AA/Aa or higher) rate. The rate used, if necessary, for this purpose is the monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate (formerly published monthly by the Board of Governors of the Federal Reserve System).

Our calculations indicate that the FNP is not projected to be depleted, so the Municipal Bond Index Rate is not used in the determination of the SEIR for either the August 31, 2017 or the August 31, 2018 TPL. The SEIR for both the current and Prior Measurement Date is 7.50%, the long-term assumed rate of return on investments. Please see Paragraph 31.b.(1) for more explanation of the development of the SEIR.

The FNP projections are based upon the Omaha School Employees' Retirement System's financial status on the Measurement Date, the indicated set of methods and assumptions, and the requirements of GASB 67. As such, the FNP projections are not reflective of the cash flows and asset accumulations that would occur on an ongoing plan basis, reflecting the impact of future members. Therefore, the results of this test do not necessarily indicate whether or not the fund will actually run out of money, the financial condition of the System, or the System's ability to make benefit payments in future years.

Once members have retired, the System serves as the administrator for the service annuity benefit provided to employees of the Omaha Public Schools Board of Education of the Douglas County School District 0001 by the state of Nebraska. The service annuity is funded within the Nebraska School Employees Retirement System by contributions from the state. Asset transfers are made to the Omaha School Employees' Retirement System each year in an amount theoretically equal to the liability transferred to the System for the service annuity benefit. This transaction increases the TPL and the FNP by the same amount, and thus has no impact on the Net Pension Liability.

Legislation passed in the 2017 session modifies the benefit provisions for members hired on or after July 1, 2018, creating a new tier. This legislation was effective prior to the current Measurement Date, however, it had no significant impact on the TPL. Therefore, no adjustment was made to the TPL after rolling it forward from the Valuation Date of January 1, 2018 to the Measurement Date of August 31, 2018.

The sections that follow provide the results of all the necessary calculations, presented in the order laid out in GASB 67 for note disclosure and Required Supplementary Information (RSI).

SECTION I – NOTES TO FINANCIAL STATEMENTS

The material presented herein will follow the order presented in GASB 67. Paragraph numbers are provided for ease of reference.

Paragraphs 30.a. (1)-(3): This information will be supplied by the System.

Paragraph 30.a. (4): The data required regarding the membership of the System were furnished by the System. The following table summarizes the membership of the System as of January 1, 2018, the date of the valuation used to determine the August 31, 2018 TPL.

Membership

Number as of January 1, 2018	
Inactive Members Or Their Beneficiaries Currently Receiving Benefits	4,678
Inactive Members Entitled To But Not Yet Receiving Benefits	1,043
Inactive Nonvested Members Entitled to a Refund of Member Contributions	413
Active Members	7,569
Total	13,703

Paragraphs 30.a. (5)-(6) and Paragraphs 30.b.-f.: This information will be supplied by the System.

Paragraph 31.a. (1)-(4): As stated earlier, the NPL is equal to the TPL minus the FNP. That result, as of August 31, 2018, is presented in the following table.

Fiscal Year Ending August 31, 2018	
Total Pension Liability	$2,186,755,434
Fiduciary Net Position	1,293,685,158
Net Pension Liability	$893,070,276
Ratio of Fiduciary Net Position to Total Pension Liability	59.16%

Paragraph 31.b.: This paragraph requires information to be disclosed regarding the actuarial assumptions and other inputs used to measure the TPL. The complete set of actuarial assumptions and other inputs utilized in developing the TPL are outlined in Appendix C. The TPL as of August 31, 2018 was determined based on an actuarial valuation as of January 1, 2018, rolled forward to August 31, 2018 using standard actuarial formulae and the following actuarial assumptions, applied to all periods included in the measurement:

Price Inflation	2.75 percent
Wage Inflation	3.25 percent
Salary increases, including price inflation	3.75 to 6.25 percent
Long-term Rate of Return, net of investment expense, including price inflation	7.50 percent
Municipal Bond Index Rate	
Prior Measurement Date	3.53 percent
Measurement Date	3.96 percent
Year FNP is projected to be depleted	N/A
Single Equivalent Interest Rate, net of investment expense, including price inflation	
Prior Measurement Date	7.50 percent
Measurement Date	7.50 percent

Cost-of-Living Adjustments	1.50 percent if hired before July 1, 2013 1.00 percent if hired on or after July 1, 2013 Medical COLA of $10/month for each year retired (max $250/month), if hired before July 1, 2016
Mortality	Pre-retirement mortality rates were based on the RP-2014 Mortality Table, female rates set back 1 year and male rates set forward 1 year, projected on a generational basis using Scale MP-2016. Post-retirement mortality rates were based on the same rates as the pre-retirement tables.

Post-disability mortality rates were based on the RP-2014 Disabled Retiree Mortality Table, without generational improvement.

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study, which covered the five-year period ending August 31, 2016. The experience study report is dated April 5, 2017.

Paragraph 31.b.(1)

(a) Discount rate (SEIR): The discount rate used to measure the TPL at August 31, 2018 was 7.50 percent. There was no change from the Prior Measurement Date.

(b) Projected cash flows: The projection of cash flows used to determine the discount rate assumed that plan contributions from members, the School District and the state of Nebraska will be made at the current contribution rates as set out in state statute:

a. Employee contribution rate: 9.78% of compensation.
b. School District contribution rate: 101% of the employee contribution rate. In addition, if the statutory contribution rate is less than the actuarial determined contribution, the School District will contribute the difference.
c. State contribution rate: 2% of the members' compensation.
d. Administrative expenses in the prior year were projected forward with price inflation as an estimate for administrative expenses in current and future years. The portion of expenses in future years allocated to the current members was based on the proportionate share of covered payroll in each year for the remainder of the existing members to the total covered payroll for all members.

Based on those assumptions, the System's FNP was projected to be available to make all projected future benefit payments of current System members. Therefore, the long-term expected rate of return on System investments of 7.50% was applied to all periods of projected benefit payments to determine the TPL.

The FNP projections are based upon the System's financial status on the Measurement Date, the indicated set of methods and assumptions, and the requirements of GASB 67. As such, the FNP projections are not reflective of the cash flows and asset accumulations that would occur on an ongoing System basis, reflecting the impact of future members. Therefore, the results of this test do not necessarily indicate whether or not the fund will actually run out of money, the financial condition of the System, or the System's ability to make benefit payments in future years.

(c) Long-term rate of return: The long-term expected rate of return on plan assets is reviewed as part of regular experience studies, prepared periodically. The most recent analysis was performed and results were included in a report dated April 5, 2017. Generally, several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class, were developed by the System's investment consultant. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant may cover a shorter investment horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the long-term inflation assumption, or a fundamental change in the market that alters expected returns in future years.

(d) Municipal bond rate: A municipal bond rate was not used in determining the discount rate. If it were required, the rate would be 3.96% on the Measurement Date.

(e) Periods of projected benefit payments: Projected future benefit payments for all current System members were projected through 2117.

(f) Assumed asset allocation: The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by the System's investment consultant for the last experience study, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Large Cap Equity	26.1%	6.3%
Small Cap Equity	2.9%	6.8%
Global Equity	15.0%	7.2%
International Developed Equity	10.8%	7.2%
Emerging Markets	2.7%	7.5%
Core Bonds	20.0%	2.9%
High Yield Investments	3.5%	5.4%
Bank Loans	5.0%	4.4%
International Bonds	1.5%	2.2%
Real Estate	7.5%	5.7%
Private Equity	5.0%	8.5%
Total	100.0%	

*Arithmetic mean, net of investment expenses

(g) Sensitivity analysis: This paragraph requires disclosure of the sensitivity of the NPL to changes in the discount rate. The following presents the NPL of the System, calculated using the discount rate of 7.50 percent, as well as the System's NPL calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Total Pension Liability	$2,466,537,121	$2,186,755,434	$1,954,581,456
Fiduciary Net Position	1,293,685,158	1,293,685,158	1,293,685,158
Net Pension Liability	$1,172,851,963	$893,070,276	$660,896,298

Paragraph 31.c.: The TPL at August 31, 2018 is based upon an actuarial valuation prepared as of January 1, 2018. To determine the TPL, the liability was rolled forward eight months to August 31, 2018 using standard actuarial formulae and the actuarial assumptions used in the valuation.

SECTION II – REQUIRED SUPPLEMENTARY INFORMATION

There are several tables of Required Supplementary Information (RSI) that need to be included in the System's financial statements:

> **Paragraphs 32.a.-c.:** The required tables of schedules are provided in Appendix A.
> **Paragraph 32.d.:** The money-weighted rates of return will be supplied by the System.

Paragraph 34: The following information should be noted regarding the RSI, particularly for the *Schedule of Employer Contributions*:

Changes of benefit and funding terms: The following changes to the plan provisions were made by the Nebraska Legislature and reflected in the valuation performed as of September 1 (January 1 starting in 2017) listed below:

2018: The 2017 session of the Nebraska Legislature enacted Legislative Bill 415 (LB 415), which changed the retirement provisions for members hired on or after July 1, 2018 to match the School Employees Retirement System of the State of Nebraska. Retirement eligibility for members hired on or after July 1, 2018 is set at age 60 with 85 points (age plus service) or age 60 with five years of service. Benefits are unreduced at age 60 with 85 points. Early retirement eligibility is age 60 with five years of service. No medical COLA is provided for members hired on or after July 1, 2018.

The 2018 session of the Nebraska Legislature enacted Legislative Bill 1005 (LB 1005), which states that the School District must contribute an amount equal to or greater than the actuarially required contribution rate provided in the most recent valuation report.

2017: The 2016 session of the Nebraska Legislature enacted Legislative Bill 447 (LB 447), which changed the retirement provisions for members hired on or after July 1, 2016 to match the School Employees Retirement System of the State of Nebraska. Retirement eligibility for members hired on or after July 1, 2016 is set at 35 years of service, age 55 with 85 points (age plus service) or age 60 with five years of service. Benefits are unreduced with 35 years of service or at age 55 with 85 points. Early retirement eligibility is age 60 with five years of service. No medical COLA is provided for members hired on or after July 1, 2016.

2013: The 2013 session of the Nebraska Legislature enacted Legislative Bill 553 (LB 553), which increased the Member's contribution rate from 9.30% of pay to 9.78% of pay. The School District's contribution rate is equal to 101% of the employee contribution rate so the District's contribution rate increased from 9.3930% of pay to 9.8778% of pay. The State contribution rate also increased permanently from 1.00% (plus $973,301) to 2.00% of payroll, effective July 1, 2014. LB 553 also created a new benefit structure for members hired on or after July 1, 2013 with the same benefit structure as pre-July 1, 2013 hires except annual cost of living adjustments are the lesser of 1.00% or CPI and final average compensation is defined as 1/60 of the total compensation received during the five fiscal years of highest compensation.

2011: The member contribution rate was increased by the 2011 Legislature from 8.30% to 9.30%, effective September 1, 2011. Since the employer contributes 101% of the member contribution rate, the 1.00% increase in the member contribution rate resulted in an increase of 1.01% in the District's contribution rate.

2009: Legislation passed in 2009 increased the employee contribution rate from 7.30% to 8.30% of pay. The School District contributes 101% of the employee rate so the District's contribution increased from 7.373% to 8.383% of pay. The legislation that enacted these changes also provided for a temporary increase in the State's contribution rate from 0.70% to 1.00% of pay for July, 2009 to July, 2014.

Changes in actuarial assumptions and methods:

1/1/2017 valuation:

- The investment return assumption was lowered from 8.00% to 7.50%.
- The inflation assumption was lowered from 3.00% to 2.75%.
- The assumed interest rate credited on employee contributions was lowered from 3.00% to 2.75%.
- The general wage increase assumption was lowered from 4.00% to 3.25%.
- The mortality assumption was changed to the RP-2014 Mortality Table, with a one-year age set forward for males and a one-year age setback for females. Generational mortality improvements are modeled using the MP-2016 scale.
- Retirement rates were modified for both Certificated and Classified employees.
- The probability of electing a refund at termination was modified for Classified employees.
- Termination rates for Certificated employees were changed to be the same regardless of gender, and are purely service-based for both Certificated and Classified employees.
- The salary increase assumption was changed to a service-based assumption for both Certificated and Classified employees.
- The amortization of the UAAL was changed to a "layered" approach with new pieces of UAAL amortized over a 25-year period beginning on the valuation date. The legacy UAAL continues to be amortized on its current schedule.
- The valuation date changed from September 1 to January 1.

9/1/2013 valuation:

- The one-year age set forward in mortality rates for active male employees was eliminated.
- Classified members' retirement rates were adjusted.
- Vested Certificated members' assumption to elect a refund of contributions was adjusted at certain ages.
- The assumed interest rate credited on member contribution accounts was lowered from 7.00% to 3.00%.

9/1/2010 valuation:

- The inflation assumption was changed from 3.50% to 3.00%.
- The real rate of return increased from 4.50% to 5.00%.
- The productivity portion of the general wage increase assumption increased from 0.50% to 1.00%.

Method and assumptions used in calculations of actuarially determined contributions.

The System is funded by statutory contribution rates for members, the School District and the state of Nebraska. If the statutory contribution rate is less than the Actuarially Determined Contribution, the School District will contribute the difference. The Actuarially Determined Contributions in the *Schedule of Employer Contributions* are calculated as of the valuation date that falls within the fiscal year in which contributions are reported.

The following actuarial methods and assumptions were used to determine the Actuarially Determined Contribution reported for the most recent Measurement Date, August 31, 2018 (based on the January 1, 2018 actuarial valuation).

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	Layered bases with remaining periods ranging from 24 to 26 years
Asset valuation method	Market related smoothed value
Price Inflation	2.75 percent
Salary increases, including price inflation	3.75 to 6.25 percent
Long-term Rate of Return, net of investment expense, including price inflation	7.50 percent
Cost-of-Living Adjustments	1.50 percent if hired before July 1, 2013 1.00 percent if hired on or after July 1, 2013 Medical COLA of $10/month for each year retired (max $250/month), if hired before July 1, 2016

Please see the information presented earlier in regard to Paragraph 34 for detailed information on the benefit changes and assumption changes that may have impacted the Actuarially Determined Contributions shown in the *Schedule of Employer Contributions*.

APPENDIX A

REQUIRED
SUPPLEMENTARY INFORMATION

Exhibit A

GASB 67 Paragraph 32.a.
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total Pension Liability										
Service Cost at end of year	37,704,370	37,821,192	39,451,282	38,242,041	36,090,083					
Interest on TPL	152,896,352	144,648,218	138,933,056	133,767,537	128,868,116					
Benefit changes	0	0	0	0	0					
Difference between expected										
and actual experience	19,473,802	26,756,700	7,104,235	(501,439)	0					
Changes of assumptions	0	141,347,798	0	0	0					
Other*	1,831,154	2,087,961	1,945,587	2,919,808	0					
Benefit payments, including member refunds	(125,271,851)	(118,996,726)	(113,105,870)	(106,734,649)	(100,810,152)					
Net change in Total Pension Liability	86,633,827	233,665,143	74,328,290	67,693,298	64,148,047					
Total Pension Liability - beginning	2,100,121,607	1,866,456,464	1,792,128,174	1,724,434,876	1,660,286,829					
Total Pension Liability - ending (a)	2,186,755,434	2,100,121,607	1,866,456,464	1,792,128,174	1,724,434,876					
Plan Fiduciary Net Position										
Contributions – employer	55,563,681	47,980,640	33,903,096	33,109,022	31,913,386					
Contributions – State	7,110,542	6,896,500	6,660,783	6,452,650	7,887,615					
Contributions – member	36,326,868	34,882,933	33,763,586	32,583,648	31,596,601					
Net investment income	85,794,483	73,216,821	15,374,507	(51,214,081)	154,207,064					
Benefit payments, including member refunds	(125,271,851)	(118,996,726)	(113,105,870)	(106,734,649)	(100,810,152)					
Administrative expense	(865,431)	(1,383,340)	(1,289,432)	(813,867)	(1,122,765)					
Other*	1,843,864	2,089,867	2,082,980	3,002,628	702,703					
Net change in Plan Fiduciary Net Position	60,502,156	44,686,695	(22,610,350)	(83,614,649)	124,374,452					
Plan Fiduciary Net Position – beginning	1,233,183,002	1,188,496,307	1,211,106,657	1,294,721,306	1,170,346,854					
Plan Fiduciary Net Position - ending (b)	1,293,685,158	1,233,183,002	1,188,496,307	1,211,106,657	1,294,721,306					
Net Pension Liability - ending (a) - (b)	893,070,276	866,938,605	677,960,157	581,021,517	429,713,570					

* Effective 2015, other amounts include transfer of assets for State Service Annuity liabilities transferred to OSERS and purchases of service. For 2018, these amounts were $1,387,155 and $443,999, respectively.

Exhibit A (Continued)

GASB 67 Paragraph 32.b.
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total Pension Liability	2,186,755,434	2,100,121,607	1,866,456,464	1,792,128,174	1,724,434,876					
Plan Fiduciary Net Position	1,293,685,158	1,233,183,002	1,188,496,307	1,211,106,657	1,294,721,306					
Net Pension Liability	893,070,276	866,938,605	677,960,157	581,021,517	429,713,570					
Ratio of Plan Fiduciary Net Position to Total Pension Liability	59.16%	58.72%	63.68%	67.58%	75.08%					
Covered payroll	371,440,368	356,676,207	345,230,941	333,166,135	323,077,710					
Net Pension Liability as a percentage of covered payroll	240.43%	243.06%	196.38%	174.39%	133.01%					

Exhibit B

GASB 67 Paragraph 32.c.
SCHEDULE OF EMPLOYER CONTRIBUTIONS
($ in Thousands)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	62,637	57,674	37,906	34,614	34,225	35,032	32,958	34,181	30,900	24,103
Employer statutory	36,664	35,231	33,903	33,109	31,913	29,581	28,861	26,336	25,331	22,148
Employer additional	18,900	12,750	0	0	0	0	4,330	0	0	0
Non-employer (State)*	7,111	6,897	6,661	6,453	6,285	4,042	3,918	3,919	3,851	3,770
Total contributions	62,675	54,878	40,564	39,562	38,198	33,623	37,109	30,255	29,182	25,918
Annual contribution deficiency (excess)	(38)	2,796	(2,658)	(4,948)	(3,973)	1,409	(4,151)	3,926	1,718	(1,815)
Covered payroll	371,440	356,676	345,231	333,166	323,078	313,946	307,258	310,229	302,229	287,770
Actual contributions as a percentage of covered payroll	16.87%	15.39%	11.75%	11.87%	11.82%	10.71%	12.08%	9.75%	9.66%	9.01%

Note: This Schedule relates to both the employer (School District) and non-employer contributing entities (State of Nebraska).

* Excludes transfer of monies from the Nebraska Public Employees Retirement System to fund the liabilities transferred to the system for the Service Annuity for retirees in the last fiscal year.

APPENDIX B

SUMMARY OF MAIN BENEFIT PROVISIONS
(Used for the January 1, 2018 valuation)

Contributions

Employee Contributions: Employees contribute 9.78% of compensation, effective September 1, 2013. Such contributions are payable each year while employed. Contributions accumulated with interest are refundable at resignation unless the vested retirement benefit has been elected and at death unless the pre-retirement survivor's benefit has been elected.

State Contribution: The State contributes annually an amount equal to 2.0% of the members' compensation, effective July 1, 2014.

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

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

Benefits

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

The service retirement formula is 2.0% per year of creditable service times the final average compensation.

Final average compensation is defined as 1/36 of the total compensation received during the three fiscal years of highest compensation for members hired before July 1, 2013. For members hired on or after July 1, 2013, final average compensation is defined as 1/60 of the total compensation received during the five fiscal years of highest compensation.

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

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

Benefits in pay status are subject to an annual cost of living adjustment equal to the lesser of 1.5% or CPI for members hired before July 1, 2013. There is an additional COLA if surplus assets exist beginning January 1, 2000. Effective October 3, 2001, a medical cost of living adjustment is payable to retired members. Such amount will commence 10 years after retirement and shall be an amount equal to $10 per month for each year retired (subject to a maximum of $250 per month), prorated for years of service less than 20. For members hired on or after July 1, 2013, the annual cost of living adjustment is capped at 1.0%.

Members hired on or after July 1, 2016 are not eligible to receive the medical COLA benefit.

Retirement Annuities: An employee hired before July 1, 2016 may begin receiving a retirement benefit once the employee has left the employment of the School district, selected a retirement date and

(a) has completed 35 years of creditable service,

or

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

or

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

If an employee who was hired before July 1, 2016 begins receiving an annuity after age 62, or when age and service equals or exceeds 85, there is no adjustment for the retirement annuity. If, however, such employee begins receiving an annuity before age 62, the annuity shall be reduced by 0.25% for each month prior to age 62, but if 84 points have been achieved then the reduction is limited to 3%, if 83 points, 6%, and 82 points, 9%.

An employee hired on or after July 1, 2016 and before July 1, 2018 may begin receiving a retirement benefit once the employee has left the employment of the School district, selected a retirement date and

(a) has attained age 55 and the sum of the member's attained age and creditable service totals 85,

or

(b) has 5 years of creditable service and attained age 60.

For employees who were hired on or after July 1, 2016 and before July 1, 2018, if an employee begins receiving an annuity before age 65, such annuity shall be reduced by 0.25% for each month prior to age 65. If, however, the employee has achieved 85 points and is at least age 55, then there is no reduction to the annuity.

An employee hired on or after July 1, 2018 may begin receiving a retirement benefit once the employee has left the employment of the School district, selected a retirement date and

(a) has attained age 60 and the sum of the member's attained age and creditable service totals 85,

or

(b) has 5 years of creditable service and attained age 60.

For employees who were hired on or after July 1, 2018, if an employee begins receiving an annuity before age 65, such annuity shall be reduced by 0.25% for each month prior to age 65. If, however, the employee has achieved 85 points and is at least age 60, then there is no reduction to the annuity.

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

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

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

Vested Retirement Right: Each employee who has completed five or more years of creditable Omaha service is eligible upon resignation to elect a deferred vested benefit, first payable as an unreduced amount at age 65, in lieu of a refund of his accumulated contributions. With ten or more years of total creditable service (including at least five years of creditable Omaha service), the deferred vested benefit could commence, unreduced, at age 62 for employees who were hired before July 1, 2016. If benefits start before age 62 (but not earlier than attained age 55), the benefit shall then be reduced as described above.

For employees who were hired on or after July 1, 2016 and before July 1, 2018, the deferred vested benefit could commence, unreduced, at age 65. If benefits start before age 65 (but not earlier than attained age 55), the benefit shall then be reduced as described above.

For employees who were hired on or after July 1, 2018, the deferred vested benefit could commence, unreduced, at age 65. If benefits start before age 65 (but not earlier than attained age 60), the benefit shall then be reduced as described above.

APPENDIX C

STATEMENT OF ACTUARIAL ASSUMPTIONS
(Used for the January 1, 2018 valuation)

Actuarial Assumptions

Long-Term Investment Return Assumption: 7.50% per annum, compounded annually, net of expenses.

Mortality Rates: RP-2014 Mortality Table for males, set forward one year.
RP-2014 Mortality Table for females, set back one year.

Future mortality rates are projected on a generational basis using Scale MP-2016, which reflects the expectation that mortality rates will decline over time.

Disabled retirees use the RP-2014 Disabled Retiree Mortality Table, without generational improvement.

Disability: None assumed.

Termination of Employment: (prior to retirement eligibility) Illustrative rates of termination are as follows:

Certificated:

	Percent Terminating
Duration	Rate
1	11.25%
5	8.00
10	4.50
15	2.25
20	1.00
25	1.00

Classified:

	Percent Terminating	
Duration	Male	Female
1	11.00%	15.00%
5	6.00	9.00
10	2.40	4.00
15	1.00	1.75
20	1.00	1.00
25	1.00	1.00

Retirement Rates:

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

Certificated:		Classified:	
Age	Early	Age	Early
55	10%	55	3%
56	6	56	3
57	6	57	3
58	6	58	3
59	8	59	3
60	12	60	5
61	12	61	10

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

Certificated:

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

Classified:

Age	1st Year Eligible	Ultimate
55	20%	
56	10	12%
57	10	12
58	10	12
59	15	12
60	15	12
61	15	20
62	20	20
63	20	20
64	20	20
65	25	35
66	20	23
67	20	23
68	20	23
69	20	23
70	100	100

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

Salary Scale:

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

	Annual Salary Increase	
Duration	Certificated	Classified
0	5.75%	6.25%
1	5.75	5.75
2	5.75	5.25
3	5.75	5.00
4-6	5.75	4.75
7-11	5.75	4.25
12-14	5.75	3.75
15-21	5.25	3.75
22+	4.25	3.75

Note: Salaries are assumed to increase by 2.0% for members who have not yet finalized their contract negotiations as of the valuation date.

Pre-Retirement Survivor Annuity:

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

Probability of Electing a Refund:	The proportion of terminating vested members electing a refund of member contributions: 20% for Certificated members 40% for Classified members
Assumed Interest Rate Credited on Employee Contributions:	2.75% compounded annually.
Inflation (CPI):	2.75% compounded annually.
Total Payroll Growth:	3.25% compounded annually.
Decrement Timing:	Middle of year
Cost of Living Adjustments:	1.5% for members hired before 7/1/2013 1.0% for members hired on or after 7/1/2013