

**Douglas County
Employees' Retirement Plan**

Interim Actuarial Review

January 1, 2011

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Purpose of Interim Actuarial Review

Purpose - The interim Actuarial Review is prepared for the year between the biannual Actuarial Valuation of the Employees' Retirement Plan to provide:

- An update of the funding status
- An update of plan liabilities
- An update of contribution requirements

Review of Plan Experience

- Status of Plan Participants
- Value of Plan Assets

Determine Actuarial Accrued Liability and Annual Costs

Evaluate Unfunded Accrued Liability

Actuarial Review Based On:

- Existing Plan Provisions as of January 1, 2011
- Current Active and Non-Active Participant Data
- Actuarial Value of Plan Assets
- Actuarial Methods and Assumptions
- 2011 Experience Analysis

Actuarial Assumption Changes

The 2011 experience analysis reviewed the following actuarial assumptions. Based on a comparison of actual to expected experience, the salary scale assumption was revised (as indicated below) to more closely align the assumption with recent plan experience. No other changes to the actuarial assumptions as of January 1, 2011 are recommended. See the separate 2011 Experience Analysis for details of this review.

Assumptions Reviewed:

- **Rates of Termination**
- **Rates of Retirement**
 - **Rule of 75**
 - **Other than Rule of 75**
- **Rates of Salary Increases**

Revised from 5.50% for all ages to the following:

Age	Percentage Increase
18-44	5.50%
45-54	5.00%
55+	4.50%

- **Rates of Mortality**
- **Rate of Investment Return**

Impact of Change in Salary Increase Assumption

	Before Change	After Change
Actuarial Accrued Liability	\$325,278,651	\$321,700,241
Funded Ratio	60.3%	61.0%

Participant Data

	January 1,	
	2010	2011
Active Participants:		
Under Age 65	2,134	2,169
Age 65 & Over	14	14
Total	2,148	2,183
Non-Active Participants:		
Retired	988	996
Vested Terminated	98	98
Terminated Non-Vested	140	97
Social Services	2	2
Disabled	31	30
Total Participants	3,407	3,406
Annual Compensation:		
Total, Under Age 65	\$107,092,953	\$110,227,237
Average Per Participant	50,184	50,819
Annual Pension Benefit		
Current Retired	14,361,296	15,293,676
Immediate Disability Payments	539,536	446,967
Deferred to Age 65		
Vested Terminated	840,557	800,981
Disabled	780,877	617,946

**Market Value of Plan Assets
Increase Since January 1, 2009**

	<u>2009</u>	<u>2010</u>
Assets at Beginning of Year	\$151,275,593	\$179,166,378
Plus Increases		
Employee Contributions	9,657,643	9,472,453
County Contributions	9,633,701	9,431,912
Interest, Dividends and Accrued Income	5,017,905	13,375,218
Realized and Unrealized Gain (or Loss)	19,456,785	6,368,329
Total Receipts	43,766,034	38,647,912
Less Decreases		
Pensions Paid	13,941,553	14,743,697
Refunds	1,258,994	2,318,551
Disability Premiums/Administration	177,350	186,899
Administrative Charges	497,352	576,852
Total Disbursements	15,875,249	17,825,999
Assets at End of Year	179,166,378	199,988,291
Approximate Rate of Return	16.0%	11.0%

Description of Actuarial Value of Assets

Objective Since January 1, 1986, an actuarial value of plan assets has been used to determine annual contribution requirements and to evaluate the funding status of the Retirement Plan. An actuarial value of plan assets is used to smooth fluctuations in market value from one valuation date to the next.

Description Actuarial value is equal to:

- Adjusted plan assets
- Plus, one-half of the excess of market value over the adjusted plan assets

Where adjusted plan assets equal:

- Actuarial value of plan assets on the prior valuation
- Plus, contributions, with expected interest
- Less, pensions paid, refunds and other disbursements, with expected interest

**Actuarial Value of Assets
Actuarial Value on January 1, 2011**

Determination of Actuarial Value

Actuarial Value of Plan Assets on January 1, 2010 \$177,797,061

Plus Increases

Employee Contributions	9,472,453
County Contributions	9,431,912
Expected Interest	13,375,218

Less Decreases

Pensions Paid	14,743,697
Refunds	2,318,551
Disability Premiums/Administration	186,899
Administrative Charges	576,852

Adjusted Value on January 1, 2011 192,250,645

Market Value on January 1, 2011 199,988,291

One-Half Excess, Market Value Less Adjusted Value 3,868,823

Less, Prepaid County Contribution 0

Actuarial Value of Plan Assets on January 1, 2011 \$196,119,468

Approximate Rate of Return 9.7%

Actuarial Value as a % of Market Value 98.1%

**Plan Funding
Unfunded Accrued Liability**

Actuarial Accrued Liability	January 1,	
	2010	2011
1. Active	\$ 160,905,730	\$ 166,358,000
2. Vested Terminated Participants	4,600,226	4,526,397
3. Terminated Non-Vested*	683,796	727,836
4. Disabled Participants	3,608,607	3,213,064
5. (a) Retirees in United of Omaha Contract GDA 6148	63,499,641	60,100,466
(b) Other Retirees	74,108,674	86,774,478
Subtotal (a) + (b)	137,608,315	146,874,944
6. Total (1) + (2) + (3) + (4) + (5)	307,406,674	321,700,241
7. Actuarial Value of Plan Assets	177,797,061	196,119,468
8. Unfunded Accrued Liability (6) - (7)	129,609,613	125,580,773
9. Ratio of Assets to Accrued Benefits (7) / (6)	57.8%	61.0%

**Plan Funding
Annual Normal Cost**

	January 1,	
	2010	2011
Annual Normal Cost		
Retirement, Death, Termination and Deferred Disability Benefits	11,730,506	11,914,978
Immediate Disability Benefit	277,217	307,550
Annual Administrative Expense	537,499	599,965
Total	12,545,222	12,822,493
 Expected Plan Receipts		
From Employees	9,102,901	9,369,315
From County	9,102,901	9,369,315
Total	18,205,802	18,738,630

**Plan Funding
Amortization of Unfunded Accrued Liability**

	January 1,	
	2010	2011
Unfunded Accrued Liability	129,609,613	125,580,773
Annual Normal Cost	12,545,222	12,822,493
Expected Plan Receipts		
From Employees	\$ 9,102,901	\$ 9,369,315
From County	9,102,901	9,369,315
Total	18,205,802	18,738,630
Amount Available to Reduce Unfunded Accrued Liability	5,660,580	5,916,137
Amortization Period for Balance of Unfunded Accrued Liability	Unable to Amortize	Unable to Amortize

History of Plan Changes

- 2008** Member and County contribution rate increased from 7.5% to 8.5%
- 2007** Member and County contribution rate increased from 6.5% to 7.5%
- 2006** Member and County contribution rate increased from 5.5% to 6.5%
- 2002** Increase retiree pension by 3%, but not less than \$5 a month
- 2000** Increase retiree pension by 4%, but not less than \$5 a month
- 1998** Increase retiree pension by 3%, but not less than \$5 a month
- 1997**
1. Rule of 75 for other than law enforcement
 - Unreduced benefit upon Rule of 75
 - 2.0% benefit formula after January 1, 1962
 - 5.5% member contributions
- 1996**
1. Rule of 75 for law enforcement
 - Unreduced benefit upon Rule of 75
 - 2.0% benefit formula after January 1, 1962
 - 5.5% member contributions
 2. Participation begins on first day of employment
 3. Increase retiree pension by 4% but not less than \$10 a month
- 1994**
1. Benefit formula change to the following:
 - 1% of pay for service before January 1, 1962
 - 1.5% of pay for service after January 1, 1962
 2. Decrease in interest rate on employee contributions to 5% effective July 1, 1994
 3. Increase retiree pension by 3%
- 1992**
1. Early Retirement Incentive Program (112 members elected benefit)
 2. Early Termination of Employment Incentive Program (188 members elected benefit)
 3. Increase retiree pension by 3%

History of Plan Changes (continued)

- 1990**
1. Benefit formula change to the following:
 - 1% of pay for service before January 1, 1962
 - 1.4625% of pay for service after January 1, 1962
 2. Increase retiree pension by 4%
 3. Vesting changed from 25% after 5 graded to 100% after 15 to 25% after 5 increased 15% a year up to 10
 4. Maximum Disability Benefit increased from \$36,000 to \$57,600
- 1988**
1. Benefit formula change to the following:
 - 1.425% of pay for service after January 1, 1962
 - 1% of pay for service before January 1, 1962
 2. Increase retiree pension by 4%, but no less than \$5 a month
 3. Changed eligibility requirements to include participants hired after age 60
- 1986**
1. Benefit formula change to the following:
 - 1% of pay for service before January 1, 1962
 - 1.2% of pay for service from January 1, 1962 to January 1, 1972
 - 1.4% of pay for service after January 1, 1972
 2. Increase retiree pension by 6% but not less than \$5 a month
- 1984**
1. Increased benefit formula from 1.1% of pay to 1.2% for service after January 1, 1974
 2. Increase retiree pension by 6%, but not less than \$5 a month
- 1982**
1. Added Special Early Retirement
 2. Benefit formula change from 1% of pay to 1.1% of pay for service after January 1, 1972
 3. Increase retiree pension by 6%, but not less than \$10 a month
 4. Changes in disability retirement provisions
 5. Changes in actuarial assumptions
 6. Special provisions for county employees change to state employees
- 1980**
1. Special Early Retirement
 2. Change in service definition – unlimited sick leave
 3. \$10/month increase in pension to retirees
 4. Added Late Retirement Benefit

History of Plan Funding

Year	Act. Value Of Assets (\$1,000s)	<u>Accrued Liability</u>		<u>Funded Ratio</u>	
		Before Changes (\$1,000s)	After Changes (\$1,000s)	Before Changes (\$1,000s)	After Changes (\$1,000s)
2011	\$196,119	\$321,700	\$321,700	61.0%	61.0%
2010	177,797	307,407	307,407	57.8%	57.8%
2009	167,994	290,127	290,127	57.9%	57.9%
2008	177,797	269,970	270,351	65.9%	65.8%
2007	165,309	253,386	248,986	65.2%	66.4%
2006	151,686	239,229	239,602	63.4%	63.3%
2005	142,403	221,642	221,642	64.2%	64.2%
2004	132,769	204,952	204,952	64.8%	64.8%
2003	125,238	188,697	188,697	66.4%	66.4%
2002	126,336	167,690	172,615	75.3%	73.2%
2000	117,626	124,906	127,011	94.2%	92.6%
1998	97,626	107,071	108,391	91.2%	90.1%
1996	81,626	78,202	83,472	104.4%	97.8%
1994	69,860	71,242	72,869	98.1%	95.9%
1992	60,912	59,747	66,161	101.9%	92.1%
1990	48,387	47,474	48,717	101.9%	99.3%
1988	37,662	36,212	37,390	104.0%	100.7%
1986	30,161	27,830	30,455	108.4%	99.0%
1984	21,752	20,912	22,203	104.0%	98.0%
1982	16,115	16,687	17,828	96.6%	90.4%
1980	11,468	15,229	15,597	75.3%	73.5%

Actuarial Cost Method

Annual costs were calculated using the Projected Unit Credit Actuarial Cost Method. Projected Unit Credit is one of the Accrued Benefit Actuarial Cost Methods. Using Projected Unit Credit, annual costs equal the sum of the normal cost and an amount to amortize the unfunded accrued liability. The normal cost is defined as the actuarial value of retirement and ancillary benefits that are allocated to the current year.

The unfunded accrued liability is equal to the accrued liability reduced by the actuarial value of plan assets. The accrued liability is defined as the actuarial value of retirement and ancillary benefits that have been allocated to years of service prior to the current year.

The method allocates an equal amount of a participant's projected retirement benefit to each year of service. The benefit at normal retirement is projected assuming salaries increase at the assumed rates. The projected retirement benefit is then divided by the participant's years of service to determine the portion of the retirement benefit allocated to each year. Service includes years following the later of the date of hire and July 1, 1952 (January 1, 1955 for former Board of Health participants) and prior to the assumed retirement age.

As experience develops under the Retirement Plan, actuarial gains and losses will result. Actuarial gains and losses indicate the extent to which actual experience is deviating from that expected on the basis of the actuarial assumptions. Actuarial gains result from experience more favorable than assumed and reduce the unfunded accrued liability. Actuarial losses result from experience less favorable than assumed and increase the unfunded accrued liability. All actuarial gains and losses are included in the determination of the unfunded accrued liability as of the valuation date.

The annual costs for the insured disability benefit and annual administrative expense are included in the annual normal cost. The insured disability cost is calculated as the product of the premium rate and an estimate of insurable payroll provided by Douglas County.

Asset Valuation Method

The Actuarial Value of Plan Assets held in the pension trusts was calculated as the sum of the following:

- Adjusted Value of Plan Assets
- One-half of the excess of Market Value over the Adjusted Value of Plan Assets

The Adjusted Value of Plan Assets equals:

- Actuarial Value of Plan Assets on the prior valuation date, plus contributions and expected interest, less
- Pensions paid, refunds and other disbursements with expected interest

Actuarial Assumptions

Interest Rate 7.5% compounded annually.

Salary Scale Salaries were assumed to increase at an annual rate compounded annually following the valuation date varying by age, as illustrated below.

Age	Percentage Increase
18-44	5.50%
45-54	5.00%
55+	4.50%

Mortality Rates RP 2000 Projected to 2007.

Disability Rates Based on an Industry Experience Table

Annual Disabilities Per 100 Members		
Age	Males	Females
35	0.11	0.20
40	0.16	0.29
45	0.27	0.39
50	0.48	0.53
55	0.87	0.73
60	1.30	0.99

Withdrawal Rates Based on rates as illustrated below:

Age	Number
22	16.6
27	15.8
32	12.8
37	10.8
42	9.0
47	6.3
52	3.6
57	0.9

Accrued Sick Leave 7 days per year.

Actuarial Assumptions (continued)

Retirement Rate	Age	Rule of 75	Other
	50	30%	5%
	51-54	15%	2%
	55-61	15%	5%
	62	40%	20%
	63-69	30%	10%
	70	100%	100%

Retirement rate is 30% the first year a Member is eligible for Rule of 75.

Administrative Expenses

Annual administrative expenses have been estimated as 3/10 of 1% of plan assets.

Summary of Plan Provisions

Effective Date	January 1, 1963
Plan Year	January 1 through December 31.
Participation	First day of continuous employment.
Definitions	
<i>Member</i>	Any employee who participates in the Plan as an active participant or a non-active participant entitled to a disability pension, a deferred vested retirement benefit or a current retirement benefit.
<i>Benefit Service</i>	Years of service following the later of July 1, 1952 and the date of hire and prior to the normal retirement date. Years of service prior to January 1, 1955 are not considered for members who were participants of the Omaha-Douglas County Board of Health Retirement Plan.
<i>Final Average Compensation</i>	Average monthly compensation paid during the 60 consecutive months of the last 120 months of service that produces the largest average monthly compensation. The average monthly compensation is limited for members who were participants of the Omaha-Douglas County Board of Health Retirement Plan prior to 1975.
<i>Normal Retirement Date</i>	First day of calendar month coinciding with or next following the 65th birthday.
<i>Rule of 75 Retirement</i>	First day of calendar month coincident with or next following the attainment of age 50, and completion of a sufficient number of years of service so that when such years are added to the members attained age, the total equals or exceeds 75. Such service must be exclusive of accumulated sick leave.
<i>Early Retirement</i>	Following attainment of age 55 and 20 years of service, or age 60 and 5 years of service.

Summary of Plan Provisions (continued)

Benefits

Normal Retirement

For participants who were actively employed on October 4, 1997 and retire thereafter, a monthly income equal to the sum of (1) and (2), not to exceed 60% of the participant's final Average Compensation:

- (1) 1% of Final Average Compensation, multiplied by years of benefit service prior to January 1, 1962, plus
- (2) 2.0% of Final Average Compensation multiplied by years of benefit service following January 1, 1962.

Early Retirement

Monthly income computed in the same manner as normal retirement, based on benefit service and final average compensation at the early retirement date, and reduced by 1/4 of 1% for each full calendar month that the initial retirement payment precedes the normal retirement date.

Rule of 75 Retirement

If the requirements for Rule of 75 Retirement are met, the early retirement benefit will not be reduced for the period that retirement precedes the normal retirement date.

Late Retirement

A member who attains the age of 65 after December 31, 1987, shall be entitled to the Normal Retirement Benefit based on Years of Service and Final Average Compensation determined as of the late Retirement Date.

A member who attains the age of 65 prior to January 1, 1988, and retires on a late retirement date shall be entitled to a monthly retirement income equal to the larger of (1) and (2):

- (1) The monthly retirement income determined at the normal retirement date increased by three-fourths of 1% for each full calendar month from the normal retirement date to December 31, 1987, plus the monthly retirement income determined under the Normal Retirement Benefit formula based on Years of Service following December 31, 1987.
- (2) The monthly retirement income determined at the normal retirement date increased by three-fourths of 1% for each full calendar month from the normal retirement date to the actual date of retirement.

Summary of Plan Provisions (continued)

Disability

Following 6 months of total disability, a pension plan participant with at least 5 years of service is entitled to an annual benefit of 70% of compensation, offset by Social Security and Worker's Compensation.

The maximum annual disability benefit is \$90,000. For disabilities occurring after July 1, 1982, payments will be paid from the pension fund for a period of no more than 5 years. Thereafter, payments continue from the disability insurance policy up to the month in which the participant reaches the maximum payment age prescribed by the plan, as long as the participant remains totally and permanently disabled. If disability is a result of a mental or nervous disorder, such payments will not exceed 24 months in duration.

Following the last disability payment, a monthly retirement benefit will commence, equal to the benefit the participant would have been entitled to under the regular pension provisions if the participant had not become disabled and had continued to earn the monthly rate of compensation in effect immediately prior to becoming disabled.

Death

A benefit of 60% of earned pension is payable until death of the spouse if an employee has completed 8 years of service at the date of death. The earned pension is based on length of service and final average compensation to the date of death.

If the employee is not survived by dependents or does not qualify for the spouse benefit, the employee's contributions, plus accumulated interest is paid to the beneficiary upon death.

Disability/Re-employment Supplement

If an employee who has been receiving disability benefits is able to return to active employment but receives compensation at a rate less than what was being paid as a disability pension (including Social Security and Worker's Compensation), supplemental payments will be made to him equal to the difference between his compensation and his disability pension. The duration of such supplemental payments will not exceed 36 months.

Termination Benefit

Deferred monthly income equal to the earned benefit based on service and compensation to the date of termination and multiplied by a vesting factor:

Summary of Plan Provisions (continued)

<u>Completed Years of Service on Date of Termination</u>	<u>Vesting Factor</u>
5 years	0.25
Each Additional Year to 10 Years	+ .15
10 Years and Over	1.00

If a member's employment is terminated due to a change in employment status as provided by the Nebraska Legislature to that of a state employee, such member's Vested Factor will be 1.00. The termination benefits to which he is entitled shall be based on the average monthly compensation of the member during Douglas County employment and/or state employment which immediately follows Douglas County employment.

Upon termination prior to qualifying for a vested pension or in lieu of the vested pension, the employee may withdraw his contributions increased by interest. Effective July 1, 1994, the interest rate credited is 5% compounded semi-annually.

***Ad-Hoc Cost of Living
Increase***

Effective August 1, 2003, retirees and beneficiaries in pay status as of June 30, 2003 shall receive an increase in their monthly benefit equal to the greater of 3% or \$5.

Form of Annuity

Normal Form

Joint life annuity, 60% continuing to spouse or dependent children.

Five years certain and life, if no eligible dependents.

Contribution

Participant

Members contributed 5.5% of total earnings prior to January 1, 2006. The annual contribution rate increased to 6.5% as of January 1, 2006, 7.5% as of January 1, 2007 and 8.5% as of January 1, 2008 and thereafter.

Effective July 1, 1985, the Employee contribution is "picked up" and contributed to the Plan by Douglas County.

County

The County pays the balance of the cost of the plan. By law, the County cannot contribute more than the participants for pension earned after the effective date of the plan. The County pays for all benefits earned for service before the plan was effective.

Participant Census Statistics

January 1, 2011

Active Participants Included in Valuation

Age at Valuation Date	Number		Total
	Male	Female	
Under 20	0	0	0
20-24	35	43	78
25-29	96	107	203
30-34	115	114	229
35-39	133	147	280
40-44	153	155	308
45-49	139	177	316
50-54	141	152	293
55-59	114	144	258
60-64	64	93	157
65 & Over	31	30	61
	1,021	1,162	2,183

Non-Active Participants Included in Valuation

	Number	Annual Benefit
Retired & Beneficiary Participants	996	\$15,275,861
Vested Terminated Participants	98	\$800,981
Terminated Non-Vested	97	\$727,836 *
Social Services	2	\$17,815
Disabled Participants	30	\$446,967
Total	1,223	\$17,269,460

* Amount equal to expected refund of member contributions.

Participant Census Statistics
(continued)

	<u>Active</u>	<u>Non-Active</u>			<u>Beneficiary</u>	<u>Total</u>
		<u>Deferred</u>	<u>Disabled</u>	<u>Retired *</u>		
Number on January 1, 2010	2,148	238	31	847	143	3,407
Terminated						
Non-Vested	0	0	0	0	0	0
Vested - Lump Sum	-86	-90	0	0	0	-176
Vested - Deferred	-51	+53	-2	0	0	0
Disabled	-2	0	+2	0	0	0
Deceased						
Vested - Lump Sum	0	0	0	0	0	0
Vested - Beneficiary	-1	0	0	-10	+11	0
No Additional Benefit	0	0	0	-36	0	-36
Retired						
Monthly Benefit	-50	-4	-1	+55	0	0
Lump Sum	0	0	0	0	0	0
Certain Period Expired	0	0	0	0	-12	-12
Return to Active	+6	-6	0	0	0	0
New Entrants or Prior Omissions During Plan Year	+219	+4	0	0	0	+223
Number on January 1, 2011	2,183	195	30	856	142	3,406
<u>Non-Active Participants</u>				<u>Number</u>	<u>Annual Benefit</u>	
Vested Deferred Participants				195	\$800,981	
Retired & Beneficiary Participants				998	15,293,676	

* includes 2 Social Services participants