

**Douglas County
Employees' Retirement Plan**

Actuarial Valuation Report

January 1, 2012





June 22, 2012

ACTUARIAL CERTIFICATION

Employees' Retirement Committee
Omaha Douglas Civic Center
1819 Farnam Street, Suite 505
Omaha, NE 68183

Committee Members:

An actuarial valuation was performed for the Douglas County Employees' Retirement Plan as of January 1, 2012. The valuation was prepared to determine the value of accrued benefits and annual costs. The results of the valuation are contained in the accompanying report.

The valuation is based on eligible employees submitted by Douglas County and data concerning retired employees submitted by United of Omaha. Statements of plan assets were furnished by US Bank and United of Omaha. Summaries of the data and the calculations contained in the valuation were performed by our firm from this data.

To the best of my knowledge, the information supplied in this report is complete and accurate and, in my opinion, the assumptions are reasonably related to the experience of the plan and to reasonable expectations and represent my best estimate of anticipated experience under the Plan. The undersigned meets the qualification standards of the American Academy of Actuaries to render the actuarial opinion contained in this report.

Sincerely,

A handwritten signature in blue ink that reads "Glen C. Gahan".

Glen C. Gahan, FSA
Principal
Member of American Academy of Actuaries
Enrolled Actuary No. 11-04875

GCG/bk

Enclosure

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Financial Highlights

This section displays a summary of the results of the actuarial valuations performed for the 2010, 2011 and 2012 plan years. Additional supporting detail and history is available in other sections of the report.

	Plan Year Beginning January 1		
	2010	2011	2012
Annual Contributions			
Anticipated Member Contributions	\$9,102,901	\$9,369,315	\$9,221,095
County Contributions	9,102,901	9,369,315	9,221,095
Actuarially Determined Contribution	\$22,753,786	\$22,713,730	\$23,212,776
Value of Plan Assets			
Market Value	179,166,378	199,988,291	200,860,360
(Rate of Return)	16.0%	11.0%	0.5%
Actuarial Value	177,797,061	196,119,468	205,795,168
(Rate of Return)	3.8%	9.7%	5.0%
Actuarial Accrued Liability	307,406,674	321,700,241	343,178,126
(Funded Ratio) ¹	57.8%	61.0%	60.0%
Annual Covered Payroll	107,092,953	110,227,237	108,483,467
Annual Normal Cost	12,545,222	12,822,493	12,391,953
(As a percent of covered payroll)	11.7%	11.6%	11.4%
Number of Participants			
Active	2,148	2,183	2,105
Retirees and Beneficiaries	990	998	1,061
Vested Terminated	98	98	132
Terminated Non-Vested	140	97	60
Disabled Participants	31	30	30
Total	<u>3,407</u>	<u>3,406</u>	<u>3,388</u>

¹Funded Ratio - Expressed as the ratio of Actuarial Value of Assets to Actuarial Accrued Liability.

Comments on the Valuation

Covered Employees

Ages of Active Participants - The average age of active participants included in the valuation increased from 44.7 for the prior year to 45.0 for the current year.

Covered Payroll and Participants - Total covered payroll decreased from \$111,176,906 to 109,427,675, a 1.6% decrease. The number of active participants decreased from 2,183 in 2011 to 2,105 in 2012.

Average Annual Compensation - The average covered compensation of active participants increased at a rate of 2.1% per year compared to an assumed annual salary increase assumption of 5.5% between ages 18-44, 5.0% between 45-54, and 4.5% for ages 55 and greater. The average covered compensation of all active participants was \$50,928 for 2011 and \$51,985 for 2012.

Investment Return

The plan's investment return was lower than the assumed rate. The approximate annual investment return was 5.0% on the actuarial value of assets for the 2011 plan year, compared to a 7.5% assumption.

Actuarial Assumptions and Methods

The actuarial methods and assumptions are consistent with those used in the 2011 valuation. The actuarial methods and assumptions are described on pages 16-18 of the Report.

Plan Provisions

The plan provisions are consistent with those used in the 2011 valuation except for the following benefit changes:

For bargaining employees hired after June 30, 2011 and non-bargaining employees hired after December 31, 2011, the benefit formula is 1.5% for each year of service up to a maximum of 45% of final average compensation. Eligibility for early retirement is age 50 and 10 years of service or age 60 and 5 years of service. There is no rule of 75 retirement.

These changes have been applied to all new employees as if all union groups have approved these changes. They remain the subject of negotiation as of the date of this report.

For sheriff deputies hired after June 30, 2011, the benefit formula is 1.0% for 1-10 years of service, 2.0% for 11-20 years of service, and 2.5% for 21-32 years of service up to a maximum of 60% of final average compensation. Eligibility for normal retirement is the attainment of age 55 and unreduced early retirement after 30 years of service. Eligibility for early retirement is age 53.

Definition of Terms

This section of the report provides a brief description of terms used throughout this report.

Annual Contributions —Anticipated Member Contributions is equal to 8.50% of the covered payroll (Sheriff members contribute less after 32 years of service). County Contributions are equal to the Anticipated Member Contributions.

Actuarially Determined Contribution —Consists of the annual normal cost plus an amount equal to the 30-year amortization of the unfunded actuarial accrued liability.

Market Value of Plan Assets —Plan assets are amounts that have accumulated and will be used to meet future benefit obligations. In this exhibit, trust fund transactions reported by the trustee are traced from the prior valuation date to the current valuation date.

Actuarial Value of Plan Assets —Plan assets calculated with expected interest and adjusted by one half of the excess of the Market Value over the preliminary Actuarial Value.

Actuarial Accrued Liability —The actuarial accrued liability is equal to the sum of individual accrued liabilities for all participants. Each participant's accrued liability equals the actuarial present value of all future benefits less the present value of all future normal costs.

Unfunded Actuarial Accrued Liability —The unfunded actuarial accrued liability on the valuation date is equal to the excess of the Plan's actuarial accrued liability over the Plan's actuarial value of assets.

Annual Normal Cost —The annual normal cost is the portion of total Plan costs assigned to the current plan year by the actuarial cost method.

Market Value of Plan Assets

Summary of Changes in Value of Plan Assets

Market Value of Plan Assets on January 1, 2011		\$199,988,291
Plus Increases		
Employee Contributions	9,341,282	
County Contributions	9,325,331	
Investment Experience	966,963	
		19,633,576
Less Decreases		
Pensions Paid to Retirees	16,171,542	
Refunds to Terminated EEs	1,861,608	
Disability Premiums/Administration	182,027	
Administrative Expenses	546,330	
		18,761,507
Market Value of Plan Assets on January 1, 2012		\$200,860,360
Approximate Rate of Return		0.5%

Plan Investments	% of Total	Market Value
US Bank		
Operating Account - Cash and Cash Equivalents	4.7%	\$9,495,682
Deposit in Transit	0.0%	45,388
Atlanta Capital	7.1%	14,248,031
State Street - Fixed Income Portfolio	8.0%	15,994,777
Sanford Bernstein - Large Cap Value Equity	11.8%	23,744,595
Bernstein - International	7.6%	15,224,838
Winslow - Capital Management	13.1%	26,216,989
United of Omaha Insurance Company		
Retired Contract #6148 - Annuity Program	46.4%	93,164,249
Retired Contract #12795 - Annuity Program	1.3%	2,725,811
Total	100.0%	\$200,860,360

Actuarial Value of Plan Assets

Actuarial Value of Plan Assets on January 1, 2011		\$196,119,468
Plus Increases		
Employee Contributions	9,341,282	
County Contributions	9,325,331	
Expected Interest	14,705,402	
		33,372,015
Less Decreases		
Pensions Paid to Retirees	16,171,542	
Refunds to Terminated EEs	1,861,608	
Disability Premiums/Administration	182,027	
Administrative Expenses	546,330	
		18,761,507
Adjusted Value on January 1, 2012		210,729,976
Market Value on January 1, 2012		200,860,360
One-Half Excess, Market Value Less Adjusted Value		(4,934,808)
Actuarial Value of Plan Assets on January 1, 2012		\$205,795,168
Approximate Rate of Return		5.0%
Actuarial Value as a % of Market Value		102.5%

Valuation Results

	Plan Year Beginning January 1		
	2010	2011	2012
Actuarial Accrued Liability			
1. Active	\$160,905,730	\$166,358,000	\$166,993,169
2. Vested Terminated Participants	4,600,226	4,526,397	5,629,664
3. Terminated Non-Vested*	683,796	727,836	316,129
4. Disabled Participants	3,608,607	3,213,064	3,251,534
5. Retirees	137,608,315	146,874,944	166,987,630
6. Total (1) + (2) + (3) + (4) + (5)	307,406,674	321,700,241	343,178,126
Unfunded Actuarial Accrued Liability			
1. Actuarial Accrued Liability	307,406,674	321,700,241	343,178,126
2. Actuarial Value of Plan Assets	177,797,061	196,119,468	205,795,168
3. Unfunded Accrued Liability (1) - (2)	129,609,613	125,580,773	137,382,958
4. Ratio of Assets to Accrued Benefits (2) / (1)	57.8%	61.0%	60.0%
Annual Normal Cost			
• Retirement, Death, Termination and Disability	11,730,506	11,914,978	11,589,372
• Immediate Disability Benefit	277,217	307,550	200,000
• Annual Administrative Expense	537,499	599,965	602,581
Total	<u>12,545,222</u>	<u>12,822,493</u>	<u>12,391,953</u>

* Amount equal to expected refund of member contributions.

Actuarially Determined Contribution

The Members contribute 8.5% of covered payroll annually to the Plan, with Sheriff members hired after July 1, 2011 contributing less after 32 years of service. The County contributes an annual amount equal to the Member contributions.

An actuarially determined contribution provides a measure of the amount of contributions to fund the benefits earned in the current year and provide for the 30-year amortization of the unfunded accrued liability. The Plan is not currently being funded on this basis.

	Plan Year Beginning January 1		
	2010	2011	2012
Annual Normal Cost	\$12,545,222	\$12,822,493	\$12,391,953
30-Year Amortization of the Unfunded Accrued Liability	10,208,564	9,891,237	10,820,823
Actuarially Determined Contribution	22,753,786	22,713,730	23,212,776

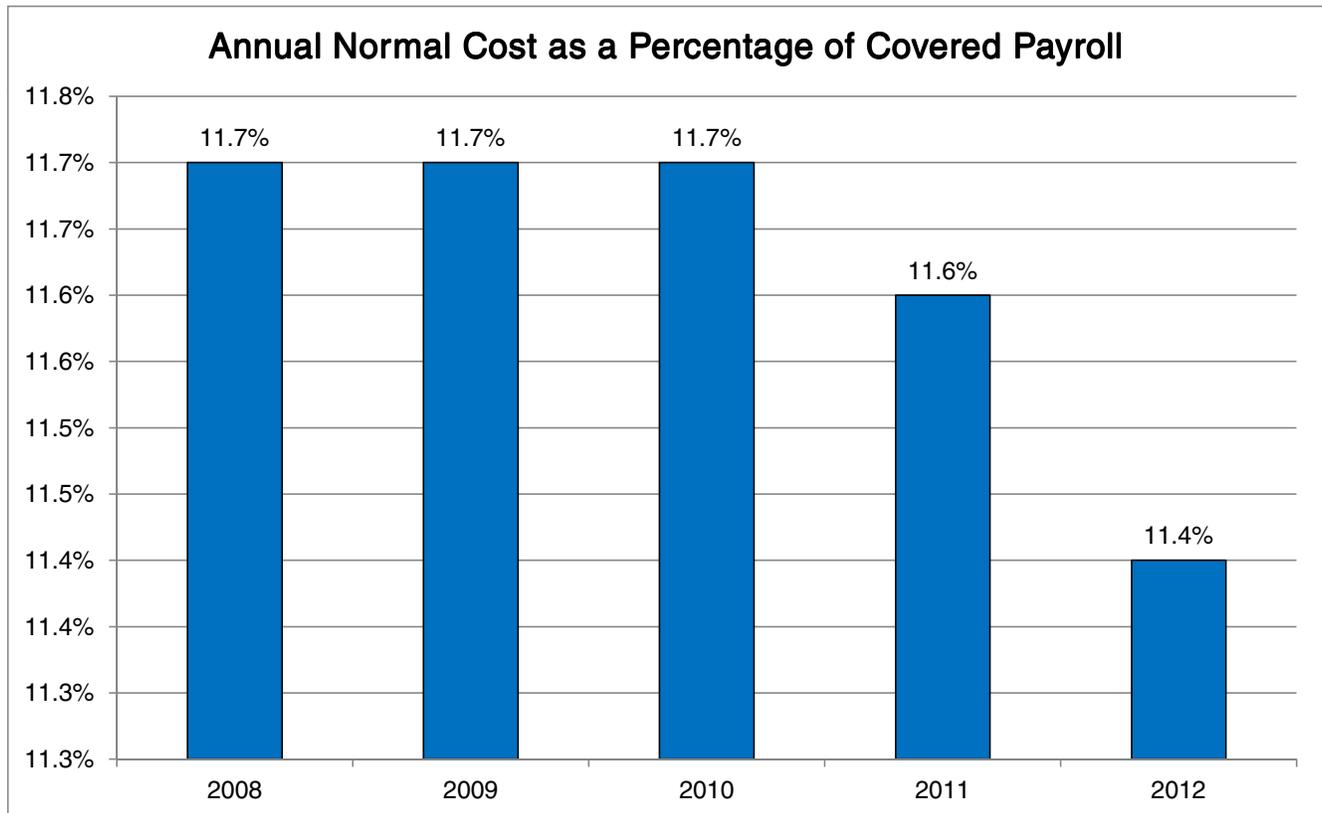
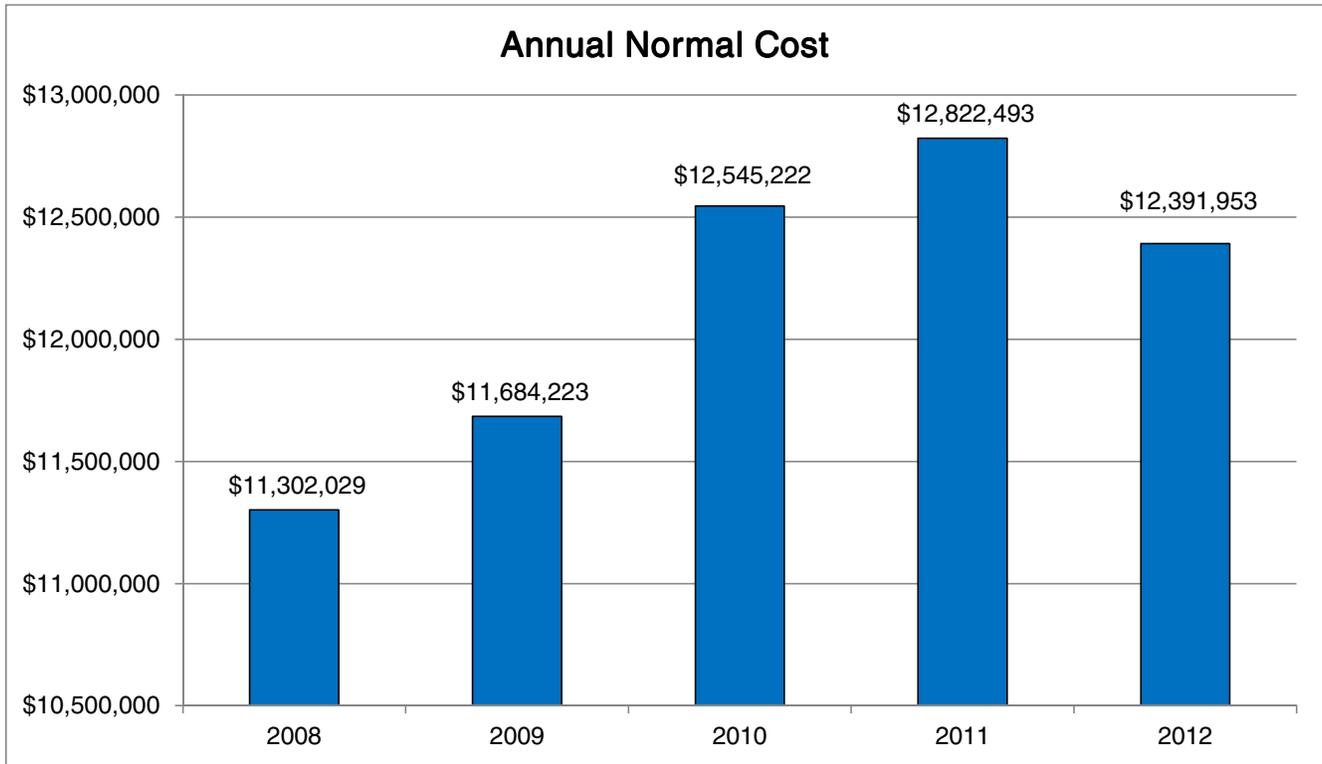
Amortization of Unfunded Accrued Liability

The annual contribution rate to the Employees' Retirement Plan increased from 5.5% of reported earnings to 6.5% in 2006, 7.5% in 2007 and 8.5% in 2008 and thereafter for both Members and the County. Contributions for Members of the Sheriffs department hired after July 1, 2011 will decrease after 32 years of service.

As valued as of January 1, 2012, the Accrued Liability exceeds the Actuarial Value of Plan Assets by \$137,382,958. The amount of expected annual contributions exceeds the Annual Normal Cost by \$6,050,237. This amount is insufficient to amortize the Unfunded Accrued Liability (UAL). Favorable plan experience following the valuation date will reduce the UAL. Unfavorable plan experience will increase the UAL.

	Plan Year Beginning January 1		
	2010	2011	2012
Plan Contributions			
Anticipated Member Contributions	\$9,102,901	\$9,369,315	\$9,221,095
Anticipated County Contributions	9,102,901	9,369,315	9,221,095
Contribution Available to Reduce UAL			
Total County and Member Contributions	18,205,802	18,738,630	18,442,190
Annual Normal Cost	12,545,222	12,822,493	12,391,953
Amount Available to Reduce UAL	5,660,580	5,916,137	6,050,237
Unfunded Accrued Liability	129,609,613	125,580,773	137,382,958
Years Required to Amortize the UAL	Unable to Amortize	Unable to Amortize	Unable to Amortize

Summary of Historical Valuation Results



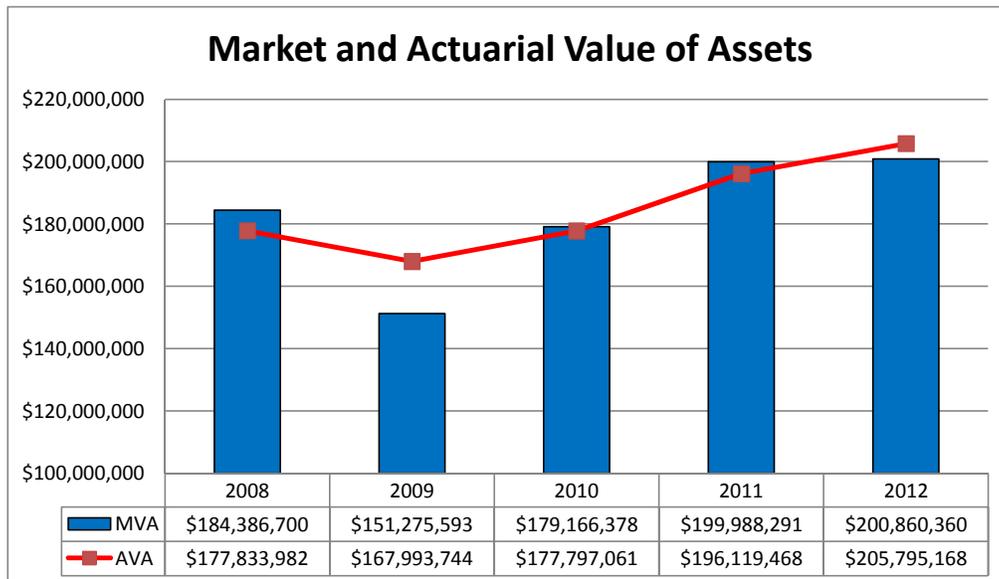
Summary of Historical Valuation Results

(continued)

Year	Annual Return on Market Value of Assets	Annual Return on Actuarial Value of Assets
2011	0.5%	5.0%
2010	11.0%	9.7%
2009	16.0%	3.8%
2008	-18.7%	-6.4%
2007	4.9%	7.2%
2006	12.1%	10.0%
2005	7.1%	7.8%
2004	10.0%	8.7%
2003	15.7%	7.3%
2002	-4.6%	0.0%
2001	1.3%	2.4%
2000	2.3%	6.2%
1999	7.3%	N/A
1998	7.7%	N/A
1997	13.3%	N/A
1996	10.6%	N/A
1995	17.2%	N/A
1994	2.4%	N/A
1993	10.4%	N/A
1992	7.9%	N/A
1991	15.5%	N/A
1990	6.7%	N/A
1989	15.5%	N/A
1988	11.5%	N/A
1987	4.4%	N/A
1986	15.5%	N/A
1985	20.6%	N/A
1984	8.9%	N/A

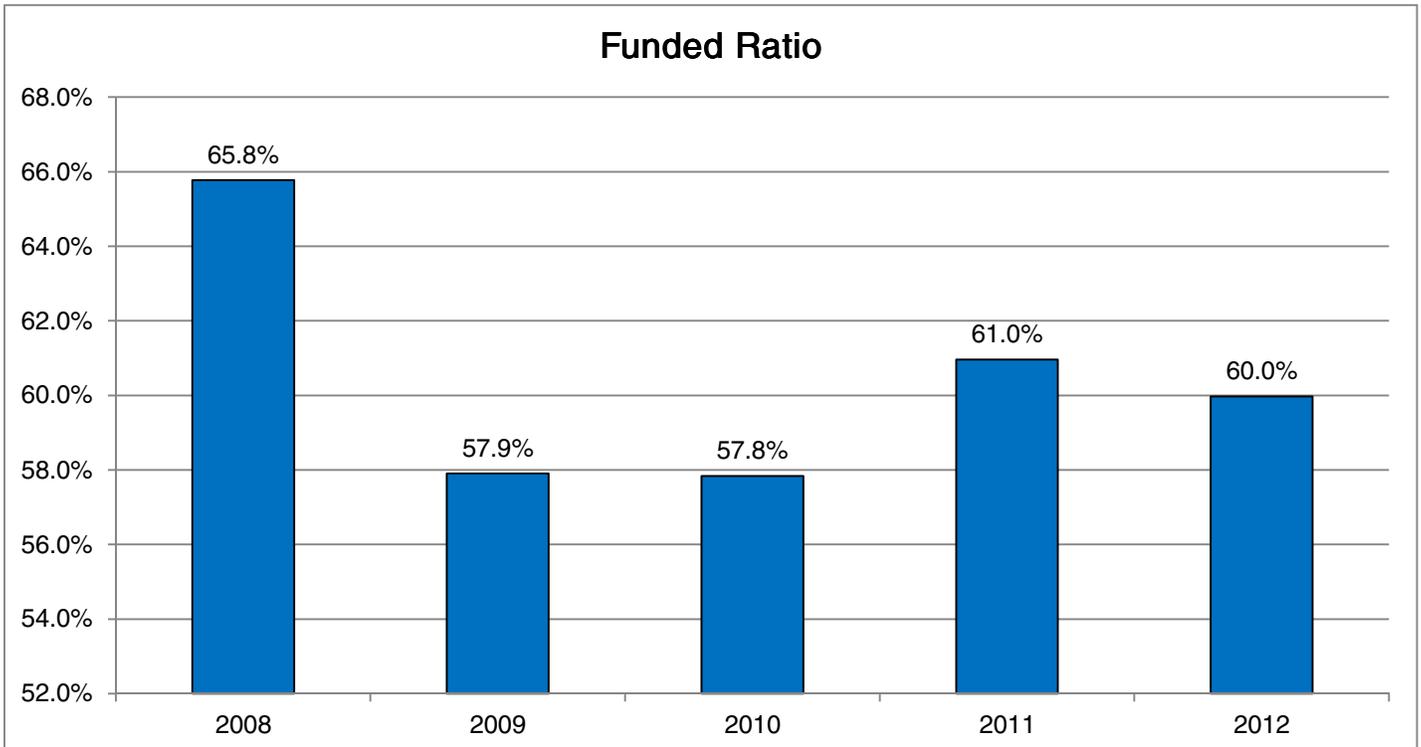
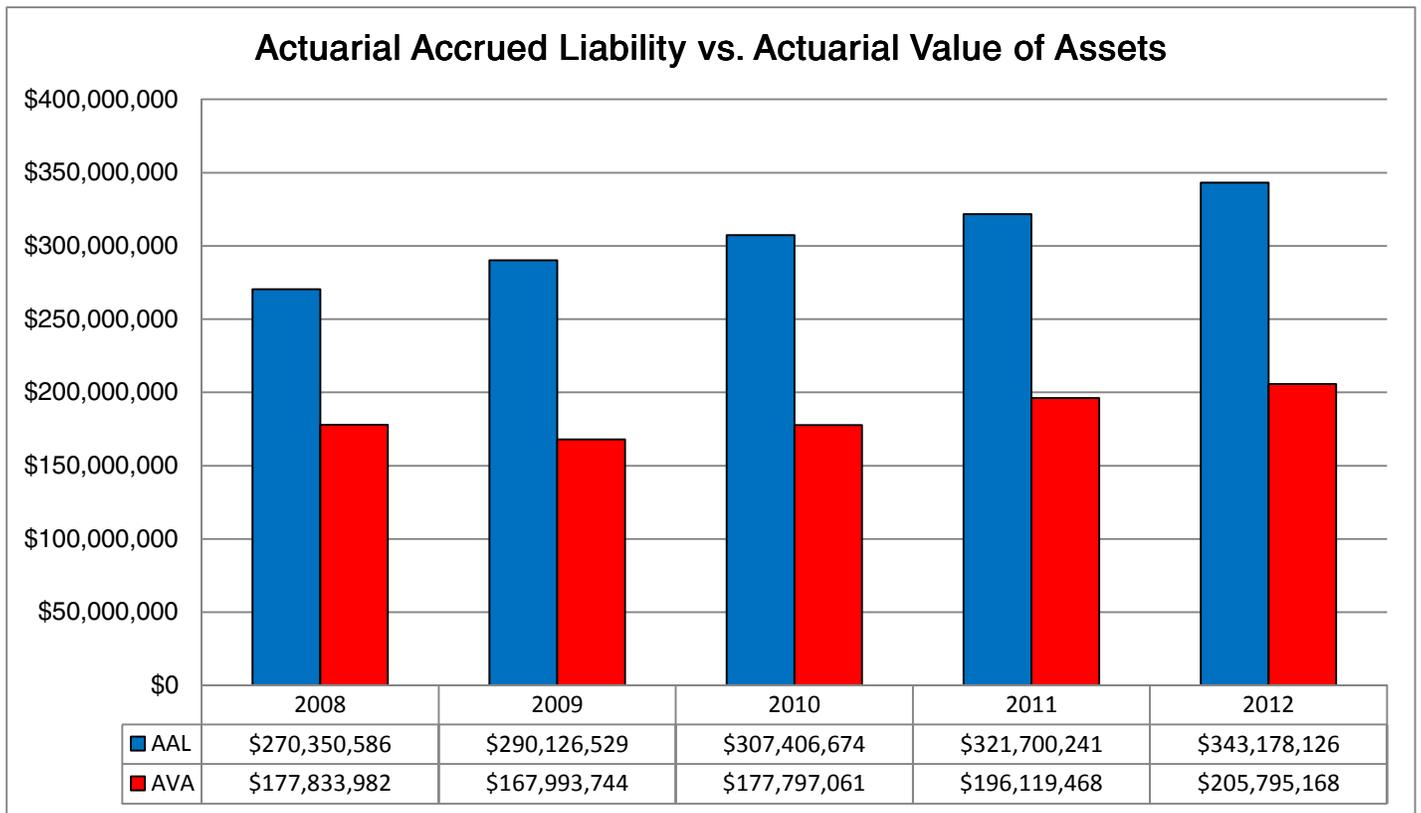
Average	4.8% (12 yrs) 8.3% (28 yrs)	5.1% (12 yrs)
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The Plan's Asset Method was changed to Actuarial Value in 2000. The annual return on Actuarial Value not calculated prior to this change.



Summary of Historical Valuation Results

(continued)



Historical Market and Actuarial Value of Assets

Year	Market Value of Assets	Actuarial Value of Assets	AVA as % of MVA
2012	\$200,860,360	\$205,795,168	102.5%
2011	199,988,291	196,119,468	98.1%
2010	179,166,378	177,797,061	99.2%
2009	151,275,593	167,993,744	111.1%
2008	184,386,700	177,833,982	96.4%
2007	175,115,759	165,309,144	94.4%
2006	157,653,656	151,686,147	96.2%
2005	148,916,100	142,402,678	95.6%
2004	137,080,947	132,768,961	96.9%
2003	119,929,319	125,237,848	104.4%
2002	126,751,547	126,336,366	99.7%
2001	125,752,053	123,971,024	98.6%
2000	123,913,647	117,625,992	94.9%

History of Plan Funding

Year	Actuarial Value Of Assets (\$1,000s)	Actuarial Accrued Liability		Funded Ratio	
		Before Changes (\$1,000s)	After Changes (\$1,000s)	Before Changes	After Changes
2012	\$205,795	\$343,542	\$343,178	59.9%	60.0%
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	177,834	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%

History of Plan Changes

- 2012** Certain bargaining employees hired after June 30, 2011 and all non-bargaining employees hired after December 31, 2011. It is anticipated that all bargaining units will be under these same benefit provisions after their next contract is negotiated.
- 1.5% of pay per year of service (45% maximum)
 - No Rule of 75
 - 8.5% contribution rate
 - Early Retirement at age 50 and 10 years of service or age 60 and 5 years of service
 - Early Retirement reduction of 5% per year
- Sheriff Deputies hired after June 30, 2011
- Benefit formula changed to the following:
 - 1.0% of pay for 1 to 10 years of service
 - 2.0% of pay for 11 to 20 years of service
 - 2.5% of pay for 21 to 32 years of service
 - Contribution rate changed to the following:
 - 8.5% for 1-32 years of service
 - 7.5% at 33 years of service
 - 6.5% at 34 years of service
 - 5.5% at 35+ years of service
 - Early Retirement at age 53
 - Early Retirement reduction of 4.8% per year
 - No Early Retirement reduction if 30 or more years of service
- 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**
- 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

History of Plan Changes

(continued)

- 1996**
 - Rule of 75 for law enforcement
 - Unreduced benefit upon Rule of 75
 - 2.0% benefit formula after January 1, 1962
 - 5.5% member contributions
 - Participation begins on first day of employment
 - Increase retiree pension by 4% but not less than \$10 a month

- 1994**
 - 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
 - Decrease in interest rate on employee contributions to 5% effective July 1, 1994
 - Increase retiree pension by 3%

- 1992**
 - Early Retirement Incentive Program (112 members elected benefit)
 - Early Termination of Employment Incentive Program (188 members elected benefit)
 - Increase retiree pension by 3%

- 1990**
 - 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
 - Increase retiree pension by 4%
 - Vesting changed from 25% after 5 graded to 100% after 15 to 25% after 5 increased 15% a year up to 10
 - Maximum Disability Benefit increased from \$36,000 to \$57,600

- 1988**
 - Benefit formula change to the following:
 - 1% of pay for service before January 1, 1962
 - 1.425% of pay for service after January 1, 1962
 - Increase retiree pension by 4%, but no less than \$5 a month
 - Changed eligibility requirements to include participants hired after age 60

- 1986**
 - 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
 - Increase retiree pension by 6% but not less than \$5 a month

- 1984**
 - Increased benefit formula from 1.1% of pay to 1.2% for service after January 1, 1974
 - Increase retiree pension by 6%, but not less than \$5 a month

History of Plan Changes

(continued)

- 1982**
- Added Special Early Retirement
 - Benefit formula change from 1% of pay to 1.1% of pay for service after January 1, 1972
 - Increase retiree pension by 6%, but not less than \$10 a month
 - Changes in disability retirement provisions
 - Changes in actuarial assumptions
 - Special provisions for county employees change to state employees
- 1980**
- Special Early Retirement
 - Change in service definition – unlimited sick leave
 - \$10/month increase in pension to retirees
 - Added Late Retirement Benefit

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 Rates	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.

Age	Sheriffs Hired after June 30, 2011
53-54	5%
55	25%
56-57	15%
58	20%
59-61	25%
62	30%
63	35%
64	40%
65	100%

Retirement rate is 100% for sheriffs hired after June 30, 2011 at 30 years of service.

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	
Member	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.
Benefit Service	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.
Final Average Compensation	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.
Normal Retirement Date	First day of calendar month coinciding with or next following the 65th birthday (age 55 for sheriff deputies hired after June 30, 2011).
Rule of 75 Retirement	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. There is no Rule of 75 Retirement for bargaining employees hired after June 30, 2011 (or later date based on applicable bargaining unit contract) and all non-bargaining employees hired after December 31, 2011.

Summary of Plan Provisions

(continued)

Early Retirement

Following attainment of age 55 and 20 years of service, or age 60 and 5 years of service. Age 53 for sheriff deputies hired after June 30, 2011. Age 50 and 10 years of service or age 60 and 5 years of service for bargaining employees hired after June 30, 2011 (or later date based on applicable bargaining unit contract) and all non-bargaining employees hired after December 31, 2011.

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.

For bargaining employees hired after June 30, 2011 (or later date based on applicable bargaining unit contract) and all non-bargaining employees hired after December 31, 2011, a monthly income equal to 1.5% for each year of service not to exceed 45% of the participant's final Average Compensation.

For sheriff deputies hired after June 30, 2011, a monthly income equal to the sum of (1), (2) and (3), not to exceed 60% of the participant's final Average Compensation:

- (1) 1.0% of Final Average Compensation multiplied by 1-10 years of benefit service.
- (2) 2.0% of Final Average Compensation multiplied by 11-20 years of benefit service.
- (3) 2.5% of Final Average Compensation multiplied by 21-32 years of benefit service.

Summary of Plan Provisions

(continued)

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.

Reduced by .4167% for each full calendar month that the initial retirement payment precedes the normal retirement date for bargaining employees hired after June 30, 2011 (or later date based on applicable bargaining unit contract) and all non-bargaining employees hired after December 31, 2011.

Reduced by .4% for each full calendar month that the initial retirement payment precedes the normal retirement date for sheriff deputies hired after June 30, 2011.

Rule of 75 Retirement

If the eligibility 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.

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.

Summary of Plan Provisions

(continued)

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. The participant and spouse must be married for at least one year prior to 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:

Completed Years of Service on Date of Termination	Vesting Factor
Less than 5	0.00
5	0.25
6	0.40
7	0.55
8	0.70
9	0.85
10 Years and Over	1.00

Summary of Plan Provisions

(continued)

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 annually.

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.

Sheriff deputies hired after June 30, 2011 contribute according to the following schedule:

Years of Service	Percentage
Less than 33	8.50%
33	7.50%
34	6.50%
35 or more	5.50%

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

	Plan Year Beginning January 1		
	2010	2011	2012
Active Participants			
Number	2,148	2,183	2,105
Average Attained Age	44.6	44.7	45.0
Average Past Service	9.9	9.9	10.2
Total Annual Compensation	\$102,412,097	\$105,380,953	\$104,116,530
Average Annual Compensation	47,678	48,273	49,462
Non-Active Participants			
Number	1,259	1,223	1,283
Average Attained Age	65.5	66.8	66.9
Total Annual Benefits	17,206,062	17,887,406	19,340,103
Average Annual Benefit	13,666	14,626	15,074

Participant Census Statistics

(continued)

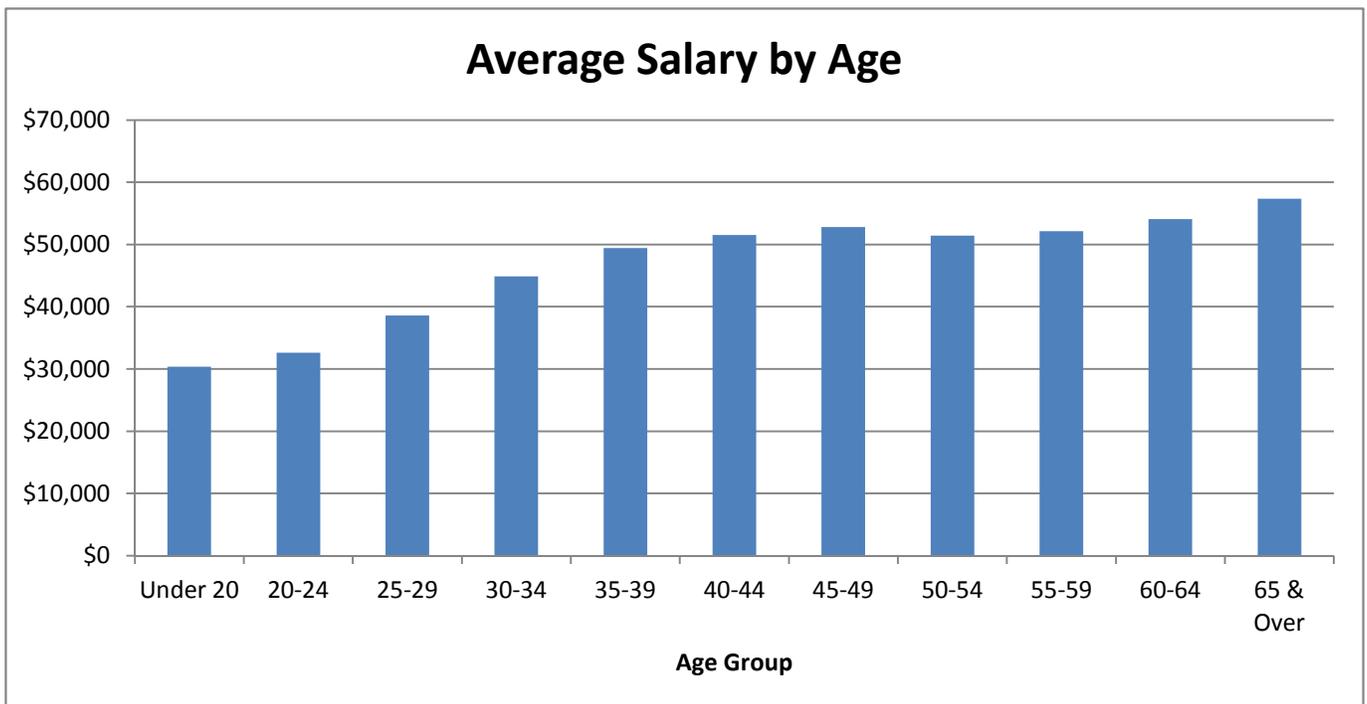
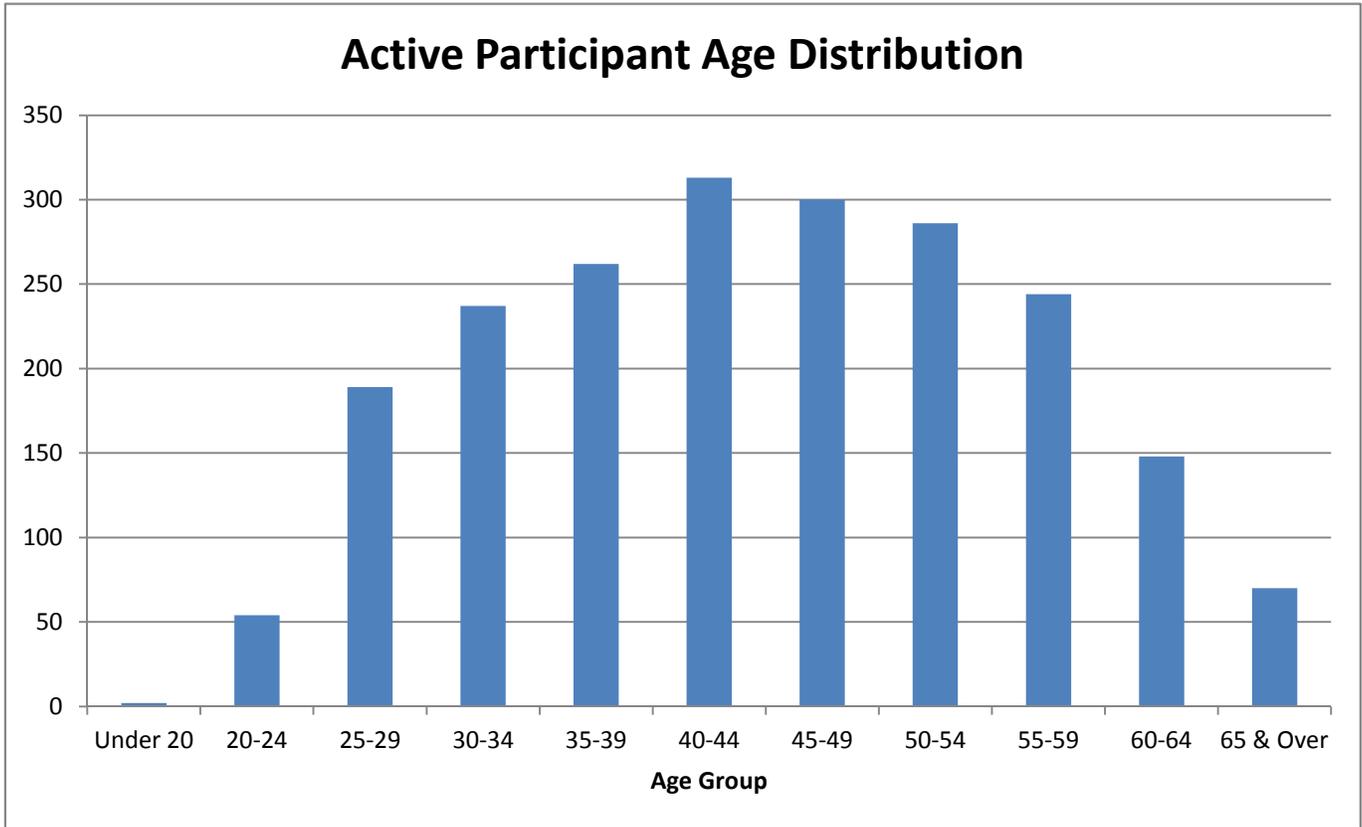
January 1, 2012

Active Participants Included in Valuation

Age at Valuation Date	Years of Service								Average Salary	
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35+		Total
Under 20	2	0	0	0	0	0	0	0	2	30,378
20-24	54	0	0	0	0	0	0	0	54	32,609
25-29	148	40	1	0	0	0	0	0	189	38,568
30-34	112	93	30	2	0	0	0	0	237	44,884
35-39	75	87	89	10	1	0	0	0	262	49,433
40-44	78	70	88	50	27	0	0	0	313	51,508
45-49	63	72	56	42	52	14	1	0	300	52,823
50-54	53	66	56	37	41	22	9	2	286	51,400
55-59	54	44	59	34	25	15	7	6	244	52,150
60-64	19	35	39	25	13	7	6	4	148	54,105
65 & Over	5	22	17	9	6	7	1	3	70	57,357
Total	663	529	435	209	165	65	24	15	2,105	
Average Salary	41,580	46,651	53,418	56,479	60,738	62,442	65,692	78,179		49,462

Average Salary - based on reported compensation for calendar 2011.

Participant Census Statistics (continued)



Participant Census Statistics

(continued)

January 1, 2012 Non-Active Participants Included in Valuation

	Number	Total Annual Benefit	Average Annual Benefit
Retired & Beneficiary	1,061	\$17,180,482	\$16,193
Vested Terminated	132	908,624	6,884
Terminated Non-Vested	60	316,129	5,269 *
Disabled Participants	30	934,868	31,162
Total	1,283	19,340,103	15,074

* Amount equal to expected refund of member contributions.

Retired & Beneficiary Participants in Pay Status

Age	Number	Total Annual Benefit	Average Annual Benefit
Under 50	4	\$78,986	\$19,747
50-54	44	1,314,711	29,880
55-59	101	2,848,384	28,202
60-64	172	4,010,147	23,315
65-69	183	3,227,606	17,637
70-74	154	2,233,701	14,505
75-79	131	1,555,383	11,873
Over 79	272	1,911,564	7,028
Total	1,061	17,180,482	16,193

Disabled Participants in Pay Status

Age	Number	Total Annual Benefit	Average Annual Benefit
Under 45	1	\$20,499	\$20,499
45-49	5	82,923	16,585
50-54	2	57,225	28,613
55-59	3	93,141	31,047
Over 59	3	28,146	9,382
Total	14	281,934	20,138

Participant Census Statistics

(continued)

	Active	Non-Active			Beneficiary	Total
		Deferred	Disabled	Retired		
Number on January 1, 2011	2,183	195	30	856	142	3,406
Terminated						
Non-Vested	0	0	0	0	0	0
Vested - Lump Sum	-71	-38	0	0	0	-109
Vested - Deferred	-41	+44	-3	0	0	0
Disabled	-5	0	+5	0	0	0
Deceased						
Vested - Lump Sum	0	0	0	0	0	0
Vested - Beneficiary	-5	0	-1	-23	+29	0
No Additional Benefit	0	-1	0	-14	-5	-20
Retired						
Monthly Benefit	-71	-8	-1	+80	0	0
Lump Sum	0	0	0	0	0	0
Certain Period Expired	0	0	0	0	-4	-4
Return to Active	+2	-2	0	0	0	0
New Entrants or Prior Omissions During Plan Year	+113	+2	0	0	0	+115
Number on January 1, 2012	2,105	192	30	899	162	3,388
<u>Non-Active Participants</u>				<u>Number</u>	<u>Annual Benefit</u>	
Vested Deferred Participants				192	\$908,624	
Retired & Beneficiary Participants				1061	17,180,482	