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January 28, 2011

**VIA EMAIL**

Ms. Phyllis Chambers  
Director  
Nebraska Public Employees Retirement Systems  
1221 N Street, Suite 325  
Lincoln, NE 68508

**Re: July 1, 2010 Actuarial Study for the Nebraska School Retirement System  
of the Fiscal Impact of LB 486**

Dear Phyllis:

As requested, we are providing the results of an actuarial study performed as of July 1, 2010 for the Fiscal Note for LB 486 concerning the School Retirement System. This bill proposes to increase the salary cap from 7% to 9% each year and eliminates any exemptions from application of the new 9% cap. Attached is an exhibit showing the results of our study.

The actuarial impact to the system for this change is dependent on the extent to which members are currently eligible for and receiving exemptions from the 7% salary increase cap. In 2010, 47% of retiring members who had at least one year where their salary increase exceeded 7% were exempt from the cap. For the period from 2006 to 2010, 30% of these total retired members were eligible for the exemption. Given this range, we calculated the actuarial impact for two exemption scenarios. The first if 25% of all future retirees with over 7% salary increases were eligible for the exemption, and a second if 50% were eligible.

The results indicate that if only 25% of future retirees are eligible for the exemption to the 7% cap, then a change to a 9% cap without exemptions would increase the present value of benefits by \$2,968,653. If 50% of retirees were exempt, then moving to a 9% cap for all (no exemptions) would decrease the present value of benefits by \$1,057,666. The break-point, or exemption level that would result in a break-even is at approximately 43%. We have also shown the results if LB 486 were modified to an 8% salary increase cap.

If you have any questions or need anything else, please call.

Sincerely,

A handwritten signature in cursive script that reads "David H. Sliskinsky".

David H. Sliskinsky, A.S.A.  
Principal and Consulting Actuary

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Enclosure

c: Mr. Randy Gerke (with enclosure)  
Ms. Tammy Ringel  
Mr. Doug Fiddler